

# **TVS MOTOR COMPANY LIMITED**

**Fourteenth Annual Report 2005-2006**

### Board of Directors

VENU SRINIVASAN  
*Chairman & Managing Director*

GOPAL SRINIVASAN

T. K. BALAJI

H. LAKSHMANAN

T. KANNAN

N. GANGA RAM

C. R. DUA

K. S. BAJPAI

T. R. PRASAD

### Audit Committee

T. R. PRASAD  
*Chairman*

N. GANGA RAM

T. K. BALAJI

T. KANNAN

### Investors' Grievance Committee

N. GANGA RAM  
*Chairman*

VENU SRINIVASAN

T. KANNAN

### President

K.N. RADHAKRISHNAN

### Sr. Vice President - Finance

S.G. MURALI

### Secretary

T. S. RAJAGOPALAN

### Auditors

SUNDARAM & SRINIVASAN  
Chartered Accountants,  
23, Sir C.P. Ramaswamy Road,  
Alwarpet, Chennai 600 018.

### Listing of shares with

Madras Stock Exchange Ltd., Chennai.  
Bombay Stock Exchange Ltd., Mumbai.  
National Stock Exchange of India Ltd., Mumbai.

### Bankers

STATE BANK OF INDIA  
Corporate Accounts Group Branch,  
Greams Road,  
Chennai 600 006.

STATE BANK OF MYSORE  
Industrial Finance Branch,  
Midford Garden Road,  
Bangalore 560 001.

### Registered office

Jayalakshmi Estates,  
29 (Old No.8), Haddows Road, Chennai 600 006.

### Factories

- 1) Post Box No. 4,  
Harita, Hosur 635 109.
- 2) Post Box No. 1,  
Byathahalli village,  
Kadakola post,  
Mysore 571 311.

### Subsidiary Companies

Sundaram Auto Components Limited,  
Chennai.

TVS Motor Company (Europe) B.V.,  
Amsterdam

TVS Motor (Singapore) Pte. Limited,  
Singapore

PT. TVS Motor Company Indonesia,  
Jakarta

Contents	Page no.
Financial Highlights	2
Notice to the Shareholders	3
Directors' Report to the Shareholders	6
Management Discussion and Analysis Report	11
Report on Corporate Governance	15
Certificate on Corporate Governance	20
Auditors' Report to the Shareholders	21
Balance Sheet	24
Profit and Loss Account	25
Schedules	26
Notes on Accounts	32
Cash Flow Statement	46
General Business Profile	48
Statement under section 212	49
Consolidated Accounts	50

## Financial Highlights

Rupees in crores

DETAILS	2005-2006	2004--2005	2003-2004	2002-2003	2001-2002
Sales and other income	3306	2955	2856	2726	1944
Profit before interest, depn., and tax	275	291	296	284	144
Profit before tax	168	200	215	201	83
Profit after tax	117	138	138	128	54
Net fixed assets	794	770	704	533	440
Share capital	24	24	24	23	23
Reserves and surplus	742	655	551	400	300
Networth	673	614	562	423	323
Total borrowings	385	187	119	122	167
Earnings per share (Rs)	4.93	5.79	5.83	5.54	2.33
Dividend per share (Rs)	1.30	1.30	1.30	1.20	0.90
Book value per share (Rs)	28.04	25.58	23.42	18.39	14.04

Note:

Effective 8th December 2003, the par value of the shares of the company was split from Rs.10/- per share to Re.1/- per share. Previous year figures were recast to conform to the split in the par value of the shares.

## Notice to the Shareholders

NOTICE is hereby given that the fourteenth annual general meeting of the company will be held at 'The Music Academy', New No.168 (Old No.306), TTK Road, Chennai 600 014 on Monday, the 21<sup>st</sup> August 2006, at 10.15 A.M to transact the following business:

### ORDINARY BUSINESS

- To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:  
RESOLVED THAT the audited balance sheet as at 31<sup>st</sup> March 2006 and the profit and loss account of the company for the year ended on that date, together with the directors' report and the auditors' report thereon as presented to the meeting, be and the same are hereby, approved and adopted.
- To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:  
RESOLVED THAT the first interim dividend of Re.0.70 per share declared by the board of directors of the company on 27<sup>th</sup> October 2005 on 23,75,43,557 equity shares of Re.1/- each fully paid and the second interim dividend of Re. 0.60 per share declared by the board of directors of the company on 26<sup>th</sup> June 2006 on 23,75,43,557 equity shares of Re.1/- each fully paid, absorbing a sum of Rs. 30.88 crores in the aggregate paid to the shareholders on 8<sup>th</sup> November 2005 and 10<sup>th</sup> July 2006 respectively be and are hereby approved as final dividend for the year ended 31<sup>st</sup> March 2006.
- To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:  
RESOLVED THAT Mr K S Bajpai, director who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a director of the company.
- To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:  
RESOLVED THAT Mr N Ganga Ram, director who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a director of the company.
- To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:  
RESOLVED THAT Mr C R Dua, director who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a director of the company.
- To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:  
RESOLVED THAT the retiring auditors Messrs. Sundaram & Srinivasan, Chartered Accountants, Chennai be and are hereby re-appointed as auditors of the company to hold office from the conclusion of this annual general meeting till the conclusion of the next annual general meeting of the company on such remuneration as may be fixed in this behalf by the board of directors of the company.

### SPECIAL BUSINESS

- To consider and if thought fit, to pass with or without modification, the following resolution as a special resolution:  
RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any of the Companies Act, 1956, the Articles of Association of the company be and is hereby altered in the manner specified below:  
In the Articles of Association of the company, the existing Clause 145, be re-numbered as 145(a) and the following clause be inserted  
Article 145(b)  
Subject to the applicable provisions of the Act, the Board shall have the power to permit directors to participate through the means of video or tele-conferencing at a duly constituted meeting of the Board of Directors or Committee thereof.
- To consider and if thought fit, to pass with or without modification, the following resolution as a special resolution:  
RESOLVED THAT pursuant to the provisions of Section 314 and other applicable provisions of the Companies Act, 1956, consent of the company be and is hereby accorded to Ms Lakshmi Venu, a relative of Chairman and Managing Director of the company for holding and continuing to hold an office of profit as a manager (not a manager for the purpose of Companies Act, 1956) in Sundaram Auto Components Limited (SACL), a wholly owned subsidiary of the company with effect from 14<sup>th</sup> September 2005 on the following terms and conditions:
  - Consolidated salary of Rs.25,000/- per month in the Pay scale of Rs.25,000-2500-40,000 with the power to the board of directors of SACL to increase the said consolidated salary by such amount within the scale as they deem fit.
  - In addition to the above, the following perquisites will be provided as per SACL Company rules:
    - Contribution to the Provident Fund and Superannuation Fund.
    - Medicclaim insurance policy for hospitalisation.
    - Reimbursement upto Rs.7,500/- per year towards domiciliary medical expenses on production of bills.
    - Personal accident insurance policy for a sum not exceeding Rs.10 lakhs, the premium for which will be paid by SACL.
    - Leave Travel allowance equivalent to one month's salary per annum.

By order of the board

Chennai  
June 26, 2006  
Registered Office:  
"Jayalakshmi Estates"  
29, Haddows Road,  
Chennai 600 006

T. S. RAJAGOPALAN  
*Secretary*

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy or proxies so appointed need not be a member or members, as the case may be, of the company. The instrument appointing the proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the company not later than 48 hours before the time fixed for holding the meeting.
2. The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the special business as set out in the notice is annexed hereto.
3. The register of members and the share transfer register will remain closed for a period of 3 days from 16<sup>th</sup> August 2006 to 18<sup>th</sup> August 2006 (both days inclusive).
4. In terms of Section 205A read with Section 205C of the Companies Act, 1956, the dividends declared by the company which remain unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government on the due dates. The particulars of due dates for transfer of such unclaimed dividends to IEPF are furnished in the report on corporate governance forming part of the annual report.  
  
Members who have not encashed their dividend warrants are requested to make their claim by surrendering the unencashed warrants immediately to the company.
5. Members holding shares in physical form, in their own interest, are requested to dematerialise the shares to avail the benefits of electronic holding / trading.
6. Members are requested to notify to the company immediately any change in their address. Members holding shares in depository are requested to advise change of address to their depository participants.
7. As a measure of economy, copies of the annual report will not be distributed at the annual general meeting. Members are therefore requested to bring their copies of the annual report to the meeting.
8. Members are requested to affix their signature at the space provided on the attendance slip annexed to the proxy form and hand over the slip at the entrance of the meeting hall.
9. In terms of Clause 49 of the listing agreement with stock exchanges, a brief resume of directors who are proposed to be re-appointed at this meeting is given below:
  - I. Mr K S Bajpai  
Born on 30<sup>th</sup> March 1928, Mr K S Bajpai, was in Indian Foreign Service and retired as Secretary to Government, Government of India, New Delhi.  
Mr K S Bajpai served as secretary of the ministry of External Affairs and also served as Indian Ambassador to Pakistan, China and United States of America. He was a visiting fellow at Stanford University's centre for international security and co-operation in 2002. He was co-opted as a director of the company on 27<sup>th</sup> January 2003.  
He does not hold directorship in any other company.  
He does not hold any share in the company.
  - II. Mr N Ganga Ram  
Born on 22<sup>nd</sup> September 1934, Mr. N Ganga Ram holds a Master of Arts degree in Economics from the University of Madras. He is a

Certified Associate of the Indian Institute of Banking & Finance and a Fellow of the Economic Development Institute, World Bank, Washington. Having served for over 8 years with United Bank of India as an executive, Mr. Ganga Ram joined Industrial Development Bank of India (IDBI) and worked with IDBI for 27 years and retired as executive director in September 1992. He was co-opted as a director of the company on 28<sup>th</sup> March 2001.

Mr Ganga Ram has done overseas consultancy assignments for the World Bank, Washington and the Asian Development Bank, Manila. He has wide experience in appraisal and post-sanction supervision of industrial projects. He has served on the boards of Larsen & Toubro Limited and other reputed companies and State level development financial institutions as a nominee director of IDBI. Mr Ganga Ram is presently Chairman of the Listing Advisory Committee of National Stock Exchange of India Limited (NSE) and is also on the Membership Advisory Committee of the Exchange. Besides, he is an Arbitrator for the National Commodity and Derivatives Exchange Ltd.

He does not hold any share in the company.

Mr. Ganga Ram is the chairman of the investors' grievance committee and member of the audit committee of the company. Details of his other directorship / membership of committees are given below:

S. No	Name of the company	Position held	Committee membership
1.	Sundaram Home Finance Limited	Director	Audit Committee - Chairman
2.	Positive Packaging Industries Limited	Director	Audit Committee - Chairman
3.	Juniper Hotels Private Limited (Grand Hyatt)	Director	Audit committee Member

- III. Mr C R Dua  
Born on 3<sup>rd</sup> November, 1951 Mr. C R Dua is the founding partner of Dua Associates, which is one of the largest and leading law firms in India with a nationwide presence. Mr. Dua has successfully established and developed Dua Associates into a practice with over 150 professionals including 35 partners. Mr. Dua has vast experience in corporate law, Mergers & Acquisition, privatization, project finance, public issues, entry strategies, foreign investment, corporate structuring/ restructuring, infrastructure projects, international trade and taxation aspects of doing business in India. The firm has the aforementioned practice areas and a strong litigation and arbitration practice.  
Mr. Dua as Senior Partner has advised a variety of clients including leading companies in India and also multinational corporations. He is a member of the Advisory Committee on Competition Advocacy and also of the Competition Commission Advisory Committee on Regulations of the Competition Commission of India. Mr. Dua was a member of the High Level Committee to suggest Scientific and Rational Regulatory Environment for Companies/Firms in India. He was Co-opted as a director of the company on 27<sup>th</sup> December 2001.  
He has been a founder member of the American Chamber of Commerce in India  
He sits on the Boards of several leading listed public companies in India and subsidiaries of multinational corporations.  
He does not hold any share in the company

Details of his other directorship / membership of committees are given below:

S. No	Name of the company	Position held	Committee membership
1.	Amit Investments (P) Limited	Director	
2.	Associated Corporate Consultants (India) Private Limited	Director	
3.	Baxter India (P) Limited	Director	
4.	Becton Dickinson India (P) Limited	Director	
5.	Connaught Plaza Restaurants Private Limited	Alternate Director	
6.	ELCA Cosmetics (P) Limited	Director	
7.	Polaroid India (P) Limited	Director	
8.	Result Services (P) Limited	Director	
9.	ST Microelectronics (P) Limited	Director	
10.	Tupperware India (P) Limited	Director	
11.	UL India (P) Limited	Director	
12.	Cabot India Limited	Director	Audit Committee Member
13.	Emerson Process Management Power & Water Solutions India Private Limited	Director	

S. No	Name of the company	Position held	Committee membership
14.	Fila Sports India (P) Limited	Director	
15.	Inapex Private Limited	Director	
16.	LAF Fire Safety Systems India (P) Limited	Director	
17.	Lexphere Private Limited	Director	
18.	Linde Process Technologies India Pvt. Limited	Director	
19.	McCann Erickson India (P) Limited	Alternate Director	
20.	Gillete India Limited	Director	Audit committee - Chairman Remuneration Committee - Member
21.	India Satcom Limited	Director	
22.	Pearl Engineering Polymers Limited	Director	Remuneration Committee - Member
23.	Timex watches Limited	Director	
24.	Wimco Limited	Director	Audit Committee - Member
25.	Dua AFG Consulting (P) Limited	Director	
26.	McDonald's India (P) Limited	Director	

## Annexure to notice

### Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956

The following explanatory statement sets out all the material facts relating to the special business mentioned in the accompanying notice dated 26<sup>th</sup> June 2006 and shall be taken as forming part of the notice.

#### Item No. 7

Keeping in tune with the eGovernance initiatives by the Ministry of Company Affairs (MCA), it is expected that necessary amendments to the Companies Act, 1956 and regulatory provisions may also be introduced to facilitate conduct of Board or Committee meeting(s) through electronic means i.e. video or tele-conferencing. The Information Technology (IT) Act, 2000 also recognises communications in digital or electronic form, and holding of Board or Committee meetings through electronic means are permissible under the IT Act.

At present, the Companies Act, 1956 does not recognise participation by directors at Board Meeting through video or tele-conferencing for voting and quorum purposes.

It is considered desirable to have this amendment whereby participation of such directors who are unable to be physically present at the meetings will facilitate the Board to have the benefit of their advice in the deliberations at the Board Meeting, even though, under statute their participation will not be counted for quorum or voting purposes.

Accordingly, your directors recommend the special resolution at item no. 7 of the notice for the approval of the shareholders.

None of the directors of the company is interested or concerned in the said resolution.

#### Item No. 8

Ms. Lakshmi Venu is a holder of degree in Economics from Yale University having secured honours overall in the course with distinction in Economics.

Ms. Lakshmi Venu is serving Sundaram Auto Components Limited (SACL), a wholly owned subsidiary of the company, since March 2003 as a Management Trainee.

She has been appointed as a Manager effective 14<sup>th</sup> September 2005 drawing salary in the pay scale of 25,000-2,500-40,000 with other perquisites as applicable to other executives in similar grade in SACL. She is having an exclusive in-depth induction programme in various departments of the company.

In order to provide her with special training for enhancing her managerial skills, she is currently pursuing a Doctorate Programme in Engineering Business Management at the University of Warwick, UK. This Doctorate Programme is meant for practical experience for the 'Industry based full-time Managers'. The doctorate is awarded for innovation in both concept and application. She is expected to complete her Doctoral Programme within next two years.

Being related to Chairman & Managing Director of the company, her appointment in the wholly owned subsidiary may amount to holding an office of profit in terms of the first proviso to Sub-section (1) of Section 314 of the Companies Act, 1956. In terms of the said proviso, her appointment needs to be approved by a special resolution by the shareholders at the General Meeting that is held for the first time after the said appointment.

Accordingly, the directors seek your approval by way of a special resolution mentioned at item No. 8 of the notice.

None of the directors of the company except Mr. Venu Srinivasan is concerned or interested in the resolution.

Inspection of documents: The documents referred to in the notice and explanatory statement will be available for inspection at the registered office of the company on any working day between 10.00 a.m. and 12.00 noon.

By order of the board

Chennai  
June 26, 2006  
Registered Office:  
"Jayalakshmi Estates"  
29, Haddows Road,  
Chennai 600 006

T. S. RAJAGOPALAN  
*Secretary*

## Directors' report to the shareholders

The directors present the fourteenth annual report and the audited accounts for the year ended 31<sup>st</sup> March 2006.

### 1. FINANCIAL HIGHLIGHTS

Details	Year ended 31-03-2006	Year ended 31-03-2005
<b>QUANTITATIVE</b>		
Sales:		
	(Numbers in lakhs)	
Motorcycles	8.06	6.79
Mopeds	2.90	2.63
Scooters	2.44	2.25
Total vehicles sold	13.40	11.67
<b>FINANCIAL</b>		
	(Rupees in crores)	
Sales (net of excise duty) and other income	3305.96	2955.21
EBITDA	275.48	290.87
Interest (net)	13.12	0.79
Depreciation	93.91	89.63
Profit before tax	168.45	200.45
Provision for tax (including deferred tax and fringe benefit tax)	51.45	62.88
Profit for the year (after tax)	117.00	137.57
Surplus brought forward	38.21	34.43
Tax relating to earlier years	5.50	1.42
Transfer from Debenture Redemption Reserve	—	9.90
Profit available for appropriation	160.71	183.32
<b>APPROPRIATIONS:</b>		
Interim dividend	30.88	30.89
Tax on dividend	4.33	4.22
Transfer to general reserve	90.00	110.00
Surplus carried forward	35.50	38.21

### 2. DIVIDEND

For the year 2005-06, the board of directors declared two interim dividends viz. 70% on 27<sup>th</sup> October 2005 and 60% on 26<sup>th</sup> June 2006 making a total dividend of 130% absorbing a sum of Rs.30.88 crores. The directors recommend that the interim dividends paid be considered as the final dividend for the year 2005-2006.

### 3. PERFORMANCE

The total number of two wheelers sold during the year under review was 1.34 million units, registering an overall growth of 15 per cent over the previous year with category growth of Motorcycles by 19%, mopeds by 10% and scooters by 9%. The company's export sales grew by 48% from Rs.120 crores in the year 2004-05 to Rs.177 crores in the year 2005-2006 and continue to be a focus area for growth.

The launch of Apache and two TVS StaR range including the popular TVS StaR City variant enabled the company to improve its market share and turnover significantly during the year under review.

The profit before tax for the year under review was Rs.168.45 crores as against Rs.200.45 crores in the previous year. The profit after tax stood at Rs.117 crores in 2005-06 compared to Rs.137.57 crores in the previous year. The previous year profit includes Rs.36.94 crores shown under other income arising out of the reduction in deferred sales tax liability due to prepayment. The fall in profit was due to higher material cost on account of stringent emission norms coupled with the rise in cost of aluminium, steel, rubber and plastics. The company has planned an aggressive strategy to reduce its cost.

### 4. EXPANSION ACTIVITIES

As indicated in the last report, the company has commenced its activities for setting up a manufacturing facility for manufacture of three wheelers near existing plant at Hosur. The commercial production of three wheelers is expected to commence during last quarter of 2006-2007.

The company has acquired land at Nalagarh Taluk in Solan District, Himachal Pradesh and construction of factory buildings is in the final phase. The commercial production of two wheelers is expected to commence in the second half of 2006-2007. All approvals required in this connection have been obtained from various Government Agencies.

The company has also entered into a joint venture with a Columbian party for exploring opportunities in Columbian market with an equity investment of Rs.5 million.

The total investment for the above projects was met out of internal accruals and external commercial borrowings.

### 5. SUBSIDIARY COMPANIES

During the year under review TVS Motor Company (Europe) B.V, was incorporated in Netherlands as a wholly owned subsidiary of the company with an investment of Rs.91.63 crores in the share capital of the company. This company during the year invested in the equity capital of PT TVS Motor Company Indonesia and holds 75% of the total paid up equity capital of PT TVS Motor Company Indonesia.

TVS Motor Singapore Pte. Limited, Singapore became a wholly owned subsidiary of the company during the year with an investment of Rs.30.51 crores in the capital of the company. This company during the year invested in the equity capital of PT TVS Motor Company Indonesia and holds 25% of the total paid up equity capital of PT TVS Motor Company Indonesia.

PT TVS Motor Company Indonesia was incorporated in Indonesia to manufacture motorcycles and parts with an investment of US\$ 27.60 million and became subsidiary of the company in view of it being the subsidiary of TVS Motor Company (Europe) B.V.

The company's subsidiary PT TVS Motor Company Indonesia has acquired lands in Indonesia for setting up a facility for manufacturing two wheelers. Construction of building has commenced. The initial production capacity of the plant would be 1,20,000 vehicles per annum. The commercial production is expected to commence in the fourth quarter of 2006-2007.

As on date of this report, the following are the subsidiaries of the company:

Name of Company	Subsidiary of M/s
Sundaram Auto Components Limited	TVS Motor Company Limited
TVS Motor Singapore Pte. Limited	TVS Motor Company Limited
TVS Motor Company (Europe) B V	TVS Motor Company Limited
PT TVS Motor Company Indonesia	TVS Motor Company (Europe) B.V.

In terms of Accounting Standard 21 (AS 21) prescribed by the Institute of Chartered Accountants of India, the accounts of the subsidiaries are consolidated with the accounts of the company and the consolidated accounts form part of this report.

An application in terms of Section 212(8) of the Companies Act, 1956 was made to the Central Government, seeking exemption from attaching the Balance Sheet and Profit and Loss Account of the subsidiaries along with the report of the board of directors and that of the auditors' thereon, with the company's accounts. The accounts, reports and other documents of the subsidiary companies will be made available to the members and investors at any time upon receipt of a written request from them.

### 6. DIRECTORS

Mr K S Bajpai, Mr N Ganga Ram and Mr C R Dua, directors, retire at the ensuing annual general meeting of the company and being eligible, offer themselves for re-appointment.

### 7. AUDITORS

M/s Sundaram & Srinivasan, Chartered Accountants, Chennai, retire at the ensuing annual general meeting and are eligible for re-appointment.

### 8. CORPORATE GOVERNANCE

As required by clause 49 of the listing agreement, a management discussion and analysis report and a report on corporate governance are enclosed. A certificate from the auditors of the company regarding compliance of the conditions of corporate governance as stipulated by clause 49 of the listing agreement is attached to this report.

The chairman and managing director and senior vice president – finance of the company have issued necessary certificate to the board in terms of Clause 49 (V) of the Listing Agreement with Stock Exchanges for the financial year ended 31<sup>st</sup> March 2006.

### 9. STATUTORY STATEMENTS

As per the requirements of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of board of directors) Rules, 1988, the information regarding conservation of energy, technology absorption and foreign exchange earnings and outgo are given in Annexure I to this report.

The particulars required pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 as amended, are given in Annexure II to this report.

As required under Section 217(2AA) of the Companies Act, 1956, the directors' responsibility statement is given in Annexure III to this report.

### 10. ACKNOWLEDGEMENT

The directors gratefully acknowledge the continued support and co-operation received from the holding company i.e. Sundaram-Clayton Limited, Chennai. The directors thank the bankers, investing institutions, customers, dealers, vendors and sub-contractors for their valuable support and assistance.

The directors wish to place on record their appreciation of the excellent work done by all the employees of the company during the year under review.

The directors also thank the investors for their continued faith and support to the company.

For and on behalf of the board

Chennai  
June 26, 2006

venu srinivasan  
*Chairman*

## Annexure I to directors' report to the shareholders

Information pursuant to section 217(1)(e) of the Companies Act, 1956

### A. CONSERVATION OF ENERGY

1. Measures taken
  - (i) Heat recovery hot water system has been extended to Plant I paint plant resulting in fuel savings.
  - (ii) SKO has been used as alternate fuel in place of LDO in paint plants.
  - (iii) Optimum air control system installed. This has resulted in reduction of compressor power consumption.
  - (iv) Continuous monitoring of energy consumption.

The above measures have resulted in a saving of Rs. 3 crores.

- 2 Proposed measures
  - (i) Implementation of waste heat driven 250TR VAM AC and supply chilled water for the chiller application at the Mysore paint plants.
  - (ii) Reduction of power consumption in electrical heaters of CPP by installing waste heat hot water heaters for fuel and oil heating at Hosur Plant.
  - (iii) Implementation of waste heat recovery for the hot water baths at paint plant at Plant II.
  - (iv) Implementation of other cost effective energy saving proposals on hand in Hosur and Mysore plants.

The above measures are expected to yield an annual saving of approximately Rs.2 crores.

### B TECHNOLOGY ABSORPTION

1. Specific areas in which R & D is carried out by the Company:
  - (i) Design and develop variants of motorcycle for premium segment.
  - (ii) Design and develop variants of scooter for convenience segment.
  - (iii) Development of technologies like inductive ignition, inductive and exhaust resonators, etc. and their absorption into new products.
  - (iv) Development of new features like alloy wheels, canister shox, easy centre stand, utility box light etc. and their absorption into new products.

2. Future plan of action:
    - (i) Development of new technologies for reducing emission, improving the fuel economy, ride comfort and safety.
    - (ii) Development of new products with improved ride comfort and road safety.
- |   |               |
|---|---------------|
| 3 Expenditure on R & D                        | Rs. in crores |
| Capital expenditure                           | 12.82         |
| Revenue expenditure                           | 54.87         |
| Expenditure pending allocation                | 8.39          |
| Total   | 76.08         |
| Total expenditure as a percentage of turnover | 2.30%         |
- 4 Data relating to imported technology: (Technology imported during the last 5 years reckoned from the beginning of the financial year)
 

	Nil
--	-----

### C FOREIGN EXCHANGE EARNINGS AND OUTFLOW

- 1 Export activities
 

The thrust on international business continues. International business has shown a growth of 62% over last year. The coverage has been widened and the company now exports to 38 countries in the world. The objective is to continue expanding international business and make it a significant proportion of the company's turnover.
- 2 Total foreign exchange earned and used
 

	Rs. in crores
Foreign exchange used	130.74
Foreign exchange earned	180.68

For and on behalf of the board

Chennai  
June 26, 2006

VENU SRINIVASAN  
*Chairman*

Annexure II to directors' report to the shareholders

Particulars of employees as per Section 217(2A) of the Companies Act, 1956

Sl. No.	Name	Age (Yrs.)	Designation	Date of employment	Remuneration (Gross) Rs.	Qualification	Experience (Yrs.)	Previous employment
EMPLOYED THROUGHOUT THE YEAR								
1	Avind Pangoonkar	61	General Manager - R & D	01.09.1987	28,02,043	D.M.E., A.M.I.E.	42	Member - R & D, Sundaram -Clayton Limited
2	Cecil Kanagaraj Dewars	57	Vice President - Corporate Communication	28.02.2001	31,46,269	B.A.	34	General Manager, Coca-Cola India Limited
3	Chandramouli R.	47	Sr. Vice President - Sales and Service	19.12.1988	46,73,377	B.E.(Agri.), P.G.D.B.M.	22	Asst. Manager - Sales, Escorts Limited
4	Devarajan S.	48	Sr. Vice President- Production Engineering	03.11.1997	48,64,615	B.E.(Mech.), P.G.D.B.A., M.B.A.	25	P.E.(Incharge), Delphi Automotive Systems
5	Dilip R.	42	Vice President - Sales	17.04.2002	29,72,861	B.A.	19	Sales Manager, Bhawan Automotive Centre, Muscat.
6	Gointhi H.S.	48	Sr. Vice President - International Business	29.01.2001	47,53,934	B.E., P.G.D.M.	23	General Manager (Sales and Marketing), Mahindra Holiday Resorts
7	Harne Vinay Chandrakant	47	Sr. Vice President - R & D	01.09.1987	51,64,308	B.E.(Mech.), M.Tech.	23	Member - R & D, Sundaram Clayton Limited
8	Dr. Jabez Dhinagar S.	42	Vice President - A.E.G.	17.06.2002	36,61,515	M.E.(Automobile Engg.) Ph.D.(Mech. Engg.)	14	Lead Designer, GE Transportation Systems Engineering Design and Development Centre
9	Capt. Jagadish S.C.	47	General Manager - Civil	25.10.1996	30,99,713	B.E.(Civil)	24	Asst. Manager - Civil, Motor Industries Company Limited
10	Jayaram N.	46	General Manager - R & D	05.11.1994	26,77,829	M.E., B.Tech.	21	Manager - Design, Hindustan Aeronautics Limited
11	Kovaichelvan V.	49	Sr. Vice President- HR & TQC	21.05.1984	45,43,927	B.E.	26	Engineer, Kunal Engineering Limited
12	Kulkarni P.V.	46	Vice President - Program	01.09.1987	39,70,091	B.E., M.Tech.	22	Executive - Product Planning, Sundaram - Clayton Limited
13	Mohammed Basha Sheik	49	General Manager - R & D	01.09.1987	31,83,070	B.Tech.(Mech.), M.Des.	23	Member - R & D, Sundaram - Clayton Limited
14	Murali S.G.	55	Sr. Vice President - Finance	15.07.2002	48,32,098	B.Com., A.C.A.	34	General Manager - Commercial, Hindustan Lever Limited
15	Muthuraj M.	50	Sr. Vice President- Operations	01.10.1984	48,27,095	D.M.E., B.Tech., M.S.	29	Asst. Engineer, Hindustan Brown Boveri Limited
16	Prasad Narasimhan	39	Vice President-Marketing	10.08.2004	46,74,149	B.E., P.G.D.M.(IIM-A)	16	Marketing Manager, Hindustan Lever Limited
17	Radhakrishnan K.N.*	43	Executive Vice President	15.09.2000	69,54,077	M.Tech. (Maint. Engg. and management)	20	General Manager (Business Planning), Sundaram - Clayton Limited
18	Rajagopalan S.	64	Vice President - Industrial Relations	04.09.1995	40,21,847	B.Com., L.L.B., P.G.D.B.M.	46	Personnel Manager, Coats Viyella (India) Limited
19	Rajagopalan T.S.	47	Vice President - Finance and Secretary	05.02.1991	37,65,285	B.Com., A.C.A., A.I.C.W.A., A.C.S., C.F.A., C.M.A.	22	Asst. Secretary, Lakshmi Auto Components Limited
20	Rajaraman N.	60	Vice President - Quality	01.10.1986	33,12,711	A.M.I.E., M.S.(Engg.)	39	Manager-Production, Productivity Elements Pvt. Limited
21	Ramachandra Babu Y.	50	General Manager - R & D	02.11.1984	32,34,025	B.Tech.(Auto), M.S.(Warwick)	26	Development Engineer, Enfield India Limited
22	Raman C.P.	65	President	01.02.1998	84,72,190	B.Tech.	45	Managing Director, Eveready Industries Limited
23	Sreedhar B.V.	51	General Manager - Service	08.02.1988	29,23,202	B.Sc., A.M.I.M.I.	27	Sales & Service Controller, Brooke Bond India Limited
24	Srinath B.K.	51	General Manager - Operations	01.08.1990	28,63,680	B.E.(Mech.)	27	Sr. Engineer - Planning, Motor Industries Company Limited
25	Srinivasan K.	47	Vice President - Sales and Service	10.09.1991	27,44,923	B.Sc.	26	Sr. Sales Manger, Usha International Limited
26	Varadarajan M.N.	47	Vice President - Materials	26.10.1983	37,92,009	B.Com., M.B.A., A.C.A., A.I.C.W.A., A.C.S.,	23	Accounts Officer, Dr. Lubrich Consultants Pvt. Limited
27	Venkatesan R.	47	General Manager- R & D	11.11.1988	28,21,924	B.Sc., B.Tech.	23	Asst. Manager - R & D, Majestic Auto Limited

## Annexure II to directors' report to the shareholders – (continued)

Particulars of employees as per section 217(2A) of the Companies Act, 1956

Sl. No.	Name	Age (Yrs.)	Designation	Date of employment	Remuneration (Gross) Rs.	Qualification	Experience (Yrs.)	Previous employment
EMPLOYED FOR A PART OF THE YEAR								
1	Gopaladesikan K.	42	General Manager - Finance	01.06.2001	15,17,311	B.Com., A.C.A.	17	General Manager, Sundaram-Clayton Limited
2	Gunjegaonkar D.S.	48	General Manager - R & D	05.06.2000	10,67,993	M.E.	24	Sr. Manager (Engines), Mahindra & Mahindra Limited
3	Sadasivam Sankar	41	General Manager - Program Management	22.02.2002	4,84,031	B.E., M.S., M.B.A.	14	Production and Planning Manager, Think Technologies, U.S.A.
4	Simha B.L.P.	43	St. Vice President - Asean	10.12.1990	26,09,905	B.E., M.S.(Warwick)	22	Member, Manufacturing Systems, Sundaram - Clayton Limited
5	Venkat Iyer	44	Chief Information Officer	12.04.2001	4,73,518	B.Sc., M.B.A. (Marketing India), M.B.A.(Information Systems U.S.A.)	21	General Manager - Information Technology, Xerox Modicorp Limited
6	Vijayakumar K.	35	General Manager - Sales and Marketing	06.10.1997	13,77,910	B.A., P.G.D.S.M	14	Area Sales Manager, Bajaj Auto Limited

\* Mr. K.N. Radhakrishnan has been appointed as President of the company with effect from 1st April 2006 in the place of Mr. C.P. Raman, who retired on 31st March 2006.

Notes:

- 1 Years of experience also include experience prior to joining the company.
- 2 Remuneration comprises of salary, house rent allowance, contribution to provident fund and superannuation fund, medical reimbursement, medical insurance premium, leave travel assistance and other benefits evaluated under Income-tax rules.
- 3 Besides, employees are entitled to gratuity as per rules.
- 4 None of the employees is related to any of the directors of the company.
- 5 Terms of employment of all the employees mentioned above are contractual.
- 6 None of the employees either individually or together with spouse or children held more than 2% of the equity shares of the company.

Chennai  
June 26, 2006

For and on behalf of the board  
VENU SRINIVASAN  
Chairman

## Annexure III to directors' report to the shareholders

Directors' Responsibility Statement as required under Section 217(2AA) of the Companies Act, 1956.

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby stated

- i. that in the preparation of annual accounts for the financial year ended 31<sup>st</sup> March 2006, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- ii. that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for the year under review;
- iii. that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- iv. that the directors had prepared the accounts for the financial year ended 31<sup>st</sup> March 2006 on a "going concern basis".

For and on behalf of the board

Chennai  
June 26, 2006

VENU SRINIVASAN  
Chairman

## Management Discussion and Analysis Report

The year 2005-06 was a landmark year for TVS Motor Company (TVS-M). It is the year in which TVS-M broke the shackles of a flat sales trend in the previous two years to post a 15% growth.

Overall, the company recorded 1.34 million two-wheeler sales with gross revenue of Rs.3306 Crores and Profit Before Tax (PBT) of Rs.168 crores during 2005-06.

### INDUSTRY STRUCTURE AND DEVELOPMENTS

From a semi luxury product for the urban middle class, the two-wheeler has now become not only the favourite form of personal transport but also the most coveted personal (household durable) possession amongst nearly all consumer classes.

Better quality and product features at attractive prices are the selling propositions of the motorcycle category. Apart from stylistic features such as alloy wheel, disc brakes and tachometer, motorcycles have also been equipped with self-start mechanism, hitherto a feature seen only in scooters.

Increased number of new models at attractive price points have shortened the product life cycle and triggered market expansion. Now, prices are as low as Rs.30,000 to Rs.35,000 for entry-level. Very few product categories, besides computers, have seen this kind of a change in affordability with performance.

Although India is the second largest two-wheeler market in the world after China, penetration levels are still lower at 45 per thousand people, compared to Indonesia (80), Thailand (150) and Malaysia (220). This presents ample scope for the industry to grow.

Increased availability of consumer financing will continue to spur sales. Consumer financing could in turn lead to reduction in the lifecycle of a two-wheeler, hence increased replacement demand.

Given more long term factors such as the absence of good public transportation, affordability (price cuts, rising incomes, easy financing) and replacement demand (two stroke with four stroke) the two-wheeler industry seems to be poised for robust growth in the coming years, with motorcycles leading the way.

The Indian two-wheeler industry continued its impressive run for the fifth year in succession registering a growth of 15% in 2005-06.

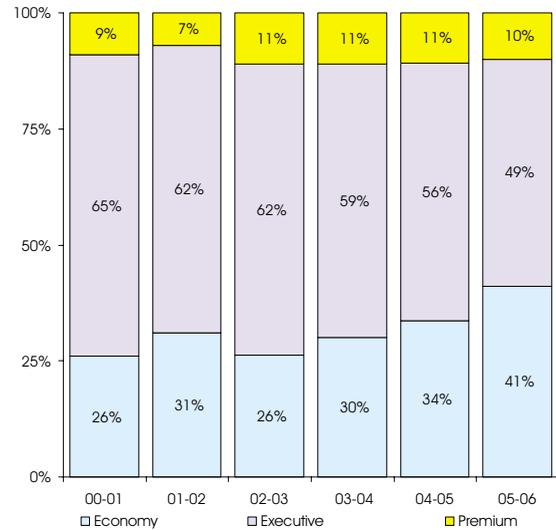
Industry Structure	2004-05			2005-06		
	Sales in mn	Growth	Category share	Sales in mn	Growth	Category share
Motorcycles	5.2	21%	79%	6.2	19%	82%
Ungeared scooters	0.8	17%	12%	0.8	4%	11%
Geared scooters	0.2	-24%	4%	0.2	-11%	3%
Mopeds	0.4	3%	5%	0.4	9%	5%
Total two wheelers	6.6	17%	100%	7.6	15%	100%

Motorcycles continued its dominance with a 19% growth and increased its category share to 82% from the previous years' 79%. The industry witnessed a slew of new product launches.

The economy segment continued to drive motorcycle sales with a robust 44% growth. This segment increased its share from 34% in the last year to 41%.

The category share of ungeared scooters declined marginally from 12% to 11% despite a sales growth of 4% over the last year.

Mopeds segment witnessed a healthy growth rate of 9% and maintained its category share at 5%. Geared scooters continued to decline (-11%) on the back of growing popularism, affordability and convenience the motorcycles deliver.



### BUSINESS OUTLOOK AND OVERVIEW

During 2005-06, the Indian economy posted a healthy growth of 8.4% with industry, services and agriculture growing by 8.7%, 10% and 3% respectively. Though Indian meteorological department has predicted a below normal monsoon for 2006-07, water reserves as at June in 76 major reservoirs, (covering 63% of total capacity) are higher by 60% compared to the last 10-year average.

With a projected GDP growth of around 8%, Per-capita income is expected to grow by 6% in 2006-07. Hence, with increasing purchasing power in the economy, it is expected that two-wheeler sales would grow by 15%. The motorcycle segment is expected to see a flurry of launches and will further increase its category share to 84%, growing at 19% in 2006-07. The moped and un-geared scooter segment is expected to grow by 10% and 8% respectively.

### COMPANY PERFORMANCE

New product launches

During the year 2005-06 the company successfully launched multiple products:

Apache, a well crafted 150 cc bike in the premium segment went on to win major auto-awards :



- Bike of the year from CNN Autocar, Overdrive and Business Standard Motoring
- Best design award from BBC- Top Gear
- Best two wheeler design award from Overdrive



The stylish and trendy Scooty Pep which clocked an impressive growth of 42% in 2005-06 over 2004-05 drove away with the Scooter of the year award from Overdrive.



Continuous innovation helped TVS-StaR to quickly cross the 500,000 mark within one year of launch.

Motorcycle

In the motorcycle category, the company grew in line with the industry growth of 19%. The TVS StaR range including the popular TVS StaR City variant enabled the company to significantly improve its market share in the economy segment from 9% in 2004-05 to 21% in 2005-06. The exit (March 2006) market share for the TVS StaR brand was an impressive 30% in the economy segment.

The Victor and Centra brands had to meet challenges arising on account of new products from competition. Consequently, sales in this segment fell by 50% over the previous year. In the last quarter of the year, the company launched a re-styled version of Victor GLX, which found good acceptance in the market place. The Company plans to improve its position in the executive segment by launching variants of this model.

In the premium segment, TVS Apache, launched during the end of the year was a born winner. This bike rode away with most of the auto awards and stood tall for its ultra-modern style and performance. The company will focus on consolidating its presence in the premium segment with TVS Apache and its variants during 2006-07.

Overall, the company grew by 19% in the motorcycle category during 2005-06.

Ungeared scooter

Thanks to the launch of "cool , trendy and powerful" TVS Scooty Pep+ the company's growth rate (9%) in this category was twice that of the industry (4%) and increased its market share from 30% to 32%.

Moped

The moped category grew by 9% mainly driven by 10% growth of the company's mopeds. The company's leadership in mopeds was further strengthened with a market share of 77%, which demonstrates the company's continued dominance of the consumer's mind in this category.

International business

Exports grew by 48% from Rs. 120 crores in 2004-05 to Rs.177 crores in 2005-06, and will continue to be a focus area for growth. In the year 2005-06, five new countries were added to the company's global presence and the company is exporting its products to 38 countries.

Company Performance Sales In '000s	TVS MOTOR		
	2004-05	2005-06	Growth
Motorcycles	680	806	19%
Ungeared Scooters	225	244	9%
Mopeds	263	290	10%
Total two wheelers	1168	1340	15%

OPPORTUNITIES AND THREATS

TVS StaR brand has established itself strongly in the economy segment. The company plans to grow in this segment further through continuous innovation and variants that deliver greater value to its customers.

The newly launched TVS Apache is already very popular with youngsters. The company also plans to introduce variants to this model during the course of the year .

The new improved Victor GLX, is expected to arrest the decline of the brand, but may not adequately compensate for the loss in market share in this segment. The company plans to re-launch this brand in the second half of 2006-07 with a new product.

In the ungeared scooter segment, the company has a good representation in the lighter scooters whereas the heavier ones which are going at a faster rate is still un-represented. The company is developing a suitable product to address this segment.

Even though the mopeds category has grown after two years, likely pricing pressure from the economy segment motorcycles can be a threat.

The two wheeler industry is severely competitive with world leaders in the industry operating in India and they are introducing new models quite frequently. The progress on three wheeler project is on schedule and the product is expected to be launched in the last quarter of 2006-07. This will improve the product portfolio and profitability.

OPERATIONS REVIEW

Quality

The company has, in the last two years, specifically focused on improving the product quality to world class levels through a special task force. While this will be a continuous journey, the results of the last two years efforts have led to The Overdrive magazine of April 2006, declaring TVS StaR and TVS Scooty PEP as the best in class in their categories. The magazine has also rated TVS Motor Company Limited as the best in Quality against competition.

Manufacturing

The company's third plant at Himachal Pradesh is on schedule and the production is expected to commence in the second half of 2006-07.

The company continues to achieve 100% participation of employees in TQM. The employees have completed more than 1,500 projects through QC Circles and Cross Functional Teams. The average number of suggestions implemented per employee has gone up to 50 in the current year.

Cost management

The company continues its rigorous focus on its costs through an effective deployment system. Value engineering and aggressive sourcing projects are being pursued to reduce material costs and also to insulate from the cost escalation. TPM is practised in all the plants to ensure significant improvement in productivity and reduction in manufacturing cost.

Research and development

The company recognises that styling is a differentiating factor in the mind of two wheeler buyers. Greater focus has been given to substantially improve the styling capability. The recent success of the company's motorcycle and scooter is a result of the continuous efforts taken by the company in this regard.

The Company's R&D team has a strong technical talent pool and modern computer aided labs, capable of developing new and innovative designs. At present more than 400 engineers are working for the development of new products and in other advanced areas of technology. The company works with leading technological research labs and institutions for development and testing of advance technologies.

The company has applied for over 125 patents and its R&D team has published 27 technical papers in national and international conferences.

In addition to the requirements of domestic markets the R&D team is involved in the development of products for ASEAN markets as well as 3-wheelers.

Information technology

The company uses SAP application that integrates all business processes across the company as well dealers and suppliers. During the year 2005-06, the company extended its Dealer Management System (DMS) to 194 dealers. This system provides valuable information on customer profile, quality performance of vehicles based on service reports, retail sales etc. apart from enabling e-commerce between dealers and the company.

During 2005-06 the company also substantially strengthened the information security system through Enterprise anti virus management, Enterprise patch management, Laptop device encryption and penetration test by external professionals.

Supply chain management

During the year, the company strengthened its supply chain by adding a few robust suppliers. Transfer of best practices from the company to suppliers is a regular feature. Zero defect, TPM and JIT clusters have provided significant benefits.

The company has a well established network of over 2000 customer touch points consisting of 541 main dealers and about 1500 authorised service centres. Product training centers established at key locations help in timely and frequent training of dealer personnel on sales and service aspects. During 2006-07, the company plans to further extend its network in 100 towns.

The customer loyalty programme - Miles and Smiles, launched during 2005, has found an overwhelming response with more than 125,000 members already enrolled.

Financial Performance

The financial performance for the year 2005-06 as compared to the previous year is furnished in the following table:

PARTICULARS	Year 2005-06		Year 2004-05	
	Rs in crores	%	Rs in crores	%
Sales:				
Motorcycles	2,053.27	62.1	1,845.66	62.5
Mopeds	407.69	12.3	357.30	12.1
Scooters	554.59	16.8	485.56	16.4
Spares and accessories	219.41	6.7	187.39	6.3
Other income	71.00	2.1	*79.30	2.7
TOTAL INCOME	3,305.96	100.0	2955.21	100.0
Raw materials consumed	2,321.09	70.2	1,981.42	67.0
Staff cost	156.87	4.8	140.72	4.8
Stores and tools consumed	38.69	1.2	38.30	1.3
Power and fuel	36.47	1.1	27.41	0.9
Repairs and maintenance	24.89	0.8	26.67	0.9
Packing & freight charges	87.42	2.6	75.95	2.6
Advertisement & publicity	133.18	4.0	88.20	3.0
Other expenses	231.87	7.0	285.67	9.7
Interest	13.12	0.4	0.79	-
Depreciation	93.91	2.8	89.63	3.0
TOTAL EXPENDITURE	3,137.51	94.9	2,754.96	93.2
PROFIT BEFORE TAX	168.45	5.1	200.45	6.8
Provision for tax (incl. Deferred tax)	51.45	1.6	62.88	2.1
PROFIT AFTER TAX	117.00	3.5	137.57	4.7

\* Other income for 2004/05 includes one-off reduction in liability of Rs.36.94 crores consequent to pre-payment of deferred sales tax liability.

The material cost in 2005-06 was significantly higher than 2004-05 on account of stringent emission norms coupled with rising cost of aluminium, steel, rubber, plastic etc., where the increase amounted to the tune of Rs 97 crores. Aggressive cost reduction programme through value engineering, global sourcing has borne good results and has helped the company to substantially neutralize the above cost hike.

The company has paid an interim dividend of 70% and provision has been made for the second interim dividend of 60% for the financial year 2005-2006. Some of the key ratios for the current year are furnished in the following table:

DESCRIPTION	UOM	2005-06	2004-05
EBITDA / turnover	%	8.4	9.9
Profit before tax / turnover	%	5.1	6.8
Return on capital employed	%	18.3	23.8
Return on net worth	%	18.0	23.4
Earnings per share (at a face value of Re.1/- per share)	Rs.	4.93	5.79

Risks and concerns

Raw material prices viz. aluminum, rubber, steel, nickel and copper have increased considerably since February 2006 and is expected to remain firm in the short term. The market conditions, including severe competition, are not conducive to fully pass on the cost increases to the customers. This is likely to put some pressure on margins. The company has planned an aggressive strategy to reduce its cost base.

Good two-wheeler industry growth in the past has resulted in creation of excess capacity. If growth rate comes down, it will affect the capacity utilisation and would also increase competitive activity and promotion cost..

Retail finance has played a significant role in the growth of two wheeler industry. Increased rates of interest and lack of liquidity in the market may act as a dampener and lead to lower growth.

Internal control systems and their adequacy

The company has a robust internal control system to ensure that all the assets of the company are safeguarded and protected against any loss.

The Enterprise Resource Planning is working satisfactorily and all the internal control systems are constantly evaluated and upgraded by an extensive review carried out by the internal audit department. Regular validation through an external auditor in the area of computer information security and audit will continue. The ERP authorization profile across all functions has been strengthened to ensure data security and confidentiality.

Human resource development

With its firm belief that people are the key to achieving growth objectives, the company focuses on attracting the best talent and enjoys a good brand image across engineering colleges and business schools. The company blends successfully mid-career recruitment with internally grown talent.

A reward and recognition system is in place to provide fast track growth for high potential employees. Career development workshops are undertaken to identify such high potential.

Engineers are sponsored to overseas and inland universities for developing their capabilities to handle new technologies and management practices. Customized masters programs are under development with reputed educational institutions in India.

People are encouraged to take up higher responsibilities and stretch assignments from the very early stages of their career. Periodic job rotations help the employees to get a broad perspective to assume leadership roles in future.

The company continues to maintain its impeccable record on industrial relations evidenced by the fact that not a single day of work has been lost because of labour unrest.

As on 31<sup>st</sup> March 2006, the company had 5893 employees on its rolls.

Environment, Health & Safety:

An integrated EHS Management System is instituted both at Hosur and Mysore units and both sites have been certified under ISO 14001 for Environment Management System and under OHSAS 18001 for Occupational Health & Safety Management system.

The company is committed to energy conservation. During the year the following key energy conservation projects have been implemented:

- Recovery of heat from Generators and utilizing for Vapour absorption air conditioning and chilling systems and for boiler application in paint plant.
- Replacing electrical heaters used for heating the oil in Captive Power Plant with recovered waste heat.
- Replacing filament lamps with LED lamps for machines/equipments
- Variable Frequency Drives (VFD) for motors

Community development and social responsibility

Srinivasan Services Trust (SST) is a Trust established by TVS Motor Company Limited with the vision of building self-reliant rural communities.

Some of its major achievements are:

- (a) Six villages were adopted within a radius of 5 kms from the factories at Hosur and Mysore.

- (b) Participation and partnership in community development activities to improve standard of living of people in the adopted villages. Income generating programmes have enabled them to augment their income.
- (c) Promotion of tissue culture banana plantations, installation of drip / sprinkler system of irrigation, conservation of water, afforestation programmes and community development work in habitations in the forest range.
- (d) Improving infrastructure facilities in schools and imparting computer education and vocational training.

Cautionary statement

Statements in the management discussion and analysis report describing the company's objectives, projections, estimates and expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include, among others, economic conditions affecting demand / supply and price conditions in the domestic and overseas markets in which the company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.

## Report on Corporate Governance

### 1. Company's philosophy on code of governance

The company truly believes in transparency, professionalism and accountability, which are the basic principles of corporate governance and will constantly endeavour to improve on these aspects.

### 2. Board of directors

#### 2.1 Composition and category of directors

The present strength of the board is nine directors. The board comprises of executive and non executive directors with only one executive director. As the company has an executive chairman viz., Mr Venu Srinivasan as chairman and managing director, the board has more than 50% of the independent directors consisting of M/s.T Kannan, N Ganga Ram, C R Dua, K S Bajpai and T R Prasad.

Thus the board composition of five independent directors out of the present strength of nine directors is in conformity with clause 49 of the listing agreement.

#### 2.2 Number of board meetings

During the year 2005-2006, the board met 5 times on 30<sup>th</sup> May 2005, 26<sup>th</sup> July 2005, 27<sup>th</sup> October 2005, 16<sup>th</sup> December 2005 and 30<sup>th</sup> January 2006 and the gap between two meetings did not exceed four months.

#### 2.3 Particulars of attendance of directors at the board meetings held during the financial year 2005-2006 and at the last annual general meeting, number of other directorship and committee chairmanship / memberships held by the directors in all companies as per declaration furnished by them are given in the table below:

Name of the director M/s.	Category	Attendance particulars		Number of directorships and committee memberships / chairmanships		
		Board meetings attended during the year	Last annual general meeting	Other directorships*	Committee memberships**	Committee chairmanships
Venu Srinivasan	E	5	Yes	14	4	2
Gopal Srinivasan	NE	4	Yes	15	2	—
T.K. Balaji	NE	3	Yes	15	6	1
H. Lakshmanan	NE	5	Yes	16	8	4
T. Kannan	NE-I	4	No	6	5	—
N. Ganga Ram	NE-I	3	Yes	3	5	3
C.R. Dua	NE-I	3	No	26	3	1
K. S. Bajpai	NE-I	1	No	—	—	—
T. R. Prasad	NE-I	5	Yes	3	2	1

E : Executive

NE-I : Non Executive - Independent

NE : Non Executive

\*includes private companies & companies incorporated outside India.

\*\* includes committees where the director holds the position of chairman.

None of the directors is a member of more than 10 board level committees or chairman of more than 5 such committees across all companies as covered under clause 49 of the listing agreement.

#### 2.4 Details of shareholdings of non-executive directors in the company as on 31<sup>st</sup> March 2006:

Name of Director	No. of shares held (face value of Re.1/- each)
Mr Gopal Srinivasan	9,000
Mr T K Balaji	41,750
Mr T Kannan	1,33,832
Mr H Lakshmanan	26,435
Mr N Ganga Ram	—
Mr C R Dua	—
Mr K S Bajpai	—
Mr T R Prasad	—

#### 2.5 Access to information and Updation:

Functional heads are present whenever necessary and apprise all the directors about the developments and they also make presentations to the board of directors and audit committee. Apart

from this, the observations of audit carried out by the internal auditors and the details of payment of statutory liabilities submitted by the statutory auditors of the company are placed and discussed with functional heads. The board also reviews the declaration made by the Chairman and Managing Director and secretary of the Company regarding compliance with all applicable laws on quarterly basis. The other required information listed in the listing agreement is also made available to the Board for discussion and consideration at Board Meetings.

#### 2.6 Code of Conduct for Board of Directors and Senior Management Personnel:

The company has adopted a Code of Conduct for Board of Directors and Senior Management (The Code). The Code has been communicated to directors and the members of the senior management. The Code has also been displayed on the company's website [www.tvsmotor.co.in](http://www.tvsmotor.co.in). All board members and senior management have confirmed compliance with the code for the year ended 31<sup>st</sup> March 2006. The annual report contains a declaration to this effect signed by the chairman and managing director and company secretary as the compliance officer for the code.

### 3. Remuneration to directors

The remuneration payable to the chairman and managing director is fixed by the board of directors within the limits approved by the shareholders in terms of the relevant provisions of the Companies Act, 1956. Mr Venu Srinivasan, chairman and managing director, is paid remuneration by way of commission not exceeding 2% of the net profits of the company as may be determined by the board of directors for each year, and calculated in terms of Section 349 and 350 of the Companies Act, 1956.

The current term of office of Mr. Venu Srinivasan as Chairman and Managing Director is upto 23<sup>rd</sup> April 2010.

The company paid sitting fees of Rs.10,000/- each to all the non-executive directors as fixed by the board of directors for attending each meeting of the board and / or committee thereof within the limits prescribed under the Companies Act, 1956.

Non-executive independent directors are also paid remuneration by way of commission not exceeding 1% of the net profits of the company subject to a maximum of Rs.3,60,000/- per annum payable quarterly for a period of five years with effect from 1<sup>st</sup> April 2003 and approved by the shareholders at the annual general meeting of the company held on 12<sup>th</sup> September 2003.

Presently, the company does not have a scheme for grant of stock options either to the whole time director or employees.

Particulars of sitting fees / remuneration and commission paid to the directors during the financial year 2005-2006.

Name of the director M/s.	Sitting fees (Rs.)	Commission (Rs.)	Total (Rs.)
Venu Srinivasan*	–	1,66,88,677	1,66,88,677
Gopal Srinivasan*	60,000	–	60,000
T K Balaji*	70,000	**2,70,000	3,40,000
H Lakshmanan	1,00,000	–	1,00,000
T Kannan	1,00,000	3,60,000	4,60,000
N Ganga Ram	80,000	3,60,000	4,40,000
C R Dua	30,000	3,60,000	3,90,000
K S Bajpai	10,000	3,60,000	3,70,000
T R Prasad	1,00,000	3,60,000	4,60,000

\* Mr Venu Srinivasan and Mr Gopal Srinivasan being brothers, are relatives. Mr T K Balaji, being their sister's husband, is related to both of them under the provisions of Section 6 of the Companies Act, 1956.

\*\* commission for the last quarter ended 31<sup>st</sup> March 2006 was not paid to Mr T K Balaji consequent to his becoming non-independent director pursuant to revised clause 49 of the listing agreement.

### 4. Audit committee

4.1 The audit committee consists of four directors as its members viz., M/s T R Prasad, N Ganga Ram, T Kannan, Independent directors and T K Balaji, director with Mr T R Prasad as its chairman. The chairman was present at the annual general meeting held on 17<sup>th</sup> August 2005.

4.2 Mr T S Rajagopalan, secretary of the company acts as the secretary of the audit committee.

4.3 The terms of reference stipulated by the board of directors to the audit committee are as contained in clause 49 of the listing agreement and Section 292A of the Companies Act, 1956.

The responsibilities of the Audit Committee include, inter alia:

- Overseeing of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending to the board the appointment / re-appointment / replacement and/or removal of external auditors, and fixation of audit fees and payment for any other services rendered by them.
- Reviewing with the management the annual and quarterly financial statements before submission to the board for

approval with particular reference to the matters specified in the Listing Agreement.

- Reviewing of any related party transaction.
- Review with the management on the performance of statutory and internal auditors.
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- Reviewing of the adequacy of internal audit function including the structure of the internal audit department, appointment, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit and discussion with internal auditors any significant findings including internal investigation and follow-up thereon for ensuring compliance of internal control system.
- Discussion with external auditors regarding audit plan, as well as post-audit discussion to ascertain any area of concern.
- Ascertainment of reasons for substantial defaults in the payment in case of non payment of declared dividends and creditors.
- Review of management discussion analysis of financial conditions and results of operations and other matters specified under clause 49 of the Listing Agreement.
- Review of financial statements, in particular the investments made by the unlisted subsidiary.
- Other matters as set out in the listing agreement.

Date of the meeting	Members Present
27.05.2005	M/s T R Prasad, T K Balaji and N Ganga Ram
26.07.2005	M/s T R Prasad and T Kannan
27.10.2005	M/s T R Prasad, T K Balaji and N Ganga Ram
16.12.2005	M/s T R Prasad, T K Balaji, N Ganga Ram and T Kannan
30.01.2006	M/s T R Prasad, T K Balaji and T Kannan

### 5. Investors' grievance committee

The investors' grievance committee consists of three members viz., M/s. N. Ganga Ram, and T. Kannan, independent directors and Mr. Venu Srinivasan, chairman and managing director. Mr. N. Ganga Ram is the chairman of the committee.

The committee oversees and reviews all matters connected with share transfers, issue of duplicate share certificates, etc. The committee also looks into redressal of investors' grievances pertaining to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc., The company, as a matter of policy, disposes of investor complaints within a span of seven days.

As required by Securities and Exchange Board of India (SEBI), Mr. T. S. Rajagopalan, secretary of the company has been appointed as compliance officer. For any clarification / complaint, shareholders may contact Mr. T. S. Rajagopalan, secretary or Mr. S. Muralidharan, special officer of the company.

Complaints received and redressed during the year 2005-2006:

S.No	Nature of complaint	No. of complaints
1.	Non receipt of share certificates	4
2.	Non receipt of dividend warrants	23
3.	Other complaints	3
	Total	30

All the above issues were resolved within the stipulated time and there was no complaint pending as on 31<sup>st</sup> March 2006.

All requests for dematerialisation of shares were carried out within the stipulated time period and no share certificates were pending for dematerialisation as on 31<sup>st</sup> March 2006.

### 6. Secretarial Audit

A qualified practising company secretary carried out a secretarial audit on a quarterly basis to reconcile the total admitted capital with National

Security Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the total issued and listed capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

7. General body meeting

(a) Location and time where the annual general meetings were held during the last three years:

Year	Location	Date	Time
2002-2003	The Music Academy, New No. 168, (Old No. 306), T.T.K. Road Chennai 600 014	12.09.2003	10.15 AM
2003-2004	The Music Academy, New No.168, (Old No. 306), T.T.K. Road, Chennai 600 014	10.09.2004	10.15 AM
2004-2005	The Music Academy, New No.168, (Old No. 306), T.T.K. Road, Chennai 600 014	17.08.2005	10.15 AM

(b) None of the subjects placed before the shareholders in the last annual general meeting required approval by a postal ballot.

(c) During the last three years viz. 2002-2003 to 2004-2005 approval of the shareholders were obtained by passing special resolutions in respect of commission payable to independent directors not exceeding 1% of the net profits of the company per annum, subject to a maximum of Rs.3,60,000/- and keeping the register of members and index of members, and other documents at Sundaram-Clayton Limited (Share Transfer Agents), 31, Railway Colony III street, Mehta Nagar, Chennai 600 029 at the annual general meetings held on 12<sup>th</sup> September 2003 and 10<sup>th</sup> September 2004 respectively and there was no special resolution passed at the Annual General Meeting held on 17<sup>th</sup> August 2005.

(d) None of the subjects placed before the shareholders in this annual general meeting requires, approval of shareholders by postal ballot.

8. Disclosures

(a) Disclosures on materially significant related party transactions that may have potential conflict with the interest of the company at large.

During the year, the company has not entered into any transaction of material nature with the directors, their relatives or management which were in conflict with the interest of the company.

The transactions with the promoters, its subsidiary and associate companies etc., of routine nature have been reported elsewhere in the annual report as per Accounting Standard 18 (AS 18) issued by the Institute of Chartered Accountants of India.

(b) Details of non-compliance by the company, penalties, strictures imposed on the company by stock exchanges or SEBI, or any statutory authority, on any matter related to capital markets, during the last three years.

Securities and Exchange Board of India (SEBI) vide its letter No.CFD / DCR / RC/ TO / 23040/04 dated 16<sup>th</sup> November 2004 has alleged that the company violated the provisions of Regulations 6 and 8 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (the said Regulations). It was alleged in the said notice that the company has not made the disclosure under Regulation 8(3) of the said Regulations furnishing particulars of changes, if any, in respect of the holdings of promoters or persons having control over the company and persons acting in concert and by persons holding shares in excess of 15% of the paid-up capital of the company as on the record date fixed for declaration of dividend on 3<sup>rd</sup> May 2000.

In the said letter, SEBI also has given an option that it may consider the company's request for a consent order, upon payment of an amount of Rs.25,000/- as penalty for the aforesaid violation.

The company contended that it has not violated the provisions of Regulation 8(3) of the said Regulation on the grounds that:

1. the payment of interim dividend approved by the board of directors and the fixation of record date as 3<sup>rd</sup> May 2000 for this purpose does not fall within the scope of the said Regulation as it did not amount to declaration of dividend in terms of Companies Act, 1956, as the law stood on that date.
2. there were no changes in the shareholding of the persons referred to in the said communication and the Regulation requires a declaration to be filed only when there is change in shareholding.

However, the company without prejudice to its stand taken has also given its consent to pay Rs.25,000/- as penalty under Section 15A of the Securities and Exchange Board of India Act, 1992 vide its letter No.01/02/C/07 dated 24<sup>th</sup> December 2004. The company is awaiting for instructions / advise from SEBI in this regard.

All the applicable mandatory requirements have been complied with.

9. Means of communication:

- a) The unaudited (limited reviewed) quarterly financial results of the company were published in the newspapers viz., The Hindu, Business Line, Economic Times, Times of India, Business Standard, Navbharat Times, and Maharashtra Times and the Tamil version of the financial results in a Tamil daily viz., Dinamani.
- b) The company has created a web site addressed as www.tvsmotor.co.in
- c) As required under clause 51 of the listing agreement pertaining to electronic data information filing and retrieval (EDIFAR), the unaudited results and the quarterly distribution schedules as filed with the stock exchanges are uploaded in SEBI-EDIFAR web-site. These details are also published in the company's web site. The company makes use of its web-site for publishing official news release and presentations made to institutional investors / analysts.
- d) As required by clause 49 of the listing agreement, the management discussion and analysis report is annexed to the annual report.

10. General shareholder information:

10.1 Annual general meeting

Date and time	: Monday, the 21 <sup>st</sup> August 2006 at 10.15 A.M
Venue	: The Music Academy New No.168 (Old No.306), T T K Road, Chennai 600 014

10.2 Financial calendar 2006-07 (tentative)

Annual general meeting (next year)	: September 2007
Financial reporting for the quarter ending	: Date of board meeting
30 <sup>th</sup> June 2006	: between 15 <sup>th</sup> and 31 <sup>st</sup> of July 2006
30 <sup>th</sup> September 2006	: between 15 <sup>th</sup> and 31 <sup>st</sup> of October 2006
31 <sup>st</sup> December 2006	: between 15 <sup>th</sup> and 31 <sup>st</sup> of January 2007
31 <sup>st</sup> March 2007	: between 15 <sup>th</sup> and 30 <sup>th</sup> of April 2007

10.3 Particulars of dividend payment

Particulars	First interim dividend	Second interim dividend
Date of declaration	27 <sup>th</sup> October 2005	26 <sup>th</sup> June 2006
Rate of dividend	70%	60%
Record date / Book closure	3 <sup>rd</sup> November 2005	4 <sup>th</sup> July 2006
Date of payment of dividend	8 <sup>th</sup> November 2005	10 <sup>th</sup> July 2006
Amount of dividend paid	Rs.16.63 crores	Rs.14.25 crores
Share capital	23,75,43,557 equity shares of Re.1/- each	23,75,43,557 equity shares Re. 1/- each

The second interim dividend declared by the board will be paid to all the shareholders whose names appear in the register of members / end of the day report of depositories as on 4<sup>th</sup> July 2006.

10.4 Book Closure: 16<sup>th</sup> August 2006 to 18<sup>th</sup> August 2006 (both days inclusive)

10.5 Listing of shares

Name of the Stock Exchange	Stock Code
Madras Stock Exchange Limited (MSE)	-
Bombay Stock Exchange Limited (BSE)	532343
National Stock Exchange of India Limited (NSE)	TVSMOTOR
ISIN allotted by Depositories (Company ID Number)	INE 494B01023

(Note : Annual listing fees for the year 2006-2007 were duly paid to the above stock exchanges)

10.6 Stock market data

Month	Bombay Stock Exchange Limited (BSE) (in Rs.)		National Stock Exchange of India Ltd (NSE) (in Rs.)	
	Month's high price	Month's low price	Month's high price	Month's low price
April 2005	75.00	66.30	73.30	65.60
May 2005	78.00	68.00	77.10	67.70
June 2005	80.75	69.05	80.75	66.25
July 2005	87.75	71.90	87.80	72.25
August 2005	85.00	75.05	84.95	75.25
September 2005	97.00	78.00	96.85	78.00
October 2005	105.70	77.00	105.90	82.20
November 2005	104.50	84.00	104.65	85.60
December 2005	106.30	96.45	104.90	96.00
January 2006	117.55	98.45	119.60	98.50
February 2006	126.95	110.00	126.60	111.70
March 2006	144.75	119.00	144.35	118.60

10.7 Share price performance in comparison to broad based indices - BSE Sensex and NSE Nifty

Company's share price performance in comparison to BSE sensex.

Financial year	Percentage change in	
	Company's share price (%)	Sensex (%)
2005-2006	91.54	73.73
2004-2005	-19.57	16.14
2003-2004	108.79	83.38

Company's share price performance in comparison to NSE Nifty.

Financial year	Percentage change in	
	Company's share price (%)	Nifty (%)
2005-2006	97.34	67.17
2004-2005	-22.48	14.89
2003-2004	107.41	63.36

10.8 Changes in Demat scenario

Shareholders are requested to note that as per circular no. SEBI/MRD/cir-10/2004 dated 10<sup>th</sup> February 2004 issued by Securities and Exchange Board of India (SEBI) to the depositories, the facility of transfer-cum-demat has since been withdrawn.

SEBI has issued a circular dated 28<sup>th</sup> January 2005 rationalising the fee structure for dematerialisation of securities as follows:

Effective from February 1, 2005:

- No investor shall be required to pay any charge towards opening of a Beneficiary owner (BO) Account except for statutory charges as may be applicable;
- No investor shall be required to pay any charge for credit of securities into his/her BO account; and
- No custody charge shall be levied on any investor who would be opening a BO account on or after February 1, 2005.

With effect from April 1, 2005 the issuer companies will bear the custody charges.

The shareholders are requested to make use of this opportunity and dematerialize their physical share certificates, through a depository participant. Shareholders requiring any further clarification / assistance on the subject may contact the company's share transfer agents.

10.9 Share transfer system and RTA:

With a view to rendering prompt and efficient service to the investors, M/s Sundaram-Clayton Limited (SCL), the holding company, which has been registered with SEBI as share transfer agents in category II, has been appointed as the registrar and share transfer agent of the company (STA). The shareholders have also been advised about this appointment of STA to handle share registry work pertaining to both physical electronic segment of the company effective 1<sup>st</sup> October 2004 by circular dated 31<sup>st</sup> July 2004.

Shareholders are therefore requested to correspond with the share transfer agent for transfer / transmission of shares, change of address and queries pertaining to their shareholding, dividend etc., at their address given in this report.

10.10 Shareholding pattern as on 31<sup>st</sup> March 2006

Sl. No.	Particulars	No. of shares of Re. 1/- each	% to total
1	Sundaram-Clayton Limited and its subsidiary	13,50,00,000	56.83
2	Foreign Institutional Investors	2,12,17,173	8.93
3	NRI & OCBs	5,71,357	0.24
4	Public financial institutions	1,03,57,891	4.36
5	Mutual funds	3,61,26,410	15.21
6	Banks	92,575	0.04
7	Other companies	1,19,37,822	5.03
8	Public	2,22,40,329	9.36
	Total	23,75,43,557	100.00

10.11 Distribution of shareholding as on 31<sup>st</sup> March 2006

Share holding (Range)	No. of shares	%	No. of members	%
Upto 5000	1,75,76,694	7.40	33,103	98.58
5001-10000	19,71,940	0.83	263	0.78
10001-20000	11,53,997	0.49	80	0.24
20001-50000	20,22,932	0.85	61	0.18
50001-100000	11,56,608	0.49	17	0.05
100001 & above	21,36,61,386	89.94	56	0.17
Total	23,75,43,557	100.00	33580	100.00

10.12 Out of 10,25,43,557 equity shares of Re.1/- each held by persons other than promoters, 9,57,98,294 shares have been dematerialised as on 31<sup>st</sup> March 2006 accounting for 93.4%.

10.13 The company has not issued any Global Depository Receipt / American Depository Receipt / Warrant or any convertible instrument, which is likely to have impact on the company's equity.

10.14 Plant Locations

Hosur : TVS Motor Company Limited  
Post Box No.4, Harita  
Hosur 635 109, Tamilnadu  
Tel : 04344 - 276780 / Fax: 04344 - 276016  
Email: [ts.rajagopalan@tvsmotor.co.in](mailto:ts.rajagopalan@tvsmotor.co.in)

Mysore : Post Box No.1  
Byathahalli Village, Kadakola Post  
Mysore 571 311, Karnataka  
Tel: 0821 - 2596560  
Fax : 0821 - 2596530/2596533  
Email: [g.ramachandran@tvsmotor.co.in](mailto:g.ramachandran@tvsmotor.co.in)

10.15 Address for investor correspondence

- (i) For transfer / dematerialisation of shares, payment of dividend on shares and any other query relating to the shares of the company;
- (ii) For any query on annual report
- Sundaram-Clayton Limited  
Share transfer agent  
Unit: TVS Motor Company Limited  
New No. 22, Old No. 31  
Railway Colony, 3rd Street,  
Mehta Nagar, Chennai-600 029,  
Tel : 044 - 2374 1889, 2374 2939  
Fax: 044 -2374 1889,  
Email : [kr.raman@scl.co.in](mailto:kr.raman@scl.co.in)  
[sclshares@gmail.com](mailto:sclshares@gmail.com)

Note : Applicable to all the shareholders irrespective of their mode of holding (physical or demat)

11. Non-mandatory disclosure

The non mandatory requirements have been adopted to the extent and in the manner as stated under the appropriate headings detailed below:

11.1: The Board:

As the company has executive chairman , the implementation of this non mandatory requirement does not arise,

No specific tenure has been fixed for the independent directors.

11.2 Remuneration committee:

The board has not set up a remuneration committee as the need for the same has not arisen.

11.3 Shareholder rights:

The half-yearly results of the company are published in newspapers and in its web site [www.tvsmotor.co.in](http://www.tvsmotor.co.in) and [www.sebidelfar.nic.in](http://www.sebidelfar.nic.in) the official web-site of SEBI. The results are not sent to the shareholders individually.

11.4 Audit qualifications

The statutory financial statements of the company are unqualified.

11.5 Training of Board Members / Mechanism for evaluating non-executive directors.

All the Non-Executive Directors are having rich experience and expertise in functional areas and in the opinion of the board, they do not require any further training.

12. Request to investors:

Investors are requested to communicate change of address, if any, directly to the share transfer agent of the company at the above address;

- As required by SEBI, investors shall furnish details of their bank account number and name and address of the bank for incorporating the same in the warrants. This would avoid wrong credits being obtained by unauthorised persons.
- Investors who have not availed nomination facility are requested to avail the same, by submitting the nomination form. The form will be made available on request.

Investors holding shares in electronic form are requested to deal only with their depository participant in respect of change of address, nomination facility and furnishing bank account number, etc.

Investors are requested to kindly note that any dividend which remains unencashed for a period of seven years will get transferred to "Investors Education and Protection Fund" in terms of Section 205C of the Companies Act, 1956.

- Members who have not encashed their dividend warrants in respect of dividends declared for the year ended 31<sup>st</sup> March 1999 and for any financial year thereafter may contact the company and surrender their warrants for payment. Members are requested to note that the dividend not claimed for a period of seven years from the date they first became due for payment shall be transferred to Investor Education and Protection Fund (IEPF) in terms of Section 205C of the Companies Act, 1956. Information in respect of unclaimed dividends due for remittance into IEPF is given below:

Particulars of unclaimed dividend of TVS Motor Company Limited

Financial Year	Date of declaration	Date of transfer to special account	Date of transfer to IEPF
1998-1999	16.09.1999	03.11.1999	03.11.2006
1999-2000 Interim	21.04.2000	08.06.2000	08.06.2007
2000-2001	21.09.2001	27.10.2001	27.10.2008
2001-2002 Interim	01.03.2002	06.04.2002	06.04.2009
2002-2003 1 <sup>st</sup> Interim	21.10.2002	26.11.2002	26.11.2009
2002-2003 2 <sup>nd</sup> Interim	09.06.2003	15.07.2003	15.07.2010
2003-2004 1 <sup>st</sup> Interim	17.10.2003	22.11.2003	22.11.2010
2003-2004 2 <sup>nd</sup> Interim	21.04.2004	27.05.2004	27.05.2011
2004-2005 1 <sup>st</sup> Interim	25.10.2004	01.12.2004	01.12.2011
2004-2005 2 <sup>nd</sup> interim	30.05.2005	05.07.2005	05.07.2012
2005-2006 1 <sup>st</sup> interim	27.10.2005	03.12.2005	03.12.2012

Particulars of unclaimed dividend of erstwhile Lakshmi Auto Components Limited

Financial Year	Date of declaration	Date of transfer to special account	Date of transfer to IEPF
1998-1999	16.09.1999	03.11.1999	03.11.2006
1999-2000 Interim	25.05.2000	12.07.2000	12.07.2007
2000-2001	12.09.2001	18.10.2001	18.10.2008
2001-2002 Interim	01.03.2002	06.04.2002	06.04.2009
2002-2003 Interim	09.06.2003	15.07.2003	15.07.2010
2003-2004 Interim	17.10.2003	22.11.2003	22.11.2010

Reminders are sent to investors periodically advising them to encash the unclaimed dividends before transferring the unclaimed dividends to IEPF. Members are requested to note that as per the Companies Act, 1956, unclaimed dividends once transferred to IEPF will not be refunded.

## Auditors' certificate on compliance of the provisions of the code of Corporate Governance in the listing agreement

To

The shareholders of TVS Motor Company Limited, Chennai.

We have examined the compliance of conditions of corporate governance by TVS Motor Company Limited, Chennai for the year ended 31<sup>st</sup> March 2006, as stipulated in Clause 49 of the Listing Agreement of the said company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the company's management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the company as per the records maintained by the Investors' Grievances Committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For Sundaram & Srinivasan  
*Chartered Accountants*

M. BALASUBRAMANIAM  
*Partner*  
Membership No. F7945

Chennai  
June 26, 2006

---

## Declaration pursuant to Clause 49 of the listing agreement regarding adherence to the Code of Conduct

To

The Shareholders of TVS Motor Company Limited

We hereby declare that all members of the board and the senior management personnel have affirmed compliance with the respective provisions of the Code of Business Conduct and Ethics of the company formulated by the board of directors for the financial year ended 31<sup>st</sup> March 2006.

venu srinivasan  
*Chairman & Managing Director*

T S RAJAGOPALAN  
*Secretary*

Place : Chennai  
Date : June 26, 2006

## Auditors' report to the shareholders

We have audited the attached Balance Sheet of M/s. TVS Motor Company Limited, Chennai 600 006 as at 31<sup>st</sup> March 2006, the Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order, 2003 and amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
3. Further to our comments in the annexure referred to above, we state that –
  - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
  - (ii) In our opinion, proper books of account, as required by law, have been kept by the company so far as appears from our examination of those books;
  - (iii) The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards, referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the directors, as on 31<sup>st</sup> March 2006 and taken on record by the board of directors, we report that no director is disqualified from being appointed as a director of the company in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 on the said date;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India
  - a. in so far as it relates to the Balance Sheet, of the state of affairs of the company as at 31<sup>st</sup> March 2006;
  - b. in so far as it relates to the Profit and Loss Account, of the profit of the company for the year ended on that date; and
  - c. in so far as it relates to the Cash Flow Statement, of the cash flows for the year ended on that date.

For Sundaram & Srinivasan  
*Chartered Accountants*

Chennai  
June 26, 2006

M. BALASUBRAMANIAM  
*Partner*  
Membership No. F7945

Annexure referred to in our report of even date on the accounts for the year ended 31<sup>st</sup> March 2006.

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification at reasonable intervals, which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) The assets disposed off during the year are not substantial and therefore do not affect the going concern status of the company.
- (ii) (a) The inventory other than in-transit has been physically verified at reasonable intervals during the year by the management. In our opinion the frequency of such verification is adequate. In respect of inventory with third parties which have not been physically verified, there is a process of obtaining confirmation from such parties.
- (b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of inventory followed by the management were reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) In our opinion, the company has maintained proper records of inventory. The discrepancies between the physical stocks and the book stocks were not material and have been properly dealt with in the books of account.
- (iii) (a) During the year the company has granted inter corporate deposits to four companies covered in the register maintained under Section 301 of the Companies Act, 1956 amounting to Rs. 60.44 crores. (Balance due as at the year end Rs. 22.78 crores).
- (b) In our opinion the rate of interest and other terms and conditions of such inter corporate deposits made are not prima facie prejudicial to the interest of the company.
- (c) The receipt of principal amount and interest thereon were regular.
- (d) As on the date of Balance Sheet there was no overdue amount recoverable on the said inter corporate deposits.
- (e) During the year the company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.
- (v) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the contracts or arrangements that need to be entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956 have been properly entered in the said register;
- (b) In our opinion and according to the information and explanations given to us, the transactions entered in the register maintained under Section 301 and exceeding during the financial year by Rupees five lakhs in respect of each party have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The company has not accepted any deposit from the public.
- (vii) The company has an internal audit system which, in our opinion, is commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the company pursuant to the rules made by the Central Government under Section 209 (1)(d) of the Companies Act, 1956 for maintenance of cost records in respect of automotive two-wheelers and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) According to the records provided to us, the company is regular in depositing undisputed statutory dues including Provident fund, Employees' state insurance, Investor education and protection fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Service Tax, Sales Tax, Customs Duty, Excise Duty and Cess were in arrears, as at 31<sup>st</sup> March 2006 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, the following are the details of the disputed dues, that were not deposited with the concerned authorities:

Name of statute	Nature of dues	Amount (Rs. in crores)	Forum where the dispute is pending
Central Excise Act, 1944	Cenvat / Excise duties	4.02	Central Excise & Service Tax Appellate Tribunal
Tamil Nadu Tax on Entry of Motor Vehicles into Local Areas Act, 1990	Entry Tax	2.51	High Court of Judicature at Madras
Orissa Sales Tax Act, 1947	Surcharge on Sales Tax	0.74	High Court of Judicature at Bhubaneswar
Bihar Finance Act 1981	Sales Tax and Entry Tax	0.49	Joint Commissioner of Commercial Taxes, Patna
Karnataka Electricity (Taxation on Consumption) Act, 1959	Electricity tax	0.15	High Court of Judicature at Bangalore
Income Tax Act, 1961	Income Tax	(a) 4.71	High Court of Judicature at Madras
		(b) 2.35	Income Tax Appellate Tribunal
		(c) 14.56	Commissioner of Income (Appeals), Chennai

- (x) The company neither has accumulated losses as at the end of the financial year nor has incurred cash losses during the financial year and in the immediately preceding year.
- (xi) Based on our verification and according to the information and explanations given by the management, the company has not defaulted in repayment of dues to its banks.

Annexure to Auditors' report – (continued)

- (xii) Based on our examination and according to the information and explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The company is not a chit / nidhi / mutual benefit fund / society and as such this clause of the order is not applicable.
- (xiv) The company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) In our opinion the terms and conditions of guarantees given by the company for loans taken by others are not prejudicial to the interests of the company.
- (xvi) The term loans availed by the company were utilised for the purpose for which the loans were obtained. Part of these loans which remain unutilised was deployed as interest bearing deposits.
- (xvii) On the basis of our examination, the company has not used funds raised on short term basis for long term investment.
- (xviii) During the year the company has not allotted any shares on preferential basis to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) During the year, the company has not issued any secured debentures.
- (xx) During the year the company has not raised any money by public issue.
- (xxi) Based on the audit procedures adopted and information and explanations given to us by the management, no fraud on or by the company has been noticed or reported during the course of our audit.

For Sundaram & Srinivasan  
*Chartered Accountants*

M. BALASUBRAMANIAM  
*Partner*  
Membership No. F7945

Chennai  
June 26, 2006

Balance Sheet as at 31st March 2006

	Schedule number		As at 31-03-2006	Rupees in crores As at 31-03-2005
<b>I SOURCES OF FUNDS</b>				
1 Shareholders' funds				
(a) Capital	I	23.75		23.75
(b) Reserves and surplus	II	<u>742.37</u>		<u>655.08</u>
			766.12	678.83
2 Loan funds				
(a) Secured loans	III	308.61		175.01
(b) Unsecured loans	IV	<u>76.43</u>		<u>11.83</u>
			385.04	186.84
3 Deferred tax liability (net of deferred tax asset)			149.01	148.51
Total			<u>1,300.17</u>	<u>1,014.18</u>
<b>II APPLICATION OF FUNDS</b>				
1 Fixed assets				
(a) Gross block		1,378.41		1,287.22
(b) Less: Depreciation		<u>611.63</u>		<u>523.64</u>
(c) Net block	V		766.78	763.58
(d) Capital work-in-progress	VI		26.97	6.90
2 Investments	VII		344.19	175.39
3 Current assets, loans and advances				
(a) Inventories	VIII	357.90		233.23
(b) Sundry debtors	IX	58.19		39.56
(c) Cash and bank balances	X	24.35		73.87
(d) Other current assets	XI	0.30		0.29
(e) Loans and advances	XII	<u>214.88</u>		<u>164.70</u>
Total (A)		<u>655.62</u>		<u>511.65</u>
Current liabilities and provisions				
(a) Current liabilities	XIII	524.46		452.19
(b) Provisions	XIV	<u>62.44</u>		<u>55.61</u>
Total (B)		<u>586.90</u>		<u>507.80</u>
Net current assets (A - B)			68.72	3.85
4 Miscellaneous expenditure to the extent not written off or adjusted	XV		93.51	64.46
Total			<u>1,300.17</u>	<u>1,014.18</u>
Notes on accounts	XXI			

VENU SRINIVASAN  
Chairman & Managing Director

H. LAKSHMANAN  
Director

S.G. MURALI  
Sr. Vice President – Finance

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
June 26, 2006

T.S. RAJAGOPALAN  
Secretary

M. BALASUBRAMANIAM  
Partner

Profit and Loss Account for the year ended 31st March 2006

		Rupees in crores	
	Schedule number	Year ended 31-03-2006	Year ended 31-03-2005
Gross sales		3,731.75	3,321.25
Less: Excise duty		496.79	445.34
Net sales		3,234.96	2,875.91
Other income	XVI	71.00	79.30
Raw materials and components consumed	XVII	2,321.09	1,981.42
Salaries and wages, stores consumed and other expenses	XVIII	707.67	682.09
Miscellaneous expenditure	XIX	1.72	0.83
Profit before interest, depreciation and tax		275.48	290.87
Interest (net)	XX	13.12	0.79
Depreciation		93.91	89.63
Profit before tax		168.45	200.45
Provision for taxation		45.00	37.42
Provision for fringe benefit tax		5.95	—
Provision for deferred tax		0.50	25.46
Profit for the year (after tax)		117.00	137.57
Balance profit brought forward		38.21	34.43
Transfer from debenture redemption reserve		—	9.90
Tax relating to earlier years		5.50	1.42
Profit for the year (after tax)		117.00	137.57
Total		<u>160.71</u>	<u>183.32</u>
Interim dividend paid		16.63	16.63
II Interim dividend payable		14.25	14.26
Dividend tax paid		2.33	2.22
Provision for dividend tax		2.00	2.00
Transfer to general reserves		90.00	110.00
Balance surplus carried forward to Balance Sheet		35.50	38.21
Total		<u>160.71</u>	<u>183.32</u>
Nominal value of each share in rupees		1.00	1.00
Earnings per share in rupees on 23,75,43,557 shares		4.93	5.79
Diluted earnings per share in rupees		4.93	5.79

VENU SRINIVASAN  
*Chairman & Managing Director*

H. LAKSHMANAN  
*Director*

S.G. MURALI  
*Sr. Vice President – Finance*

As per our report annexed  
For Sundaram & Srinivasan  
*Chartered Accountants*

Chennai  
June 26, 2006

T.S. RAJAGOPALAN  
*Secretary*

M. BALASUBRAMANIAM  
*Partner*

Schedules

		Rupees in crores	
		As at 31-03-2006	As at 31-03-2005
<b>I CAPITAL</b>			
Authorised			
25,00,00,000 Equity shares of Re.1/- each		25.00	25.00
		<u>25.00</u>	<u>25.00</u>
Issued, subscribed and paid-up			
(a) 23,10,00,700 Equity shares of Re.1/- each		23.10	23.10
Out of the above 23,10,00,000 equity shares of Re.1/- each were allotted for consideration other than cash to the shareholders of erstwhile transferor company viz. Sundaram Auto Engineers (India) Limited, Chennai			
(b) 65,42,857 Equity shares of Re.1/- each allotted to the shareholders of amalgamated company viz. Lakshmi Auto Components Limited, Chennai		0.65	0.65
		<u>23.75</u>	<u>23.75</u>
<b>II RESERVES AND SURPLUS</b>			
(a) Capital reserves			
(i) On shares forfeited			
As per last Balance Sheet (Rs. 55,200/-)		—	—
(ii) On surplus arising out of amalgamation			
		6.43	6.43
(b) General reserves			
As per last Balance Sheet		610.44	
Add : Transfer from Profit and Loss Account		90.00	
		<u>700.44</u>	610.44
(c) Surplus			
Balance in Profit and Loss Account		35.50	38.21
		<u>742.37</u>	<u>655.08</u>
<b>III SECURED LOANS</b>			
From banks			
External commercial borrowings secured by a first charge on specified fixed assets on an exclusive basis		308.61	175.01
		<u>308.61</u>	<u>175.01</u>
<b>IV UNSECURED LOANS</b>			
(a) From banks		34.12	—
(b) From others		32.56	2.40
(c) Other deposits		9.75	9.43
		<u>76.43</u>	<u>11.83</u>

Schedules – (continued)

V FIXED ASSETS

Description	Rupees in crores							
	Land	Buildings	Plant & machinery, tools, dies and jigs	Furniture & fixtures, equipments	Vehicles	Other fixed assets @	Total	
							As at 31-03-2006	As at 31-03-2005
<b>Cost of assets</b>								
As at 01-04-2005	48.70	126.89	1,057.70	44.75	5.05	4.13	1,287.22	1,132.57
Additions	12.16	4.17	82.64	2.11	0.93	0.42	102.43	162.97
Sales / deletion	—	—	10.68	0.25	0.31	—	11.24	8.32
<b>Total</b>	<b>60.86</b>	<b>131.06</b>	<b>1,129.66</b>	<b>46.61</b>	<b>5.67</b>	<b>4.55</b>	<b>1,378.41</b>	<b>1,287.22</b>
<b>Depreciation</b>								
Upto 31-03-2005	—	23.80	462.32	30.46	2.94	4.12	523.64	437.91
For the year	—	3.95	85.37	3.64	0.82	0.13	93.91	89.63
Withdrawn on assets sold/deleted	—	—	5.54	0.13	0.25	0.00	5.92	3.90
<b>Total</b>	<b>—</b>	<b>27.75</b>	<b>542.15</b>	<b>33.97</b>	<b>3.51</b>	<b>4.25</b>	<b>611.63</b>	<b>523.64</b>
<b>Written down value</b>								
As at 31-03-2006	60.86	103.31	587.51	12.64	2.16	0.30	766.78	—
As at 31-03-2005	48.70	103.09	595.38	14.29	2.11	0.01	—	763.58

@ Vide note no. 1(t)

VI CAPITAL WORK-IN-PROGRESS

	Rupees in crores	
	As at 31-03-2006	As at 31-03-2005
(a) Building under construction	15.41	0.97
(b) Machinery in transit/installation (including R & D Rs. 3.88 crores - last year Rs. 0.20 crores)	11.56	5.93
	<u>26.97</u>	<u>6.90</u>

VII INVESTMENTS (AT COST)

(A) LONG TERM

(a) Trade - quoted

(i) 2,89,200 Equity shares of Rs.5/- each fully paid up in Suprajit Engineering Company Limited, Bangalore	0.08	0.08
(ii) 91,760 Equity shares of Rs.10/- each fully paid up in Ucal Fuel Systems Limited, Chennai	0.25	0.25
(iii) 1,64,52,192 Equity shares of Rs.10/- each fully paid up in TVS Finance and Services Limited, Chennai.	16.61	16.61

(b) Trade - Unquoted

(i) 37,00,000 (last year 27,00,000) Equity shares of Rs.10/- each fully paid up in Sundaram Auto Components Limited, Chennai - Subsidiary company	17.50	12.50
(ii) 1,70,801 Ordinary Shares of Euro 100/- each fully paid up in TVS Motor Company (Europe) B.V. Amsterdam - Subsidiary company	91.63	—
(iii) 1,14,91,260 Ordinary Shares of Sing \$ 1/- each fully paid up in TVS Motor (Singapore) Pte. Limited, Singapore - Subsidiary company	30.51	—
(iv) 3,03,10,000 9% Non-cumulative non-convertible re-deemable preference shares of Rs.10/- each fully paid up in TVS Finance and Services Limited, Chennai	30.31	30.31
(v) 4,00,00,000 6% Non-cumulative non-convertible re-deemable preference shares of Rs.10/- each fully paid up in TVS Finance and Services Limited, Chennai	40.00	40.00

Schedules – (continued)

VII INVESTMENTS (AT COST) – (continued)

		Rupees in crores	
		As at 31-03-2006	As at 31-03-2005
(c) Non-trade - quoted			
	13,38,527 (last year 13,06,644) 6.75% Tax free bonds of Unit Trust of India, Mumbai	14.08	13.75
(d) Non-trade - unquoted			
	National Savings Certificates (deposited with sales tax authorities - Rs.37,100/-)	—	—
	Total Long term investments (A)	<u>240.97</u>	<u>113.50</u>
(B) SHORT TERM			
Non-trade - quoted			
(i)	Sundaram Asset Management Company Limited, Chennai - Sundaram SMILE Growth Fund	—	2.00
(ii)	Sundaram Asset Management Company Limited, Chennai - Sundaram Capex Opportunities Growth	6.88	—
(iii)	Sundaram Asset Management Company Limited, Chennai - Sundaram Fixed term plan Series I	2.40	—
(iv)	HDFC Asset Management Company Limited, Mumbai - Premier Multicap Fund	—	8.53
(v)	HDFC Asset Management Company Limited, Mumbai - FMP 13 M	5.00	—
(vi)	HDFC Asset Management Company Limited, Mumbai - Cash Management Fund	2.97	—
(vii)	HDFC Asset Management Company Limited, Mumbai - Long Term Equity Fund	5.00	—
(viii)	ABN Amro Asset Management (India) Limited, Mumbai - Floating Rate Fund	—	5.10
(ix)	HSBC Asset Management India Private Limited, Mumbai - HSBC Cash Fund	—	6.00
(x)	HSBC Asset Management India Private Limited, Mumbai - HSBC Fixed Term 13	5.00	—
(xi)	HSBC Asset Management India Private Limited, Mumbai - Advantage India Fund	10.74	—
(xii)	Kotak Mahindra Asset Management Company Limited, Mumbai - Kotak Midcap Growth Fund	—	2.00
(xiii)	Kotak Mahindra Asset Management Company Limited, Mumbai - Kotak FMP Series 25	3.00	—
(xiv)	Kotak Mahindra Asset Management Company Limited, Mumbai - Kotak Life Style Growth	5.00	—
(xv)	Tata Asset Management Limited, Mumbai - Tata Infrastructure Growth Fund	—	2.00
(xvi)	Prudential ICICI Asset Management Company Limited, New Delhi - Short Term Plan	—	4.39
(xvii)	Prudential ICICI Asset Management Company Limited, New Delhi - Floating Rate Fund	—	0.75
(xviii)	Prudential ICICI Asset Management Company Limited, New Delhi - Prudential ICICI Institutional Liquid Plan	5.43	—
(xix)	Prudential ICICI Asset Management Company Limited, New Delhi - Prudential ICICI Fusion Fund	5.00	—
(xx)	SBI Mutual Fund, Mumbai - SBI Magnum Emerging Business Growth Fund	—	0.12
(xxi)	SBI Mutual Fund, Mumbai - SBI Magnum Midcap Fund	—	4.00

Schedules – (continued)

		Rupees in crores	
		As at 31-03-2006	As at 31-03-2005
<b>(B) SHORT TERM (Contd.)</b>			
(xxii)	SBI Mutual Fund, Mumbai - SBI Magnum Institutional Income Fund	—	2.00
(xxiii)	SBI Mutual Fund, Mumbai - SBI Blue Chip Fund	7.29	—
(xxiv)	Franklin Templeton Asset Management (India) Private Limited, Mumbai - Franklin India Flexicap Fund	—	6.00
(xxv)	Franklin Templeton Asset Management (India) Private Limited, Mumbai - Templeton India Treasury Management Account Fund	—	6.00
(xxvi)	Deutsche Asset Management India Private Limited, Mumbai - Deutsche Insta Cash Plus Fund	—	5.00
(xxvii)	Deutsche Asset Management India Private Limited, Mumbai - Fixed Term Series	7.00	—
(xxviii)	J M Financial Asset Management Private Limited, Mumbai - Equity and Derivative Growth Fund	—	3.00
(xxix)	Standard Chartered Asset Management Company Private Limited, Mumbai - Grindlays Fixed Maturity 10th Plan	—	1.00
(xxx)	Standard Chartered Asset Management Company Private Limited, Mumbai - Standard Chartered Liquidity Manager	1.56	—
(xxxi)	Reliance Capital Asset Management Limited, Ahmedabad - Reliance Equity Opportunities Fund	—	4.00
(xxxii)	Reliance Capital Asset Management Limited, Ahmedabad - Reliance Equity Fund	5.00	—
(xxxiii)	DSP Merrill Lynch Fund Managers Limited, Mumbai - TIGER Equity Fund	0.15	—
(xxxiv)	DSP Merrill Lynch Fund Managers Limited, Mumbai - Liquidity Fund	1.80	—
(xxxv)	DSP Merrill Lynch Fund Managers Limited, Mumbai - Equity Fund	7.00	—
(xxxvi)	Unit Trust of India, Mumbai - UTI Contra Fund	5.00	—
(xxxvii)	Unit Trust of India, Mumbai - UTI Leadership Equity Fund	10.00	—
(xxxviii)	ING Vysya Mutual Fund Limited, Mumbai - ING Vysya ATM Fund	2.00	—
	Total short term investments (B)	<u>103.22</u>	<u>61.89</u>
	Total investments (A + B)	<u>344.19</u>	<u>175.39</u>
	Market value of quoted investments - Rs.147.31 crores - (last year Rs.85.91 crores)		
<b>VIII INVENTORIES</b>			
	* Raw materials and components	86.12	55.78
	* Work-in-process	18.62	19.18
	* Finished goods	162.41	101.15
	* Stock of dies, moulds and tools	56.25	39.77
	* Stores	20.59	15.49
	Goods-in-transit	13.91	1.86
		<u>357.90</u>	<u>233.23</u>
	(* as certified by chairman and managing director)		
<b>IX SUNDRY DEBTORS - UNSECURED CONSIDERED GOOD</b>			
	(a) Debts outstanding for a period exceeding six months	18.65	4.34
	(b) Other debts	39.54	35.22
		<u>58.19</u>	<u>39.56</u>

Schedules – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2006	As at/ Year ended 31-03-2005
<b>X CASH AND BANK BALANCES</b>		
(a) Cash and cheques on hand	0.13	0.14
(b) With scheduled banks		
(i) in current accounts	2.72	6.45
(ii) in cash credit accounts	6.45	5.78
(iii) in term deposit accounts	15.05	61.50
	<u>24.35</u>	<u>73.87</u>
<b>XI OTHER CURRENT ASSETS</b>		
Interest accrued on non-trade quoted investments	0.30	0.29
	<u>0.30</u>	<u>0.29</u>
<b>XII LOANS AND ADVANCES - UNSECURED CONSIDERED GOOD</b>		
(a) Advances recoverable in cash or in kind or for value to be received	184.80	122.03
(b) Inter corporate deposits	29.19	32.17
(c) Other deposits	0.89	0.70
(d) Advance payment of tax less provision	—	9.80
	<u>214.88</u>	<u>164.70</u>
<b>XIII CURRENT LIABILITIES</b>		
Sundry creditors	524.46	452.19
	<u>524.46</u>	<u>452.19</u>
<b>XIV PROVISIONS</b>		
(a) Pension fund	32.49	29.08
(b) Leave salary	4.81	3.10
(c) Warranty	7.25	7.17
(d) Interim dividend payable	14.25	14.26
(e) Dividend tax	2.00	2.00
(f) Taxation less advance payments	1.06	—
(g) Fringe benefit tax less advance payments	0.58	—
	<u>62.44</u>	<u>55.61</u>
<b>XV MISCELLANEOUS EXPENDITURE</b>		
(to the extent not written off or adjusted)		
(a) Expenditure pending allocation	27.71	9.77
(b) New product launch expenses	58.00	46.43
(c) External commercial borrowings upfront fees	7.80	8.26
	<u>93.51</u>	<u>64.46</u>
<b>XVI OTHER INCOME</b>		
(a) Miscellaneous income	46.16	73.55
(b) Dividend from subsidiary company	0.97	0.81
(c) Dividend from others	4.99	1.98
(d) Profit on sale of fixed assets	0.96	0.36
(e) Profit on sale of investments	17.92	2.60
	<u>71.00</u>	<u>79.30</u>
<b>XVII RAW MATERIALS AND COMPONENTS CONSUMED</b>		
Opening stock :		
Raw materials	55.78	42.90
Work-in-process	19.18	15.52
Finished goods	101.15	101.63
	<u>176.11</u>	<u>160.05</u>
Purchase of raw materials and components	2,412.13	1,997.48
Total (A)	<u>2,588.24</u>	<u>2,157.53</u>
Closing stock :		
Raw materials	86.12	55.78
Work-in-process	18.62	19.18
Finished goods	162.41	101.15
Total (B)	<u>267.15</u>	<u>176.11</u>
(A - B)	<u>2,321.09</u>	<u>1,981.42</u>

Schedules – (continued)

	Rupees in crores	
	Year ended 31-03-2006	Year ended 31-03-2005
<b>XVIII SALARIES AND WAGES, STORES CONSUMED AND OTHER EXPENSES</b>		
* (a) Salaries, wages and allowances (includes commission to managing director Rs. 1.67 crores (last year Rs.0.99 crores) vide computation annexed)	121.64	104.36
* (b) Workmen and staff welfare expenses	18.78	16.49
* (c) Contribution to provident and other funds	16.45	19.87
* (d) Stores and tools consumed	38.69	38.30
* (e) Power and fuel	36.47	27.41
* (f) Rent	4.45	4.99
(g) Rates and taxes	14.89	21.01
* (h) Repairs and maintenance:		
(i) buildings	2.36	3.55
(ii) machinery	19.69	20.51
(iii) other assets	2.84	2.61
(i) Insurance	2.44	2.87
(j) Directors' sitting fees	0.06	0.08
(k) Commission to independent directors	0.22	0.23
(l) Audit fees	0.22	0.21
* (m) Travel and conveyance	14.41	12.48
* (n) Packing and freight charges	87.42	75.95
* (o) Advertisement and publicity	133.18	88.20
* (p) Other marketing expenses	125.39	168.06
* (q) Other expenses	59.68	59.25
(r) Commission to selling agents	7.42	9.53
(s) Cash discount	0.25	5.75
(t) Loss on sale / scrapping of fixed assets	0.72	0.38
	<u>707.67</u>	<u>682.09</u>
* net of recoveries		
<b>XIX MISCELLANEOUS EXPENDITURE WRITTEN OFF</b>		
External commercial borrowings upfront fees written off	1.72	0.83
	<u>1.72</u>	<u>0.83</u>
<b>XX INTEREST</b>		
(a) On debentures	—	0.72
(b) On fixed loans	15.02	3.22
(c) Others	5.97	4.39
Total (A)	<u>20.99</u>	<u>8.33</u>
Less: Interest income		
(a) On non-trade investments (gross)	0.90	0.78
(b) On advances and deposits (gross)	6.97	6.76
Total (B)	<u>7.87</u>	<u>7.54</u>
(A - B)	<u>13.12</u>	<u>0.79</u>

Schedules – (continued)

Rupees in crores  
As at/  
Year ended  
31-03-2006      As at/  
Year ended  
31-03-2005

XXI NOTES ON ACCOUNTS

1. ACCOUNTING STANDARDS

(a) AS - 1 Disclosure of accounting policies

The accounts are maintained on accrual basis as a going concern.

(b) AS - 2 Valuation of inventories

Inventories are valued in accordance with the method of valuation prescribed by The Institute of Chartered Accountants of India at weighted average rates.

(c) AS - 3 Cash flow statements

The cash flow statement is prepared under "indirect method" and the same is annexed.

(d) AS - 4 Contingencies and events occurring after the Balance Sheet date

Disclosure of contingencies as required by the Accounting Standard is furnished in note no. 11.

(e) AS - 5 Net profit or loss for the period, prior period items and changes in accounting policies

Extra ordinary item:

During last year based on the approval received from the Government of Karnataka, the company opted for pre-payment of deferred sales tax liability of Rs 69.18 crores at a discounted value. Accordingly miscellaneous income includes reduction in liability

—      36.94

Details of prior period debits to Profit and Loss Account:

(i) Technical consultancy

—      0.07

(ii) Commission and Brokerage

0.67

(iii) Provident fund administration charges

0.10

(f) AS - 6 Depreciation accounting

Depreciation has been provided under the straight line method at the rates prescribed under Schedule XIV of the Companies Act, 1956 with the applicable shift allowance.

In respect of assets added / assets sold during the year pro-rata depreciation has been provided at the rates prescribed under Schedule XIV.

Depreciation in respect of Computers and Vehicles has been provided at 30% and 18% respectively which is higher than the rate prescribed under Schedule XIV.

Depreciation in respect of tools and dies has been provided based on the quantity of components manufactured.

Depreciation in respect of assets acquired during the year whose actual cost does not exceed Rs. 5,000/- has been provided at 100%.

(g) AS - 9 Revenue recognition

The income of the company is derived from sale of automotive vehicles and parts thereof, net of trade discount and includes realised exchange fluctuations on exports.

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividend from investments in shares is recognised when the company in which they are held declares the dividend and the right to receive the same is established.

The revenue and expenditure are accounted on a going concern basis.

(h) AS - 10 Accounting for fixed assets

All the fixed assets are valued at cost including expenditure incurred in bringing them to usable condition less depreciation.

Land includes land acquired under 20 years lease from Karnataka Industrial Area Development Board (KIADB) at a cost of Rs.3.86 crores.

Building includes building constructed on leasehold land

1.33      1.33

Cost of vehicles includes vehicles acquired under finance lease

0.36      0.45

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2006	As at/ Year ended 31-03-2005
(i)	AS - 11 Accounting for effects in foreign exchange rates		
	Purchase of imported raw materials, components, spare parts and capital goods are accounted based on retirement memos from banks. In respect of liabilities on import of raw materials, components, spare parts and capital goods which are in transit and where invoices/bills are yet to be received, the liability is accounted based on the advance copies of documents at the market exchange rate prevailing on the date of the Balance Sheet.		
	The foreign currency loans and deposits held outside India in foreign currency were re-stated as on 31st March 2006 as per the requirements of Accounting Standard 11 and the net loss (last year gain) arising out of such re-statement amounting to Rs 1.09 crores (last year Rs 4.41 crores) is debited (last year credited) to Profit and Loss Account.		
	Sales include realised exchange fluctuation on exports.		
	Derivative Instruments		
	Interest Rate Structure (IRS) - The company has entered into one derivative contract in respect of external commercial borrowings amounting to Rs.264 crores (USD 60 mn.) to convert floating interest rate to fixed interest rate.		
	Currency swaps - The company has entered into three currency swap contracts in respect of external commercial borrowings amounting to Rs.264 crores (USD 60 mn.) fixing the repayment liability of the company in Indian rupee.		
	Foreign currency exposures not hedged - Floating interest rate and repayment liability in respect of external commercial borrowings amounting to Rs.44.61 crores (USD 10 mn.)		
	Net exchange difference credited to Profit and Loss Account	0.31	7.97
(j)	AS - 13 Accounting for Investments		
	Investments are valued at cost. Provision for diminution in the carrying cost of long term investments is made if such diminution is other than temporary in nature in the opinion of the management.		
	(i) Investments made during the year:		
	DSP Merrill Lynch Investment Managers Limited, Mumbai	75.08	21.00
	Deutsche Asset Management India Private Limited, Mumbai	33.00	10.00
	Birla Sunlife Asset Management Company Limited, Mumbai	63.63	61.27
	Standard Chartered Asset Management Company Limited, Mumbai	163.75	130.31
	JM Financial Asset Management Private Limited, Mumbai	5.00	3.00
	Reliance Capital Asset Management Limited, Ahmedabad	12.27	10.50
	SBI Mutual Fund of State Bank of India, Mumbai	158.35	61.37
	Sundaram Asset Management Company Limited, Chennai	120.59	108.28
	Tata Asset Management Limited, Mumbai	4.00	5.00
	Prudential ICICI Asset Management Company Limited, New Delhi	263.99	231.70
	Kotak Mahindra Asset Management Company Limited, Mumbai	19.17	2.00
	Franklin Templeton Asset Management (India) Private Limited, Mumbai	36.93	79.00
	HSBC Asset Management (India) Private Limited, Mumbai	66.77	63.00
	HDFC Asset Management Company Limited, Mumbai	128.14	57.03
	ING Vysya Asset Management Company Limited, Mumbai	37.84	7.00
	Principal Asset Management Company Private Limited, Chennai	11.22	13.00
	ABN Amro Asset Management (India) Limited, Mumbai	4.19	24.10
	Cholamandalam Asset Management Company Limited, Mumbai	6.00	5.00
	Sundaram Auto Components Limited, Chennai	5.00	—
	TVS Finance & Services Limited, Chennai	—	40.00
	6.75% Tax free bonds in Unit Trust of India, Mumbai	0.33	4.88
	Unit Trust of India, Mumbai	28.45	—
	TVS Motor Company (Europe) B.V., Amsterdam	91.63	—
	TVS Motor (Singapore) Pte. Limited, Singapore	30.51	—
	Total	1,365.84	937.44

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2006	As at/ Year ended 31-03-2005
(j) AS - 13 Accounting for Investments - continued		
(ii) Investments realised during the year:		
DSP Merrill Lynch Investment Managers Limited, Mumbai	66.13	21.00
Deutsche Asset Management India Private Limited, Mumbai	31.00	5.00
Birla Sunlife Asset Management Company Limited, Mumbai	63.63	61.27
Standard Chartered Asset Management Company Limited, Mumbai	163.19	129.31
JM Financial Asset Management Private Limited, Mumbai	8.00	—
Reliance Capital Asset Management Limited, Ahmedabad	11.27	16.52
SBI Mutual Fund of State Bank of India, Mumbai	157.18	55.25
Sundaram Asset Management Company Limited, Chennai	113.31	134.65
Prudential ICICI Asset Management Company Limited, New Delhi	258.70	229.56
Tata Asset Management Limited, Mumbai	6.00	6.00
Kotak Mahindra Asset Management Company Limited, Mumbai	13.17	10.00
Franklin Templeton Asset Management (India) Private Limited, Mumbai	48.93	67.00
HSBC Asset Management (India) Private Limited, Mumbai	57.03	62.00
HDFC Asset Management Company Limited, Mumbai	123.70	48.50
Industrial Development Bank of India, Mumbai	—	0.01
ING Vysya Asset Management Company Limited, Mumbai	35.84	7.00
Principal Asset Management Company Private Limited, Chennai	11.22	13.00
ABN Amro Asset Management (India) Limited, Mumbai	9.29	19.00
Cholamandalam Asset Management Company Limited, Mumbai	6.00	5.00
Unit Trust of India, Mumbai	13.45	—
Total	<u>1,197.04</u>	<u>890.07</u>
The amounts of Rs.1,365.84 crores (last year Rs.937.44 crores) and Rs.1,197.04 crores (last year Rs.890.07 crores) are cumulative figures.		
Cost of investments held as at Balance Sheet date	344.19	175.39
(k) AS - 14 Accounting for amalgamations		
During the year there was no amalgamation.		
(l) AS - 15 Accounting for retirement benefits		
(i) Contributions to provident fund are made to a recognised trust.		
(ii) Provision for leave salary to employees is made on the basis of actuarial valuation.		
(iii) Provision for pension for senior managers is made on actuarial valuation basis for current and past services.		
(iv) Contributions to gratuity and superannuation fund are made to Life Insurance Corporation of India in accordance with the scheme framed by the corporation.		
(m) AS - 16 Borrowing cost		
The borrowing costs have been treated in accordance with the Accounting Standard on Borrowing Cost (AS-16) issued by The Institute of Chartered Accountants of India. During the year, there were no borrowings attributable to qualifying assets and hence no borrowing costs were capitalised.		
(n) AS - 17 Segment reporting		
The company operates in only one segment viz., automotive vehicles. Hence, the Accounting Standard on segment reporting (AS-17) is not applicable.		
(o) AS - 18 Related party disclosure		
Disclosure is made as per the requirements of the standard and the same is annexed.		

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2006	As at/ Year ended 31-03-2005
(p) AS -19 Leases		
(i) Asset acquired under finance lease - vehicles - original cost	0.36	0.45
(ii) The net carrying amount as on 31st March	0.07	0.11
(iii) Minimum lease payments		
– not later than one year - not discounted	0.07	0.13
– later than one year but not later than five years - not discounted	—	0.13
– later than five years - not discounted	—	—
(iv) Present value of minimum lease payments		
– not later than one year - discounted	0.03	0.06
– later than one year but not later than five years - discounted	—	0.04
– later than five years - discounted	—	—
(v) Contingent rents recognised as income in the statement of Profit and Loss Account	—	—
(vi) The total of future minimum sub-lease payment expected to be received under non-cancellable sub-leases as on 31st March	—	—
(vii) General description of the leasing arrangements		
– Nature of facility :	Finance lease	
– Restriction imposed by lease arrangement	-Nil-	
(q) AS - 20 Earnings per share		
Disclosure is made in the Profit and Loss Account as per the requirements of the standard.		
(r) AS - 21 Consolidated financial statements		
Consolidated financial statements of the company and its subsidiaries are enclosed.		
(s) AS - 22 Accounting for taxes on income		
Current tax is determined as the amount of tax payable in respect of taxable income for the period.		
Deferred tax liability and asset are recognised based on timing difference using the tax rates substantively enacted on the Balance Sheet date.		
(i) Deferred tax liability consists of:		
– tax on depreciation	132.27	131.59
– tax on amortisation of dies and moulds	12.66	14.00
– tax on expenses admissible on payment basis under Income-tax Act, 1961	22.58	18.54
(A)	<u>167.51</u>	<u>164.13</u>
(ii) Deferred tax asset consists of:		
– tax on provision in respect of expenditure which will be allowed under the Income-tax Act, 1961 only on payment basis	18.50	15.62
(B)	<u>18.50</u>	<u>15.62</u>
Deferred tax liability (net of deferred tax asset) (A)-(B) - refer Balance Sheet	149.01	148.51

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2006	As at/ Year ended 31-03-2005
(f)	AS - 26 - Accounting for intangible assets		
	During the year the company acquired the following assets falling under the definition of intangible assets as per the Accounting Standard and the following disclosure is made in respect of those assets:		
	(i) Software		
	– Estimated useful life of the asset	2 years	2 years
	– Amortisation rates used	50% each year as depreciation	50% each year as depreciation
	– Gross carrying amounts at the beginning and at the end of the period together with additions and deletions during the year		
	Opening balance	4.13	4.12
	Additions during the year	0.42	0.01
	Total	4.55	4.13
	Amortised as depreciation	4.25	4.12
	Closing balance	0.30	0.01
	(ii) Expenditure pending allocation on new products		
	– Estimated useful life of the asset	3 years	3 years
	– Amortisation rates used	Not amortised as asset not put to use	Not amortised as asset not put to use
	– Gross carrying amounts at the beginning and at the end of the period together with additions and deletions during the year		
	Opening balance	9.77	2.19
	Additions during the year	17.94	7.58
	Total	27.71	9.77
	Amortised / capitalised during the year	—	—
	Closing balance	27.71	9.77
	– Commitments for the acquisition of the asset	0.67	0.09
(u)	AS 28 - Impairment of assets		
	As on the Balance Sheet date the carrying amounts of the assets net of accumulated depreciation is not less than the recoverable amount of those assets. Hence there is no impairment loss on the assets of the company.		
(v)	AS 29 - Provisions, contingent liabilities and contingent assets		
	(i) Provisions		
	In respect of warranty obligations provision is made, in accordance with terms of sale of vehicles, vide schedule XIV (c) to the Balance Sheet.		
	(ii) Contingent liabilities		
	The amount for which the company is contingently liable is disclosed in note 11.		
	(iii) Contingent assets which are likely to give rise to the possibility of inflow of economic benefits - Refund receivable from central excise department	1.43	—
	(iv) Contested liabilities are detailed in note no. 12		

2 Share capital

M/s. Sundaram-Clayton Limited, Chennai holds 2,10,00,000 equity shares of Re.1/- each while its wholly owned subsidiary M/s. Anusha Investments Limited, Chennai holds 11,40,00,000 equity shares of Re.1/- each. This aggregates to 56.8% of the share capital of the company.

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2006	As at/ Year ended 31-03-2005
3	Amount of loan payable within one year : Unsecured - from banks	34.12	—
4	Land Title deeds in respect of lands acquired near Ahmedabad in Gujarat at a cost of Rs 0.01 crore and in respect of lands acquired at Hosur in Tamilnadu at a cost of Rs.4.39 crores are yet to be received from the registration authorities.		
5	Sundry debtors include amount due from Subsidiary company PT TVS Motor Company Indonesia, Jakarta	21.13	5.00
6	Bank balance includes amount in respect of		
	(a) Unclaimed dividends	0.82	0.91
	(b) Unclaimed share application money (last year Rs.17,200/-)	—	—
	(c) Balances lying with non-scheduled banks:		
	(i) HSBC Bank Plc, London: – in deposit account	—	58.53
	(ii) HSBC Bank Plc, Hongkong: – in current account	0.12	—
	(iii) PT Bank Danamon Indonesia Tbk, Jakarta – in current account	0.09	—
	(d) Maximum amount invested in non-scheduled banks at any time during the year		
	(i) HSBC Bank Plc, London	146.03	58.53
	(ii) HSBC Bank Plc, Hongkong	0.80	—
	(iii) PT Bank Danamon Indonesia Tbk, Jakarta	0.92	—
7	Loans and advances include:		
	(a) Loan due from a company under the same management viz. Sundaram-Clayton Limited, Chennai	9.00	9.00
	(b) Maximum due from the above company at any time during the year	9.00	9.00
	(c) Loan due from subsidiary company -		
	(i) Sundaram Auto Components Limited, Chennai	9.59	5.89
	(ii) TVS Motor Company (Europe) B.V, Amsterdam	4.16	—
	(iii) TVS Motor (Singapore) Pte. Limited, Singapore	0.03	—
	(d) Due from an officer of the company	0.05	0.05
	(e) Maximum amount due from an officer of the company at any time during the year	0.05	0.05
8	Deposits include:		
	(a) Deposit with post office (Rs.21,500/-)	—	—
	(b) Deposit with central excise	0.24	0.18
	(c) Deposit with sales tax	0.89	0.91
9	Sundry creditors include:		
	(a) Investor Education and Protection Fund		
	Unclaimed dividend	0.82	0.91
	Unclaimed share application money (last year Rs.17,200/-)	—	—
	(b) Amount due to Small Scale Industrial units	28.49	19.49
	(c) Amount due to other industrial units	316.69	288.04
	Amount payable to Small Scale Industrial units - due more than 30 days but within the entitled credit period of 45 days Accurate Engineering Company; Acma Tools; Addon Engineering Private Limited; Aim Electronics; Alacrity Electronics Limited.; Amman Power Printing Press; Apt Pneumatics Private		

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

Rupees in crores	
As at/ Year ended 31-03-2006	As at/ Year ended 31-03-2005

Limited; Auto Shell Perfect Moulders Limited; Bhuvaneshwari Electricals; Bismi Tools & Services; Classic Welding Products Limited; CNC India Tools & Services Private Limited; Concept Engineering; Concept Engineers; Deeyem CNC Machining Private Limited; Diamond Dynamics India Private Limited; Dietech India Private Limited; Duracon Automation; Elctrolink Products Private Limited; Elemec Industries; Elheat Ceramic Engineering Private Limited; Elmech Engineers; Essae Digitronics Private Limited; Essae Excel Private Limited; Fab Machines Private Limited; Federn Fabrik; Fiem Auto Private Limited; Finearc Systems Private Limited; G.I. Auto Private Limited; G.V. Tool Company; Galaxy Instruments Private Limited; Gee Vee Fab; Gem Precision Tool Private Limited; Gramos Chemicals India Private Limited; Haresh Machine Tools Company; Hindustan Moulds & Dies; Hitech Rolling Balls Private Limited; IEC Air Tools Private Limited; Industrial Hygienic Systems; J. S. Inc; Jason Tools; Jassons Diamond Products; Jaycee Industries; Jitesh Enterprises; Kark Design Tech; Kay Jay Forgings Private Limited; Klipco Private Limited; Kohinoor Printers Private Limited; Kumaran Printers & Binders; Kurkute Brothers Private Limited; Lakhota Beltings Private Limited; Lakshmi Data Forms; M.D. Fab; M.N. Rama Rao & Co.; Madras Cupprum Metals Private Limited; Mahem Engineering Private Limited; Marvel Gloves Industries; Mechatronics; Mech-Enn; Mehta Engineers Limited.; Mini Machine Tools; Mini Nuts; Mipalloy; Morey Metal Finishers; Multilink; Multitech Metal Impregnations; N.R. Industries; Nu-Tech Rubber Products; Orsett Hydraulics Private Limited; Phiroze Sethna Private Limited; PKN Caps & Polymers Private Limited; Plant Engineering Services; Polyrub Extrusions India; Powertech Pollution Control Private Limited; Praja Mechanicals Limited.; Precision Compaed Mouldings Private Limited; Premier Sealing Products; Presscom Products; R.M. Industries; Rajamane Industries Private Limited.; Ramesh & Co; Ramsays Corporation; Rollman Trading Company; Sakthi Engineering; Sankar NP Japan Private Limited; Sansera Engineering Private Limited; Schevaran Laboratories Private Limited; Servewel Industries; Shalibhadra Intermediates Private Limited; Shet-Dass Engineers Private Limited; Shivkson Engineering; Spear Precision Engineers; Sri Ganesh Industries; Sri Parvathi Enterprises; SRV Automations; Stand Parts; Standard Insulations; Sterimed Surgicals (India) Private Limited; Supangita Engineers Private Limited; Switch International Limited; Synchron Machine Tools Private Limited, Syscon Intruments Private Limited; Taurus Private Limited; Thayyil Enterprises; Tool Mac; Trijama Filterall Private Limited; Ucal Auto Private Limited; Udhaya Mens Wear; Ultraseal India Private Limited; Uma Engineering Works; V.V. Printers; Velkalyan Products; Vikman Steel Ball Industries.; Vir Rubber Products Private Limited; Yess Dee Enterprises; Zawar Gauges & Tools Private Limited.

10 Miscellaneous expenditure not written off

(a) Expenditure pending allocation consists of:

(i) Research & Development expenses	14.92@	6.53@
(ii) Salaries, wages and allowances	2.88	0.89
(iii) Rent	0.24	0.15
(iv) Travel and conveyance	0.19	0.04
(v) Other expenses	9.48	2.16
Total	27.71	9.77

@ Includes Rs. 2.19 crores for the year 2003-04 and Rs. 4.34 crores for the year 2004-05

(b) In respect of new product launch expenses Accounting Standard 26 is not applicable as it does not create any intangible asset or a resource. This expenditure is proposed to be written off in 36 months.

(c) Expenditure incurred in raising external commercial borrowings is proposed to be written off over the period of loan.

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2006	As at/ Year ended 31-03-2005
11	Contingent liability not provided for:		
	(a) On counter guarantee given to banks	2.34	0.55
	(b) On letters of credit	35.01	8.38
	(c) On guarantee to Housing Development Finance Corporation Limited, Mumbai on loans granted to employees of the company	1.25	1.25
	(d) On bills discounted with banks	54.39	52.69
	(e) Capital commitments not provided for	37.68	31.15
	(f) On obligation arising out of agreements facilitating credit to an associate company	75.00	75.00
12	Liability contested and not provided for:		
	(a) Excise	4.02	2.73
	(b) Sales tax	3.74	3.73
	(c) Electricity tax	0.15	0.15
	(d) Income-tax	21.62	11.04
	(e) Employee settlement claims	0.05	0.05
	(f) Land acquisition	0.25	3.74
13	Tax deducted at source on interest income	1.17	0.58
14	Contribution to provident and other funds include:		
	(a) Contribution towards gratuity as per scheme framed by Life Insurance Corporation of India	3.65	3.60
	(b) Contribution towards pension fund	3.92	8.17
15	Repairs include:		
	(a) Wages	2.76	2.75
	(b) Stores consumed	15.35	18.10
16	Audit fees comprise:		
	(a) As auditors	0.15	0.14
	(b) Taxation matters	0.03	0.03
	(c) Certification matters	0.03	0.03
	(d) Cost audit fees	0.01	0.01
	Total	<u>0.22</u>	<u>0.21</u>
17	General		
	(a) Expenses in excess of 1% of total revenue		
	(i) Carriage outwards included in packing and freight charges	71.11	61.20
	(ii) Sales promotion expenses included in other marketing expenses	49.65	94.78
	(b) Other expenses include travel and stay expenses of auditors	0.05	0.10
	(c) Loss on sale of investments netted against profit on sale of investments	1.85	1.38
18	Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.		

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

Rupees in crores

19 Disclosure made in terms of clause 32 of the listing agreement with stock exchanges

	Particulars	Name of the company	Amount outstanding as at 31-03-2006	Amount outstanding as at 31-03-2005
(a)	Loans and advances			
(i)	Loans and advances in the nature of loans made to subsidiary company	Sundaram Auto Components Limited, Chennai Maximum amount due at any time during the year	9.59 20.20	5.89 8.47
		TVS Motor Company (Europe) B.V., Amsterdam Maximum amount due at any time during the year	4.16 4.16	— —
		TVS Motor (Singapore) Pte. Limited, Singapore Maximum amount due at any time during the year	0.03 0.03	— —
(ii)	Loans and advances in the nature of loans made to associate company	TVS Finance and Services Limited, Chennai Maximum amount due at any time during the year	— 30.00	— 15.00
(iii)	Loans and advances in the nature of loans made to firms/companies in which directors of the company are interested	TVS Motor Company (Europe) B.V., Amsterdam Maximum amount due at any time during the year	4.16 4.16	— —
		TVS Motor (Singapore) Pte. Limited, Singapore Maximum amount due to any time during the year	0.03 0.03	— —
		TVS Finance and Services Limited, Chennai Maximum amount due at any time during the year	— 30.00	— 15.00
(b)	Investments by the company			
(i)	In subsidiary companies	Sundaram Auto Components Limited, Chennai (37,00,000 - last year 27,00,000 Equity shares of Rs.10/- each fully paid up) Maximum amount held at any time during the year	17.50 17.50	12.50 12.50
		TVS Motor Company (Europe) B.V., Amsterdam (1,70,810 Ordinary shares of Euro 100/- each fully paid up) Maximum amount held at any time during the year	91.63 91.63	— —
		TVS Motor (Singapore) Pte. Limited, Singapore (1,14,91,260 Ordinary shares of Sing \$ 1/- each fully paid up) Maximum amount held at any time during the year	30.51 30.51	— —
(ii)	In associate company	TVS Finance and Services Limited, Chennai (1,64,52,192 Equity shares of Rs.10/- each fully paid up, 3,03,10,000 9% non-cumulative non-convertible redeemable preference shares of Rs.10/- each and 4,00,00,000 6% non-cumulative non-convertible redeemable preference shares of Rs.10/- each] Maximum amount held at any time during the year	86.92 86.92	86.92 86.92

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

Rupees in crores

	Particulars	Name of the company	Amount outstanding as at 31-03-2006	Amount outstanding as at 31-03-2005
(c)	Investments by the holding company	Sundaram-Clayton Limited, Chennai together with its subsidiary Anusha Investments Limited, Chennai (13,50,00,000 Equity shares of Re.1/- each fully paid) Maximum amount held at any time during the year	13.50 13.50	13.50 13.50

Notes:

- (a) The above loans are subject to repayment schedule as agreed between the company and its loanee. The loans are repayable within seven years.
- (b) All the above loans carry interest at agreed rates which are not less than interest stipulated in section 372A of the Companies Act, 1956.
- (c) Investment by the loanee in the shares of the parent company and subsidiary company when the company has made a loan or advance in the nature of loan - Nil

20	Determination of net profit as per sections 349 and 350 of the Companies Act, 1956	As at/ Year ended 31-03-2006	As at/ Year ended 31-03-2005
	Profit as per Profit and Loss Account	170.12	201.44
	Add: Depreciation as per Profit and Loss Account	93.91	89.63
		<u>264.03</u>	<u>291.07</u>
	Less : Depreciation as per section 350 read with schedule XIV	97.12	92.58
	Profit as per section 349	<u>166.91</u>	<u>198.49</u>
	Commission payable to managing director at 2% thereof as approved by the shareholders	3.34	3.97
	(a) Actual commission provided at 1% (Last year 0.5%)	<u>1.67</u>	<u>0.99</u>
	(b) Commission to independent directors at 1% of the profit as stated above subject to a ceiling of Rs. 3.60 lakhs per director per annum	0.22	0.23

21	Related party disclosure List of related parties Reporting entity Subsidiary companies	TVS Motor Company Limited, Chennai (a) Sundaram Auto Components Limited, Chennai (b) TVS Motor Company (Europe) B.V, Amsterdam (c) TVS Motor (Singapore) Pte. Limited, Singapore (d) PT TVS Motor Company Indonesia, Jakarta
	Holding company Fellow subsidiaries	Sundaram-Clayton Limited, Chennai (a) Anusha Investments Limited, Chennai (b) TVS Electronics Limited, Chennai (c) Harita Stocks Limited, Chennai (d) TVS Investments Limited, Chennai (e) Auto (India) Engineering Limited, Chennai
	Associate company  Key management personnel Relative of key management personnel	TVS Finance and Services Limited, Chennai (a subsidiary of TVS Investments Limited, Chennai)  Mr. Venu Srinivasan Mr. Gopal Srinivasan

## TVS MOTOR COMPANY LIMITED

### Schedules – (continued)

#### XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2006	As at/ Year ended 31-03-2005
22 Particulars of transactions with related parties		
(a) Purchase of goods		
– holding company	49.11	35.89
– subsidiary company (Sundaram Auto Components Limited, Chennai)	120.83	57.55
(b) Sale of goods		
– subsidiary company (Sundaram Auto Components Limited, Chennai)	—	0.12
(c) Purchase of fixed assets		
– holding company	—	0.01
– subsidiary company (Sundaram Auto Components Limited, Chennai)	0.02	—
(d) Sale of fixed assets		
– holding company	—	0.60
– subsidiary company (Sundaram Auto Components Limited, Chennai)	0.65	0.01
(e) Rendering of services (including interest received)		
– holding company	0.81	0.64
– subsidiary companies (Sundaram Auto Components Limited, Chennai TVS Motor Company (Europe) B.V. Amsterdam, TVS Motor (Singapore) Pte. Limited, Singapore)	1.20	0.63
– associate company	0.06	—
(f) Availing of services (includes sub-contract charges paid)		
– holding company	33.22	31.07
– subsidiary company (Sundaram Auto Components Limited, Chennai)	0.32	0.34
– fellow subsidiaries	0.62	0.42
– associate company	10.24	10.69
(g) Trade advances made during the year		
– holding company	—	9.00
– subsidiary companies (Sundaram Auto Components Limited, Chennai TVS Motor Company (Europe) B.V. Amsterdam, TVS Motor (Singapore) Pte. Limited, Singapore)	45.44	1.56
– associate company	15.00	25.00
(h) Trade advances received back during the year		
– subsidiary company (Sundaram Auto Components Limited, Chennai)	37.55	4.25
– fellow subsidiary (TVS Investments Limited, Chennai)	—	0.06
– associate company	15.00	25.00
(i) Amount outstanding as at Balance Sheet date:		
(i) Sundry debtors		
– subsidiary company (PT TVS Motor Company Indonesia, Jakarta)	21.14	5.00
– fellow subsidiary (TVS Electronics Limited, Chennai)	0.23	0.02
(ii) Loans and advances receivable		
– holding company	9.00	9.00
– subsidiary companies ((Sundaram Auto Components Limited, Chennai TVS Motor Company (Europe) B.V. Amsterdam, TVS Motor (Singapore) Pte. Limited, Singapore)	13.78	5.89

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2006	As at/ Year ended 31-03-2005
(iii)	Sundry creditors		
	– holding company	17.16	8.23
	– associate company	0.07	0.71
(j)	Investments made during the year		
	– subsidiary companies (Sundaram Auto Components Limited, Chennai TVS Motor Company (Europe) B.V., Amsterdam, TVS Motor (Singapore) Pte. Limited, Singapore)	127.13	—
	– associate company	—	40.00
(k)	Investments sold during the year		
	– fellow subsidiary (Anusha Investments Limited, Chennai)	—	0.01
(l)	Obligation arising out of agreements facilitating credit to associate company	75.00	75.00
(m)	Remuneration to key management personnel and his relative	1.67	0.99

VENU SRINIVASAN  
*Chairman & Managing Director*

H. LAKSHMANAN  
*Director*

S.G. MURALI  
*Sr. Vice President - Finance*

As per our report annexed  
For Sundaram & Srinivasan  
*Chartered Accountants*

Chennai  
June 26, 2006

T.S. RAJAGOPALAN  
*Secretary*

M. BALASUBRAMANIAM  
*Partner*

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

23 INFORMATION PURSUANT TO THE PROVISIONS OF PART II OF SCHEDULE VI OF THE COMPANIES ACT, 1956 (VIDE NOTIFICATION DATED 30TH OCTOBER 1973 OF THE DEPARTMENT OF COMPANY AFFAIRS, GOVERNMENT OF INDIA)

		Rupees in crores			
		Year ended 31-03-2006		Year ended 31-03-2005	
		Quantity	Value	Quantity	Value
I	RAW MATERIALS CONSUMED				
1	(a) Basic raw materials				
	Steel sheets, coils, strips and bars	Kgs.	65,90,177	75,51,247	31.90
	Steel tubes	Mtrs.	1,29,653	2,42,055	2.94
	Aluminium alloys and ingots	Kgs.	66,79,498	66,62,264	58.29
	(b) Intermediates and components (which individually do not account for more than 10% of the total value of consumption)		<u>2,289.89</u>		<u>1,891.47</u>
			<u>2,381.79</u>		<u>1,984.60</u>
2	Consumption of raw materials and components				
		% of total consumption		% of total consumption	
	(a) Imported	2.3	54.48	1.6	32.42
	(b) Indigenous	97.7	2,327.31	98.4	1,952.18
		<u>100.0</u>	<u>2,381.79</u>	<u>100.0</u>	<u>1,984.60</u>
II	CONSUMPTION OF MACHINERY SPARES				
	(a) Imported	25.6	1.11	25.5	1.30
	(b) Indigenous	74.4	3.22	74.5	3.79
		<u>100.0</u>	<u>4.33</u>	<u>100.0</u>	<u>5.09</u>
III	IMPORTS (CIF VALUE)				
	(a) Raw materials		32.84		21.55
	(b) Spare parts and components		34.38		19.05
	(c) Capital goods		17.99		60.51
IV	OTHER EXPENDITURE IN FOREIGN CURRENCY				
	(a) Travel		0.07		2.42
	(b) Subscription to books and periodicals		0.13		0.05
	(c) Subscription to associations		0.06		0.04
	(d) Welfare expenses - training		2.14		1.13
	(e) Consultancy		3.67		6.74
	(f) Advertisement and publicity		0.36		1.86
	(g) Commission on exports		7.42		9.53
	(h) Research and development		13.95		11.48
	(i) External commercial borrowing up front fees		—		6.63
	(j) Commission on import of raw materials and components		2.59		0.29
	(k) Interest on foreign currency loan		15.02		2.25
	(l) Rent		0.05		0.02
	(m) Repairs and maintenance - Other assets		0.07		—
V	PAYMENT TO NON-RESIDENTS SHAREHOLDERS				
	(a) No. of share holders		Nil		Nil
	(b) No. of shares held		Nil		Nil
	(c) Net dividend		Nil		Nil
VI	EARNINGS IN FOREIGN EXCHANGE				
	(a) Exports (on f.o.b. basis)		176.66		120.32
	(b) Others				
	(i) Freight and insurance		2.88		1.88
	(ii) Interest income		1.14		—
			<u>180.68</u>		<u>122.20</u>
VII	SALE BY CLASS OF GOODS				
		Quantity nos.		Quantity nos.	
	(a) Motorcycles	8,05,740	2,053.27	6,79,099	1,845.66
	(b) Mopeds	2,90,085	407.69	2,63,390	357.30
	(c) Scooters	2,44,550	554.59	2,24,527	485.56
	(d) Spares and accessories		219.41		187.39
	Total		<u>3,234.96</u>		<u>2,875.91</u>
VIII	LICENSED AND INSTALLED CAPACITY (PER ANNUM)		Not applicable		Not applicable

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

IX OPENING AND CLOSING STOCK OF GOODS PRODUCED DURING THE YEAR

Rupees in crores

	Opening stock				Production meant for sale		Closing stock			
	Qty. nos.	Value	Qty. nos.	Value	Quantity nos.		Qty. nos.	Value	Qty. nos.	Value
	As at 01-04-2005		As at 01-04-2004		Year ended 31-03-2006	Year ended 31-03-2005	As at 31-03-2006		As at 31-03-2005	
(a) Motorcycles	24,368	61.14	30,909	75.98	8,12,109	6,72,773	30,683	76.15	24,368	61.14
(b) Mopeds	2,019	2.42	3,497	3.92	2,93,320	2,61,928	5,254	6.67	2,019	2.42
(c) Scooters	15,409	29.35	6,589	11.71	2,60,988	2,33,373	31,674	67.11	15,409	29.35
(d) Components which do not individually account for 10% or more of the total value of stock		8.24		10.02				12.48		8.24
Total		101.15		101.63				162.41		101.15

Note: During the year 54 motorcycles and 173 scooters (last year 215 motorcycles, 16 mopeds and 26 scooters) were captively used.

VENU SRINIVASAN  
Chairman & Managing Director

H. LAKSHMANAN  
Director

S.G. MURALI  
Sr. Vice President - Finance

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
June 26, 2006

T. S. RAJAGOPALAN  
Secretary

M. BALASUBRAMANIAM  
Partner

Cash Flow Statement

		Rupees in crores	
		Year ended 31-03-2006	Year ended 31-03-2005
<b>A. Cash flow from operating activities :</b>			
Net Profit before tax and extraordinary items		168.45	163.51
Add : Reduction in liability due to pre-payment of sales tax deferral loan		<u>—</u>	<u>36.94</u>
Net Profit for the year		168.45	200.45
Add :			
Depreciation for the year	93.91		89.63
Depreciation on sale/scrapping of assets	(5.92)		(3.90)
Miscellaneous expenditure written off	1.72		0.83
Income tax relating to earlier years	5.50		1.42
Dividend income	(5.96)		(2.79)
Interest income	(7.87)		(7.54)
Interest expenditure	<u>20.99</u>		<u>8.33</u>
		<u>102.37</u>	<u>85.98</u>
Operating profit before working capital changes		270.82	286.43
Adjustments for :			
Trade receivables	(18.63)		12.34
Inventories	(124.67)		(16.57)
Other current assets	(0.01)		(0.10)
Loans and advances	(59.98)		(17.07)
Trade payables	72.27		31.18
Provisions	<u>5.20</u>		<u>15.00</u>
		<u>(125.82)</u>	<u>24.78</u>
Cash generated from operations		145.00	311.21
Direct taxes paid		<u>(39.51)</u>	<u>(35.77)</u>
Net cash from operating activities	(A)	105.49	275.44
<b>B. Cash flow from investing activities :</b>			
Purchase of fixed assets	(102.43)		(162.97)
Sale of fixed assets	11.24		8.32
Capital work-in-progress	(20.07)		2.62
Purchase of investments	(1,365.84)		(937.44)
Sale of investments	1,197.04		890.07
Miscellaneous expenditure not written off	(30.77)		(52.39)
Interest received	7.87		7.54
Dividends received	<u>5.96</u>		<u>2.79</u>
		<u>(297.00)</u>	<u>(241.46)</u>
Net cash used in investing activities	(B)	(297.00)	(241.46)

Cash Flow Statement - (continued)

		Rupees in crores	
		Year ended 31-03-2006	Year ended 31-03-2005
<b>C. Cash flow from financing activities :</b>			
Long term borrowings:			
Secured loans availed	133.60		175.01
Repayment of secured loans	—		(32.10)
Unsecured loans availed	34.44		0.35
Sales tax deferral loan availed	30.16		(70.03)
Interest paid	(20.99)		(8.33)
Dividend and dividend tax paid	(35.22)		(37.61)
		<u>141.99</u>	<u>27.29</u>
Net cash used in financing activities	(C)	141.99	27.29
<b>D. Net increase in cash and cash equivalents (A+B+C)</b>			
		(49.52)	61.27
Cash and cash equivalents at the beginning of the year		73.87	12.60
Cash and cash equivalents at the end of the year		24.35	73.87

Notes:

1. The above statement has been prepared in indirect method except in case of interest, dividend and purchase and sale of investments which have been considered on the basis of actual movement of cash.
2. Cash and cash equivalents represent cash and bank balances.

VENU SRINIVASAN  
Chairman & Managing Director

H. LAKSHMANAN  
Director

S.G. MURALI  
Sr. Vice President - Finance

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
June 26, 2006

T.S. RAJAGOPALAN  
Secretary

M. BALASUBRAMANIAM  
Partner

Balance Sheet abstract and company's general business profile

I. Registration details:

Registration no. 

		2	2	8	4	5
--	--	---	---	---	---	---

 of 1992 State code 

1	8
---	---

Balance sheet date 

3	1
---	---

0	3
---	---

2	0	0	6
---	---	---	---

Date      Month      Year

II. Capital raised during the year (amount in Rs. thousands)

Public issue 

Nil
-----

 Rights issue 

Nil
-----

Bonus issue 

Nil
-----

 Private placement 

Nil
-----

III. Position of mobilisation and deployment of funds (amount in Rs. thousands)

Total liabilities	<table border="1" style="display: inline-table;"><tr><td>1</td><td>3</td><td>0</td><td>0</td><td>1</td><td>7</td><td>0</td><td>0</td></tr></table>	1	3	0	0	1	7	0	0	Total assets	<table border="1" style="display: inline-table;"><tr><td>1</td><td>3</td><td>0</td><td>0</td><td>1</td><td>7</td><td>0</td><td>0</td></tr></table>	1	3	0	0	1	7	0	0
1	3	0	0	1	7	0	0												
1	3	0	0	1	7	0	0												
Sources of Funds																			
Paid up capital	<table border="1" style="display: inline-table;"><tr><td> </td><td>2</td><td>3</td><td>7</td><td>5</td><td>0</td><td>0</td></tr></table>		2	3	7	5	0	0	Reserves and surplus	<table border="1" style="display: inline-table;"><tr><td>7</td><td>4</td><td>2</td><td>3</td><td>7</td><td>0</td><td>0</td></tr></table>	7	4	2	3	7	0	0		
	2	3	7	5	0	0													
7	4	2	3	7	0	0													
Secured loans	<table border="1" style="display: inline-table;"><tr><td>3</td><td>0</td><td>8</td><td>6</td><td>1</td><td>0</td><td>0</td></tr></table>	3	0	8	6	1	0	0	Unsecured loans	<table border="1" style="display: inline-table;"><tr><td> </td><td>7</td><td>6</td><td>4</td><td>3</td><td>0</td><td>0</td></tr></table>		7	6	4	3	0	0		
3	0	8	6	1	0	0													
	7	6	4	3	0	0													
Deferred tax liability	<table border="1" style="display: inline-table;"><tr><td>1</td><td>4</td><td>9</td><td>0</td><td>1</td><td>0</td><td>0</td></tr></table>	1	4	9	0	1	0	0											
1	4	9	0	1	0	0													
Application of Funds																			
Net fixed assets	<table border="1" style="display: inline-table;"><tr><td>7</td><td>6</td><td>6</td><td>7</td><td>8</td><td>0</td><td>0</td></tr></table>	7	6	6	7	8	0	0	Capital work-in-progress	<table border="1" style="display: inline-table;"><tr><td> </td><td>2</td><td>6</td><td>9</td><td>7</td><td>0</td><td>0</td></tr></table>		2	6	9	7	0	0		
7	6	6	7	8	0	0													
	2	6	9	7	0	0													
Investments	<table border="1" style="display: inline-table;"><tr><td>3</td><td>4</td><td>4</td><td>1</td><td>9</td><td>0</td><td>0</td></tr></table>	3	4	4	1	9	0	0	Net current assets	<table border="1" style="display: inline-table;"><tr><td> </td><td>6</td><td>8</td><td>7</td><td>2</td><td>0</td><td>0</td></tr></table>		6	8	7	2	0	0		
3	4	4	1	9	0	0													
	6	8	7	2	0	0													
Misc. expenditure	<table border="1" style="display: inline-table;"><tr><td> </td><td>9</td><td>3</td><td>5</td><td>1</td><td>0</td><td>0</td></tr></table>		9	3	5	1	0	0											
	9	3	5	1	0	0													

IV. Performance of the company (amount in Rs. thousands)

Turnover	<table border="1" style="display: inline-table;"><tr><td>3</td><td>3</td><td>0</td><td>5</td><td>9</td><td>6</td><td>0</td><td>0</td></tr></table>	3	3	0	5	9	6	0	0	Total expenditure	<table border="1" style="display: inline-table;"><tr><td>3</td><td>1</td><td>3</td><td>7</td><td>5</td><td>1</td><td>0</td><td>0</td></tr></table>	3	1	3	7	5	1	0	0
3	3	0	5	9	6	0	0												
3	1	3	7	5	1	0	0												
Profit before tax	<table border="1" style="display: inline-table;"><tr><td> </td><td>1</td><td>6</td><td>8</td><td>4</td><td>5</td><td>0</td><td>0</td></tr></table>		1	6	8	4	5	0	0	Profit after tax	<table border="1" style="display: inline-table;"><tr><td> </td><td>1</td><td>1</td><td>7</td><td>0</td><td>0</td><td>0</td><td>0</td></tr></table>		1	1	7	0	0	0	0
	1	6	8	4	5	0	0												
	1	1	7	0	0	0	0												
Earnings per share (Rs)	<table border="1" style="display: inline-table;"><tr><td> </td><td> </td><td> </td><td> </td><td>4</td><td>.</td><td>9</td><td>3</td></tr></table>					4	.	9	3	Dividend rate (%)	<table border="1" style="display: inline-table;"><tr><td>1</td><td>3</td><td>0</td></tr></table>	1	3	0					
				4	.	9	3												
1	3	0																	

V. Generic names of three principal products/services of company as per monetary terms (ITC Code)

Product description	Item Code No. (ITC Code)							
Mopeds, Motorcycles and Scooters	<table border="1" style="display: inline-table;"><tr><td>8</td><td>7</td><td>1</td><td>1</td><td>.</td><td>0</td><td>0</td></tr></table>	8	7	1	1	.	0	0
8	7	1	1	.	0	0		
Parts for the above	<table border="1" style="display: inline-table;"><tr><td>8</td><td>7</td><td>1</td><td>4</td><td>.</td><td>0</td><td>0</td></tr></table>	8	7	1	4	.	0	0
8	7	1	4	.	0	0		
IC Engines for the above	<table border="1" style="display: inline-table;"><tr><td>8</td><td>4</td><td>0</td><td>7</td><td>.</td><td>0</td><td>0</td></tr></table>	8	4	0	7	.	0	0
8	4	0	7	.	0	0		

Statement pursuant to section 212 of the Companies Act, 1956 relating to subsidiaries

S No.	Name of the subsidiary	Sundaram Auto Components Limited, Chennai	TVS Motor Company (Europe) B.V, Amsterdam	TVS Motor (Singapore) Pte. Limited, Singapore	PT TVS Motor Company Indonesia, Jakarta
(1)	(2)	(3)	(4)	(5)	(6)
1	Financial year of the subsidiary	01.04.2005 - 31.03.2006	01.04.2005 - 31.03.2006	01.04.2005 - 31.03.2006	22.08.2005- 31.12.2005
2	Shares of the subsidiary held by the company on the above date				
	(a) Number and face value	37,00,000 Equity shares of Rs.10/- each fully paid up	1,70,801 Ordinary shares of Euro 100/- each fully paid up	1,14,91,260 Ordinary shares of Sing \$ 1/- each fully paid up	27,60,000 shares of US \$10/- each fully paid up
	(b) Extent of holding	100%	100%	100%	75% by (4) and 25% by (5)
3	Net aggregate amount of profits / (losses) of the subsidiary for the above financial year of the subsidiary not dealt with in the company's accounts				
	(a) for the financial year of the subsidiary - profit/(loss)	Rs.0.53 crores	(Rs.0.46 crores)	Rs.0.06 crores	(Rs.1.27 crores)
	(b) for the previous financial years since it became a subsidiary - profit	Rs 8.06 crores	—	—	—
4	Net aggregate amount of profits / (losses) of the subsidiary for the above financial year of the subsidiary dealt with in the company's accounts				
	(a) for the financial year of the subsidiary - profit	—	—	—	—
	(b) for the previous financial years since it became a subsidiary - profit	Rs.1.78 crores	—	—	—

VENU SRINIVASAN  
Chairman & Managing Director

H. LAKSHMANAN  
Director

S.G. MURALI  
Sr. Vice President - Finance

Chennai  
June 26, 2006

T.S. RAJAGOPALAN  
Secretary

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Balance Sheet as at 31st March 2006

	Schedule number	Rupees in crores	
		As at 31-03-2006	As at 31-03-2005
<b>I SOURCES OF FUNDS</b>			
1 Shareholders' funds			
(a) Capital	I	23.75	23.75
(b) Reserves and Surplus	II	<u>726.35</u>	<u>641.24</u>
2 Loan funds			
(a) Secured loans	III	318.06	178.34
(b) Unsecured loans	IV	<u>78.73</u>	<u>14.16</u>
3 Deferred tax liability (net of deferred tax asset)		148.01	150.29
Total		<u>1,294.90</u>	<u>1,007.78</u>
<b>II APPLICATION OF FUNDS</b>			
1 Fixed Assets			
(a) Gross block		1,437.99	1,319.65
(b) Less : Depreciation		<u>619.33</u>	<u>528.05</u>
(c) Net block	V	818.66	791.60
(d) Capital work-in-progress	VI	28.59	7.93
2 Investments	VII	179.30	142.03
3 Current assets, loans and advances			
(a) Inventories	VIII	367.25	240.35
(b) Sundry debtors	IX	72.16	44.16
(c) Cash and bank balances	X	134.64	74.66
(d) Other current assets	XI	0.30	0.29
(e) Loans and advances	XII	209.40	161.97
Total (A)		<u>783.75</u>	<u>521.43</u>
Current liabilities and provisions			
(a) Current liabilities	XIII	547.10	463.42
(b) Provisions	XIV	<u>62.78</u>	<u>56.25</u>
Total (B)		<u>609.88</u>	<u>519.67</u>
Net current assets (A - B)		173.87	1.76
4 Miscellaneous expenditure to the extent not written off or adjusted	XV	94.48	64.46
Total		<u>1,294.90</u>	<u>1,007.78</u>
Notes on accounts	XXI		

VENU SRINIVASAN  
Chairman & Managing Director

H. LAKSHMANAN  
Director

S.G. MURALI  
Sr. Vice President - Finance

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
June 26, 2006

T.S. RAJAGOPALAN  
Secretary

M. BALASUBRAMANIAM  
Partner

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Profit and Loss Account for the year ended 31st March 2006

Rupees in crores

	Schedule number	Year ended 31-03-2006	Year ended 31-03-2005
Gross sales		3,768.61	3,363.27
Less : Excise duty		501.76	450.30
Net sales		3,266.85	2,912.97
Other Income	XVI	71.48	78.91
Raw materials and components consumed	XVII	2,299.05	1,983.94
Labour Charges		3.44	1.67
Salaries and wages, stores consumed and other expenses	XVIII	755.09	705.02
Miscellaneous expenditure	XIX	1.72	0.83
Profit before interest, depreciation and tax		279.03	300.42
Interest (net)	XX	14.43	1.57
Depreciation		98.44	92.24
Profit before tax		166.16	206.61
Provision for taxation		47.43	39.08
Provision of fringe benefit tax		6.15	—
Provision for deferred tax		(2.28)	26.36
Pro-rata share of loss of associate		4.39	4.56
Profit for the year (after tax)		110.47	136.61
Balance profit brought forward		23.57	23.89
Transfer from Debenture redemption reserve		—	9.90
Tax relating to earlier years		5.51	1.42
Profit for the year (after tax)		110.47	136.61
Total		139.55	171.82
I Interim dividend paid		16.63	16.63
II Interim dividend payable		14.25	14.26
Dividend tax paid		2.33	2.22
Provision for dividend tax		2.00	2.14
Transfer to general reserves		90.00	113.00
Balance surplus carried forward to Balance Sheet		14.34	23.57
Total		139.55	171.82
Nominal value of each share in rupees		1.00	1.00
Earnings per share in rupees on 23,75,43,557 shares		4.65	5.75
Diluted earnings per share in rupees		4.65	5.75

VENU SRINIVASAN  
*Chairman & Managing Director*

H. LAKSHMANAN  
*Director*

S.G. MURALI  
*Sr. Vice President - Finance*

As per our report annexed  
For Sundaram & Srinivasan  
*Chartered Accountants*

Chennai  
June 26, 2006

T.S. RAJAGOPALAN  
*Secretary*

M. BALASUBRAMANIAM  
*Partner*

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules

	Rupees in crores	
	As at 31-03-2006	As at 31-03-2005
<b>I CAPITAL</b>		
Authorised		
25,00,00,000 Equity shares of Re.1/- each	25.00	25.00
	<u>25.00</u>	<u>25.00</u>
Issued, subscribed and paid-up		
(a) 23,10,00,700 Equity shares of Re.1/- each fully paid	23.10	23.10
Out of the above, 23,10,00,000 equity shares of Re. 1/-each were allotted for consideration other than cash to the shareholders of the erstwhile transferor company viz., Sundaram Auto Engineers (India) Limited, Chennai.		
(b) 65,42,857 Equity shares of Re. 1/- each allotted to the shareholders of amalgamated company viz., Lakshmi Auto Components Limited, Chennai.	0.65	0.65
	<u>23.75</u>	<u>23.75</u>
<b>II RESERVES AND SURPLUS</b>		
(a) Capital reserves		
(i) On shares forfeited		
As per last Balance Sheet (Rs. 55,200/-)	—	—
(ii) On surplus arising out of amalgamation		
As per last Balance Sheet	2.46	
Less : Pre-acquisition loss of subsidiary	<u>0.06</u>	2.40
(iii) Foreign currency translation reserve	4.40	—
(b) General reserves		
As per last Balance Sheet	615.21	
Add : Transfer from Profit and Loss Account	<u>90.00</u>	615.21
(c) Surplus		
Balance in Profit and Loss Account	<u>14.34</u>	<u>23.57</u>
	<u>726.35</u>	<u>641.24</u>
<b>III SECURED LOANS</b>		
From banks		
(i) External commercial borrowing secured by a first charge on the specified assets on an exclude basis	308.61	175.01
(ii) Secured by a first charge on the entire fixed assets of the company	8.00	—
(iii) Secured by hypothecation of present and future inventories and receivables	<u>1.45</u>	<u>3.33</u>
	<u>318.06</u>	<u>178.34</u>
<b>IV UNSECURED LOANS</b>		
(a) From banks	36.42	1.44
(b) From others	32.56	3.29
(c) Other deposits	<u>9.75</u>	<u>9.43</u>
	<u>78.73</u>	<u>14.16</u>

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules - (continued)

V FIXED ASSETS							Rupees in crores	
Description	Land	Buildings	Plant & machinery, tools, dies and jigs	Furniture & fixtures, equipments	Vehicles	Other fixed assets @	Total As at 31-03-2006	Total As at 31-03-2005
Cost of assets								
As at 01-04-2005	52.00	131.66	1,080.41	45.35	5.24	4.99	1,319.65	1,156.99
Additions	32.55	12.37	113.22	3.03	1.09	0.45	162.71	171.25
Sales/deletion	1.31	8.00	33.90	0.75	0.41	—	44.37	8.59
<b>Total</b>	<b>83.24</b>	<b>136.03</b>	<b>1,159.73</b>	<b>47.63</b>	<b>5.92</b>	<b>5.44</b>	<b>1,437.99</b>	<b>1,319.65</b>
Depreciation								
Upto 31-03-2005	—	24.05	466.02	30.64	2.99	4.35	528.05	439.76
For the year	—	4.27	89.09	3.84	0.86	0.38	98.44	92.24
Withdrawn on assets sold/deleted	—	0.15	6.57	0.18	0.26	—	7.16	3.95
<b>Total</b>	<b>—</b>	<b>28.17</b>	<b>548.54</b>	<b>34.30</b>	<b>3.59</b>	<b>4.73</b>	<b>619.33</b>	<b>528.05</b>
Written down value								
As at 31-03-2006	83.24	107.86	611.19	13.33	2.33	0.71	818.66	—
As at 31-03-2005	52.00	107.61	614.39	14.71	2.25	0.64	—	791.60

@ vide note 1(f)

			Rupees in crores	
			As at 31-03-2006	As at 31-03-2005
<b>VI CAPITAL WORK-IN-PROGRESS</b>				
(a) Building under construction			16.55	0.97
(b) Machinery in transit/installation (including R & D Rs. 3.88 crores - last year Rs. 0.20 crores)			12.04	6.96
			<u>28.59</u>	<u>7.93</u>
<b>VII INVESTMENTS (AT COST)</b>				
<b>A LONG TERM</b>				
(a) Trade - quoted			0.33	0.33
(b) Trade - unquoted		66.04		
Less: Pro-rata share in the loss of associate company		<u>4.39</u>	61.65	66.04
(c) Non-trade - quoted			14.10	13.77
(d) Non-trade - unquoted (Rs. 37,100/-)			—	—
Total long term investments	(A)		<u>76.08</u>	<u>80.14</u>
<b>B SHORT TERM</b>				
Non-trade - quoted			103.22	61.89
Total short term investments	(B)		<u>103.22</u>	<u>61.89</u>
Total investments	(A+B)		<u>179.30</u>	<u>142.03</u>

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules - (continued)

	Rupees in crores	
	As at 31-03-2006	As at 31-03-2005
<b>VIII INVENTORIES</b>		
* Raw materials and components	88.80	57.21
* Work-in-process	20.95	22.20
* Finished goods	163.27	101.49
* Stock of dies, moulds and tools	56.25	39.77
* Stores	20.76	15.55
Goods-in-transit	17.22	4.13
	<u>367.25</u>	<u>240.35</u>
(* as certified by chairman and managing director)		
<b>IX SUNDRY DEBTORS - UNSECURED CONSIDERED GOOD</b>		
(a) Debts outstanding for a period exceeding six months	19.10	9.41
(b) Other debts	53.06	34.75
	<u>72.16</u>	<u>44.16</u>
<b>X CASH AND BANK BALANCES</b>		
(a) Cash and cheques on hand	0.15	0.14
(b) With scheduled banks		
(i) in current accounts	16.74	6.73
(ii) in cash credit accounts	6.45	6.26
(iii) in term deposit accounts	111.30	61.53
	<u>134.64</u>	<u>74.66</u>
<b>XI OTHER CURRENT ASSETS</b>		
Interest accrued on non-trade quoted investments	0.30	0.29
	<u>0.30</u>	<u>0.29</u>
<b>XII LOANS AND ADVANCES - UNSECURED CONSIDERED GOOD</b>		
(a) Advances recoverable in cash or in kind or for value to be received	192.31	123.84
(b) Inter corporate deposits	15.41	26.28
(c) Other deposits	1.68	1.21
(d) Advance payment of income tax less provisions	—	10.64
	<u>209.40</u>	<u>161.97</u>
<b>XIII CURRENT LIABILITIES</b>		
Sundry creditors	547.10	463.42
	<u>547.10</u>	<u>463.42</u>
<b>XIV PROVISIONS</b>		
(a) Pension fund	33.01	29.47
(b) Leave salary	4.93	3.21
(c) Warranty	7.25	7.17
(d) Interim dividend payable	14.25	14.26
(e) Provision for dividend tax	2.00	2.14
(f) Taxation less advance payments	0.72	—
(g) Fringe benefit tax less advance payments	0.62	—
	<u>62.78</u>	<u>56.25</u>
<b>XV MISCELLANEOUS EXPENDITURE</b>		
(to the extent not written off or adjusted)		
(a) Expenditure pending allocation	28.68	9.77
(b) New product launch expenses	58.00	46.43
(c) External commercial borrowings up front fees	7.80	8.26
	<u>94.48</u>	<u>64.46</u>

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules - (continued)

	Rupees in crores	
	Year ended 31-03-2006	Year ended 31-03-2005
<b>XVI OTHER INCOME</b>		
(a) Miscellaneous income	47.61	73.92
(b) Dividend Income	4.99	1.98
(c) Profit on sale of fixed assets	0.96	0.41
(d) Profit on sale of investments	17.92	2.60
	<u>71.48</u>	<u>78.91</u>
<b>XVII RAW MATERIALS AND COMPONENTS CONSUMED</b>		
Opening stock:		
Raw materials	57.21	44.20
Work-in-process	22.20	16.63
Finished goods	101.49	101.75
	<u>180.90</u>	<u>162.58</u>
Purchase of raw materials and components	2,391.17	2,002.26
Total (A)	<u>2,572.07</u>	<u>2,164.84</u>
Closing stock:		
Raw materials	88.80	57.21
Work-in-process	20.95	22.20
Finished goods	163.27	101.49
Total (B)	<u>273.02</u>	<u>180.90</u>
(A - B)	<u>2,299.05</u>	<u>1,983.94</u>
<b>XVIII SALARIES AND WAGES, STORES CONSUMED AND OTHER EXPENSES</b>		
* (a) Salaries, wages and allowances	131.20	110.47
* (b) Workmen and staff welfare expenses	20.75	18.18
* (c) Contribution to provident and other funds	17.33	20.56
* (d) Stores and tools consumed	41.83	38.77
* (e) Power and fuel	41.70	31.48
* (f) Rent	4.64	5.04
(g) Rates and taxes	19.27	22.38
* (h) Repairs and maintenance:		
(i) buildings	2.95	3.95
(ii) machinery	23.18	22.99
(iii) other assets	3.08	2.81
(i) Insurance	2.87	3.22
(j) Directors' sitting fees	0.07	0.12
(k) Commission to independent directors	0.22	0.23
(l) Audit fees	0.32	0.26
* (m) Travel and conveyance	14.54	12.48
* (n) Packing and freight charges	90.31	78.41
* (o) Advertisement and publicity	133.18	88.20
* (p) Other marketing expenses	125.47	168.06
* (q) Other expenses	68.33	61.73
(r) Commission to selling agents	7.42	9.53
(s) Cash discount	0.25	5.75
(t) Loss on sale / scrapping of fixed assets	6.18	0.40
	<u>755.09</u>	<u>705.02</u>
* net of recoveries		

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2006	As at/ Year ended 31-03-2005
<b>XIX MISCELLANEOUS EXPENDITURE WRITTEN OFF</b>		
External commercial borrowing upfront fees written off	1.72	0.83
	<u>1.72</u>	<u>0.83</u>
<b>XX INTEREST</b>		
(a) On debentures	—	0.72
(b) On fixed loans	16.14	3.22
(c) Others	6.58	4.57
Total (A)	<u>22.72</u>	<u>8.51</u>
Less: Interest income		
(a) On non-trade investments (gross)	0.99	0.78
(b) On advances and deposits (gross)	7.30	6.16
Total (B)	<u>8.29</u>	<u>6.94</u>
(A-B)	<u>14.43</u>	<u>1.57</u>

### XXI NOTES ON ACCOUNTS

#### 1. Consolidation of accounts:

##### A Basis of accounting

The financial statements are prepared under the historical cost convention and comply with the applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

##### B Translation of foreign currency statements:

In translating the financial statements of foreign entities for incorporation in the consolidated financial statements, the assets and liabilities are translated at the exchange rates prevailing at the date of Balance Sheet of respective subsidiaries and income and expenditure items are translated at the average of monthly closing rates of exchange for the year. The resulting exchange differences are classified as foreign currency translation reserve.

##### C Principles of consolidation

(i) Consolidated financial statements relate to TVS Motor Company Limited, Chennai (the company), and its subsidiaries.

(ii) The consolidated financial statements have been prepared on the following basis:

- the financial statement of the company and its subsidiaries have been prepared on a line by line consolidation by adding the book values of like items of assets, liabilities, income and expenditure as per the respective audited financial statements of the respective companies.
- the accounts of TVS Motor (Singapore) Pte. Limited, Singapore, TVS Motor Company (Europe) B.V., Amsterdam and PT. TVS Motor Company Indonesia, Jakarta have been audited by the auditors qualified to conduct audit in accordance with the laws of the respective countries.
- the consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the manner as the company's individual financial statements.
- intra-group transactions and resulting unrealised profits have been eliminated.

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules – (continued)

#### XXI NOTES ON ACCOUNTS – (continued)

(iii) The subsidiary companies considered in the consolidated financial statements are:

S No	Name of the company	Country of incorporation	Proportion of ownership (interest/ voting power - %)	Reporting date	Difference in reporting date
(a)	Sundaram Auto Components Limited, Chennai	India	100	31.03.2006	—
(b)	TVS Motor (Singapore) Pte. Limited, Singapore	Singapore	100	31.03.2006	—
(c)	TVS Motor Company (Europe) B.V. Amsterdam	Netherlands	100	31.03.2006	—
(d)	PT. TVS Motor Company Indonesia, Jakarta	Indonesia	75 by (c) 25 by (b)	31.12.2005	3 months

D The figures for the current financial year are not comparable with that of the previous year due to the inclusion of three new subsidiaries mentioned in (b), (c) and (d) above for consolidation.

Rupees in crores	
As at/ Year ended	As at/ Year ended
31-03-2006	31-03-2005

#### 2. Accounting Standards

(a) AS – 1 Disclosure of accounting policies

The accounts are maintained on accrual basis as a going concern.

(b) AS – 2 Valuation of inventories

Inventories are valued in accordance with the method of valuation prescribed by The Institute of Chartered Accountants of India at weighted average rates.

(c) AS – 3 Cash flow statements

The cash flow statement is prepared under "Indirect" method and the same is annexed.

(d) AS – 4 Contingencies and events occurring after the Balance sheet date

Disclosure of contingencies as required by the Accounting Standard is furnished in note no.10.

(e) AS – 5 Net profit or loss for the period, prior period items and changes in accounting policies

Extraordinary item:

During the year based on the approval received from the Government of Karnataka, the company opted for pre-payment of deferred sales tax liability of Rs. 69.18 crores at a discounted value. Accordingly miscellaneous income includes reduction in liability.

— 36.94

Details of prior period debits to Profit and Loss Account

(i) Technical consultancy

— 0.07

(ii) Commission and brokerage

0.67 —

(iii) Provident fund administration charges

0.10 —

(f) AS – 6 Depreciation accounting

Depreciation has been provided under the straight line method at the rates prescribed under Schedule XIV of the Companies Act, 1956 with the applicable shift allowance.

In respect of assets added / assets sold during the year pro-rata depreciation has been provided at the rates prescribed under Schedule XIV.

Depreciation in respect of Computers and Vehicles has been provided at 30% and 18% respectively which is higher than the rate prescribed under Schedule XIV.

Depreciation in respect of tools and dies has been provided based on the quantity of components manufactured.

Depreciation in respect of assets acquired during the year whose actual cost does not exceed Rs. 5,000/- has been provided at 100%.

(g) AS – 9 Revenue recognition

The income of the company and its subsidiaries is derived from sale of automotive vehicles and parts thereof, rubber and plastics components and metal components (for part of the year) net of trade discount and includes realised exchange fluctuations on exports.

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules – (continued)

#### XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2006	As at/ Year ended 31-03-2005
Dividend from investments in shares is recognised when the company in which they are held declares the dividend and when the right to receive the same is established.		
The revenue and expenditure are accounted on a going concern basis.		
(h) AS – 10 Accounting for fixed assets		
All the fixed assets are valued at cost including expenditure incurred in bringing them to usable condition less depreciation.		
Land includes land acquired under 20 years lease from Karnataka Industrial Area development Board (KIADB) at a cost of Rs. 3.86 crores.		
Building includes building constructed on leasehold land	1.33	1.33
Cost of vehicles includes vehicles acquired under finance lease	0.45	0.55
(i) AS – 11 Accounting for effects in foreign exchange rates		
Purchase of imported raw materials, components, spare parts and capital goods are accounted based on retirement memos from banks. In respect of liabilities on import of raw materials, components, spare parts and capital goods which are in transit and where invoices / bills are yet to be received, the liability is accounted based on the advance copies of documents at the market exchange rates prevailing on the date of the Balance Sheet.		
The foreign currency loans and deposits held outside India in foreign currency were re-stated as on the Balance Sheet date as per the requirements of Accounting Standard and the net loss (last year gain) arising out of such re-statement amounting to Rs. 1.09 crores (last year 4.41 crores), is debited (last year credited) to Profit and Loss Account.		
Sales include realised exchange fluctuation on exports.		
Derivative instruments:		
Interest Rate Structure (IRS) - The company has entered into 1 derivate contract in respect of external commercial borrowings amounting to Rs. 264 crores (USD 60 mn.) to convert floating interest rate to fixed interest rate.		
Currency swaps - The company has entered into 3 currency swap contracts in respect of external commercial borrowings amounting to Rs. 264 crores (USD 60 mn.) fixing the repayment liability of the company in Indian rupee.		
Foreign currency exposures not hedged - Floating interest rate and repayment liability in respect of external commercial borrowings amounting to Rs. 44.61 crores (USD 10 mn.)		
Net exchange difference credited to Profit and Loss Account	0.13	7.84
(j) AS – 13 Accounting for investments		
Investments are valued at cost.		
(k) AS – 14 Accounting for amalgamation		
During the year there was no amalgamation.		
(l) AS – 15 Accounting for retirement benefits		
(i) Contributions to provident fund are made to a recognised trust in respect of excluded employees. In respect of other employees the contribution is made to the Government.		
(ii) Provision for leave salary to employees is made on the basis of actuarial valuation.		
(iii) Provision for pension for senior managers is made on actuarial valuation basis for current and past services.		
(iv) Contributions to gratuity and superannuation fund are made to Life Insurance Corporation of India in accordance with the scheme framed by the corporation.		
(m) AS – 16 Borrowing cost		
The borrowing costs have been treated in accordance with the Accounting Standard on Borrowing Cost (AS – 16) issued by The Institute of Chartered Accountants of India. During the year, there were no borrowings attributable to qualifying assets and hence no borrowing costs were capitalised.		

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules – (continued)

#### XXI NOTES ON ACCOUNTS – (continued)

(n) AS – 17 Segment reporting – year ended 31st March, 2006

Particulars	Business segment		
	Automotive vehicles	Automotive components	Total
Revenue			
External sales - domestic	3,055.42	25.70	3,081.12
- exports	179.54	6.19	185.73
Inter segment sales		120.83	120.83
Total sales	3,234.96	152.72	3,387.68
Less: Inter segment sales		120.83	120.83
Net revenue	3,234.96	31.89	3,266.85
Segment wise results before interest and tax	181.57	3.00	184.57
Less: Interest			14.43
Less: Loss of subsidiaries			3.04
Less: Inter segment income			0.94
Profit before tax			166.16
Taxes			51.30
Pro-rata share of loss of associate			4.39
Profit after tax			110.47
Segment assets	1,793.56	66.50	1,860.06
Segment liabilities	955.69	42.59	998.28
Total cost incurred during the year to acquire segment assets	196.73	(0.06)	196.67
Segment depreciation	93.91	4.53	98.44
Non-cash expenses other than depreciation	1.72	—	1.72

Notes:

The company and its Indian subsidiary cater mainly to the needs of the domestic market.

The export turnover is not significant in the context of the total turnover. As such there are no reportable geographical segments.

Rupees in crores

	As at/ Year ended	As at/ Year ended
	31-03-2006	31-03-2005

(o) AS – 18 Related party disclosure

Disclosure is made as per the requirements of the standard and the same is annexed.

(p) AS – 19 Leases

(i) Asset acquired under finance lease - vehicles		
– original cost	0.45	0.55
(ii) The net carrying amount as on 31st March	0.11	0.17
(iii) Minimum lease payments		
– not later than one year - not discounted	0.08	0.17
– later than one year but not later than five years - not discounted	—	0.14
– later than five years - not discounted	—	—
(iv) Present value of minimum lease payments		
– not later than one year - discounted	0.04	0.09
– later than one year but not later than five years - discounted	—	0.05
– later than five years - discounted	—	—
(v) Contingent rents recognised as income in the statement of Profit and Loss Account	—	—
(vi) The total of future minimum sub-lease payment expected to be received under non-cancellable sub-leases as on 31st March	—	—
(vii) General description of the leasing arrangements		
– Nature of facility :	Finance lease	
– Restriction imposed by lease arrangement	Nil	

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules – (continued)

#### XXI NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2006	As at/ Year ended 31-03-2005
(q)	AS – 20 Earnings per share		
	Disclosure is made in the Profit and Loss Account as per the requirements of the standard		
(r)	AS – 22 Accounting for taxes on income		
(i)	Deferred tax liability consists of:		
	– tax on depreciation	132.26	133.53
	– tax on amortisation of dies and moulds	12.66	14.00
	– tax on expenses admissible on payment basis under Income-tax Act, 1961	<u>22.61</u>	<u>18.56</u>
		(A) <u>167.53</u>	<u>166.09</u>
(ii)	Deferred tax asset consists of:		
	– tax on provision in respect of expenditure which will be allowed under the Income-tax Act, 1961 only on payment basis	19.52	15.80
		(B) <u>19.52</u>	<u>15.80</u>
	Deferred tax liability (net of deferred tax asset) (A)-(B) refer Balance Sheet	148.01	150.29
(s)	AS – 23 Accounting for investments in associate:		
	Name of the associate	TVS Finance and Services Limited, Chennai	
	Method adopted in accounting for investment	Equity method	
(t)	AS – 26 Accounting for intangible assets		
	During the year the company acquired the following assets falling under the definition of intangible assets as per the Accounting Standard and the following disclosure is made in respect of those assets :		
(i)	Software		
	– Estimated useful life of the asset	2 years	2 years
	– Amortisation rates used	50% each year as depreciation	50% each year as depreciation
	– Gross carrying amounts at the beginning and at the end of the period together with additions and deletions during the year		
	Opening balance	4.42	4.12
	Additions during the year.	<u>0.46</u>	<u>0.30</u>
	Total	4.88	4.42
	Amortised depreciation	<u>4.56</u>	<u>4.27</u>
	Closing balance	<u>0.32</u>	<u>0.15</u>
(ii)	Expenditure pending allocation on new products		
	– Estimated useful life of the asset	10 years	10 years
	– Amortisation rates used	Not amortised as asset not put to use	Not amortised as asset not put to use
	– Gross carrying amounts at the beginning and at the end of the period together with additions and deletions during the year		
	Opening balance	9.77	2.19
	Additions during the year	<u>17.94</u>	<u>7.58</u>
	Total	27.71	9.77
	Amortised / capitalised during the year	<u>—</u>	<u>—</u>
	Closing balance	<u>27.71</u>	<u>9.77</u>
	Commitments for the acquisition of the asset	0.67	0.09

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules – (continued)

#### XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2006	As at/ Year ended 31-03-2005
(iii) Licence fees		
– Estimated useful life of the asset	7 years	
– Amortisation rates used	14.29% each year as depreciation	
– Gross carrying amounts at the beginning and at the end of the period together with additions and deletions during the year		
Opening balance	0.57	—
Additions during the year	(0.01)	0.57
Total	<u>0.56</u>	<u>0.57</u>
Amortised as depreciation	0.17	0.08
Closing balance	<u>0.39</u>	<u>0.49</u>
(u) AS – 28 Impairment of assets		
As on the Balance Sheet date the carrying amounts of the assets net of accumulated depreciation is not less than the recoverable amount of those assets. Hence there is no impairment loss on the assets of the company.		
(v) AS – 29 Provisions, contingent liabilities and contingent assets		
(i) Provisions		
In respect of warranty obligations provision is made in accordance with terms of sale of vehicles vide schedule XIV (c) to the Balance Sheet		
(ii) Contingent liabilities		
The amount for which the company is contingently liable is disclosed in note 10.		
(iii) Contingent assets which are likely to give rise to the possibility of inflow of economic benefits	1.47	—
(iv) Contested liabilities are detailed in note no. 11		
3. Amount of loan payable within one year:		
Unsecured - from banks	36.43	1.44
4. Land		
Title deeds in respect of lands acquired near Ahmedabad in Gujarat at a cost of Rs.0.01 crore and in respect of lands acquired at Hosur in Tamil Nadu at a cost of Rs.4.39 crores are yet to be received from the registration authorities.		
5. Bank balance includes amount in respect of		
(a) Unclaimed dividends	0.82	0.91
(b) Unclaimed share application money (last year Rs.17,200/-)	—	—
(c) Balances lying with non-scheduled banks		
(i) HSBC Bank Plc, London:		
- in deposit account	—	58.53
(ii) HSBC Bank Plc, Hongkong:		
- in current account	0.12	—
(iii) PT Bank Danamon Indonesia Tbk, Jakarta		
- in current account	0.09	—
(d) Maximum amount invested in non-scheduled banks at any time during the year		
(i) HSBC Bank Plc, London	146.03	58.53
(ii) HSBC Bank Plc, Hongkong	0.80	—
(iii) PT Bank Danamon Indonesia Tbk, Jakarta	0.92	—
6. Loans and advances include:		
(a) Amount due from a company under the same management viz. Sundaram-Clayton Limited, Chennai	9.26	9.00
(b) Maximum amount due from the above company at any time during the year	10.25	9.00

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules – (continued)

#### XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2006	As at/ Year ended 31-03-2005
7. Deposits include:		
(a) Deposit with post office (Rs. 21,500/-)	—	—
(b) Deposit with central excise	0.25	0.19
(c) Deposit with sales tax	0.89	0.91
8. Sundry creditors include :		
(a) Investor Education and Protection Fund		
Unclaimed dividend	0.82	0.91
Unclaimed share application money (Last year Rs 17,200/-)	—	—
(b) Amount due to Small Scale Industrial units	30.05	20.92
(c) Amount due to other industrial units	334.02	295.86
9. Miscellaneous expenditure not written off		
(a) Expenditure pending allocation consists of:		
(i) Research & Development expenses	14.92 <sup>@</sup>	6.53 <sup>@</sup>
(ii) Salaries, wages and allowances	2.88	0.89
(iii) Rent	0.24	0.15
(iv) Travel and conveyance	0.19	0.04
(v) Other expenses	9.48	2.16
Total	<u>27.71</u>	<u>9.77</u>
<sup>@</sup> Includes Rs. 2.19 crores for the year 2003-04 and Rs. 4.34 crores for the year 2004-05		
(b) In respect of new product launch expenses Accounting Standard 26 is not applicable as it does not create any intangible asset or a resource. This expenditure is proposed to be written off in 36 months.		
(c) Expenditure incurred in raising external commercial borrowings is proposed to be written off over the period of loan.		
10. Contingent liability not provided for:		
(a) On counter guarantee given to banks	3.82	3.01
(b) On letters of credit	43.16	13.05
(c) On guarantee to Housing Development Finance Corporation Limited, Mumbai on loans granted to employees of the company	1.25	1.25
(d) On bills discounted	54.83	54.40
(e) Capital commitments not provided for	38.17	31.96
(f) On obligation arising out of agreements facilitating credit to an associate company	75.00	75.00
11. Liability contested and not provided for:		
(a) Excise	4.03	2.81
(b) Sales tax	3.75	3.73
(c) Electricity tax	0.15	0.15
(d) Income-tax	21.62	11.04
(e) Employee settlement claims	0.05	0.05
(f) Land acquisition matters	0.25	3.74
12. Tax deducted at source:		
(a) On interest income	1.18	0.59
(b) On sub-contract receipts	0.01	—
(c) On professional services rendered	0.02	0.02
13. Contribution to provident and other funds include:		
(a) Contribution towards gratuity as per scheme framed by Life Insurance Corporation of India	3.72	3.66
(b) Contribution towards pension fund	4.05	8.34

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules – (continued)

#### XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2006	As at/ Year ended 31-03-2005
14. Repairs include:		
(a) Wages	2.98	2.90
(b) Stores consumed	15.70	18.44
15. Audit fees comprise:		
(a) As auditors	0.23	0.18
(b) Taxation matters	0.04	0.04
(c) Certification matters	0.04	0.03
(d) Cost audit fees	0.01	0.01
Total	<u>0.32</u>	<u>0.26</u>
16. General:		
(a) Other expenses include travel and stay expenses of auditors	0.06	0.11
(b) Loss on sale of investments netted against profit on sale of investments	1.85	1.38

17. Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.

#### 18. Related party disclosure

##### List of related parties

Reporting entity	TVS Motor Company Limited and its subsidiaries Sundaram Auto Components Limited, Chennai TVS Motor Company (Europe) B.V, Amsterdam TVS Motor (Singapore) Pte. Limited, Singapore and PT TVS Motor Company Indonesia, Jakarta
Holding company	Sundaram-Clayton Limited, Chennai
Fellow subsidiaries	(a) Anusha Investments Limited, Chennai (b) TVS Electronics Limited, Chennai (c) Harita Stocks Limited, Chennai (d) TVS Investments Limited, Chennai (e) Auto (India) Engineering Limited, Chennai,
Associate company	TVS Finance and Services Limited, Chennai (a subsidiary of TVS Investments Limited, Chennai)
Key management personnel	Mr. Venu Srinivasan - parent company
Relative of key management personnel	Mr. Gopal Srinivasan

#### 19. Particulars of transactions with related parties

(a) Purchase of goods		
- holding company	49.11	35.89
(b) Sale of goods		
- holding company	15.66	13.35
(c) Purchase of fixed assets		
- holding company	—	0.01
(d) Sale of fixed assets		
- holding company	0.60	0.60
- fellow subsidiary (Auto (India) Engineering Limited, Chennai)	1.09	—
(e) Rendering of services (including interest and sub-contract charges received)		
- holding company	0.81	0.64
- associate company	0.06	—

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules – (continued)

#### XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2006	As at/ Year ended 31-03-2005
(f) Availing of services (includes sub-contract charges paid)		
– holding company	33.67	31.17
– fellow subsidiaries	0.68	0.36
– associate company	10.24	10.79
(g) Trade advances made during the year		
– holding company	—	9.00
– associate company	15.00	25.00
(h) Trade advances received back during the year		
– holding company	0.70	—
– fellow subsidiary (TVS Investments Limited, Chennai)	—	0.06
– associate company	15.00	25.00
(i) Amount outstanding as at Balance Sheet date:		
(i) Sundry debtors		
– fellow subsidiaries	0.23	0.02
(ii) Loans and advances receivable		
– holding company	9.00	9.00
(iii) Sundry creditors		
– holding company	17.16	8.87
– fellow subsidiary	0.01	—
– associate company	0.07	0.76
(j) Investments made during the year		
– associate company	—	40.00
(k) Investments sold during the year		
– fellow subsidiary	—	0.01
(l) Obligation arising out of agreements facilitating credit to associate company TVS Finance and Services Limited, Chennai	75.00	75.00
(m) Remuneration to key management personnel and his relative	1.67	0.99

VENU SRINIVASAN  
*Chairman & Managing Director*

H. LAKSHMANAN  
*Director*

S.G. MURALI  
*Sr. Vice President - Finance*

As per our report annexed  
For Sundaram & Srinivasan  
*Chartered Accountants*

Chennai  
June 26, 2006

T.S. RAJAGOPALAN  
*Secretary*

M. BALASUBRAMANIAM  
*Partner*

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Cash Flow Statement

	Rupees in crores	
	Year ended 31-03-2006	Year ended 31-03-2005
<b>A. Cash flow from operating activities :</b>		
Net Profit before tax and extraordinary items	166.16	169.67
Add: Reduction in liability due to pre-payment of sales tax deferral loan	<u>—</u>	<u>36.94</u>
Net profit for the year	166.16	206.61
Add:		
Depreciation	98.44	92.24
Depreciation withdrawn on sale/scraping of assets	(7.16)	(3.95)
Miscellaneous expenditure written off	1.72	0.83
Income tax relating to earlier years	5.51	1.42
Dividend income	(4.99)	(1.98)
Interest income	(8.29)	(6.94)
Interest expenditure	<u>22.72</u>	<u>8.51</u>
	<u>107.95</u>	<u>90.13</u>
Operating profit before working capital changes	274.11	296.74
Adjustments for:		
Trade receivables	(28.00)	18.17
Inventories	(126.90)	(19.87)
Other current assets	(0.01)	(0.10)
Loans and advances	(58.07)	(19.29)
Trade payables	83.68	35.67
Provisions	<u>5.34</u>	<u>15.20</u>
	<u>(123.96)</u>	<u>29.78</u>
Cash generated from operations	150.15	326.52
Direct taxes paid	<u>(41.60)</u>	<u>(37.70)</u>
Net cash from operating activities (A)	108.55	288.82
<b>B. Cash flow from investing activities:</b>		
Purchase of fixed assets	(162.71)	(171.25)
Sale of fixed assets	44.37	8.59
Capital work-in-progress	(20.66)	1.91
Purchase of investments	(1,238.70)	(937.44)
Sale value of investments	1,201.38	890.07
Miscellaneous expenditure not written off	(31.74)	(57.39)
Interest received	8.29	6.94
Dividends received	<u>4.99</u>	<u>1.98</u>
Net cash used in investment activities (B)	<u>(194.78)</u>	<u>(256.59)</u>

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Cash Flow Statement – (continued)

		Rupees in crores	
		Year ended 31-03-2006	Year ended 31-03-2005
<b>C. Cash flow from financing activities :</b>			
Secured loans availed		141.60	175.01
Repayment of long term borrowings		—	(34.34)
Unsecured loan availed		35.30	1.79
Sales tax deferral loan availed		29.27	—
Sales tax deferral loan repaid		—	(70.02)
Interest paid		(22.72)	(8.51)
Dividend and dividend tax paid		(35.36)	(37.70)
		148.09	26.23
Net cash used in financing activities	(C)	148.09	26.23
<b>D. Net increase in cash and cash equivalents (A+B+C)</b>			
Cash and cash equivalents at the beginning of the year		71.33	12.87
Cash and cash equivalents at the end of the year		133.19	71.33

#### Notes:

- The above statement has been prepared in indirect method except in case of interest, dividend and purchase and sale of investments which have been considered on the basis of actual movement of cash.
- Cash and cash equivalents represent cash and bank balances.

VENU SRINIVASAN  
Chairman & Managing Director

H. LAKSHMANAN  
Director

S.G. MURALI  
Sr. Vice President - Finance

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
June 26, 2006

T.S. RAJAGOPALAN  
Secretary

M. BALASUBRAMANIAM  
Partner

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### DISCLOSURE OF INFORMATION RELATING TO SUBSIDIARIES AS REQUIRED BY THE CENTRAL GOVERNMENT UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956

Rupees in crores

Sl. No.	Particulars	Name of Subsidiaries			
		Sundaram Auto Components Limited	TVS Motor Company (Europe) BV	TVS Motor (Singapore) Pte. Limited	PT TVS Motor Company Indonesia
(a)	Reporting Currency *	INR	US Dollars	Singapore Dollars	Indonesian Rupiah
(b)	Capital	3.70	91.63	30.51	126.75
(c)	Reserves	20.44	2.92	1.07	(1.32)
(d)	Total Assets	42.83	94.55	31.58	124.65
(e)	Total Liabilities	42.83	94.55	31.58	124.65
(f)	Details of Investments**	0.02	—	—	—
(g)	Turnover including other income	154.38	—	0.11	—
(h)	Profit before taxation	1.16	(0.46)	0.06	(2.05)
(i)	Provision for taxation	0.63	—	—	0.78
(j)	Profit after taxation	0.53	(0.46)	0.06	(1.27)
(k)	Proposed Dividend	—	—	—	—

\* The financial statements of subsidiaries whose reporting currency are other than INR are converted into Indian Rupees on the basis of appropriate exchange rate.

\*\* Except in case of investment in subsidiaries

### Auditors' Report on Consolidated Accounts

We have audited the attached consolidated Balance Sheet of M/s. TVS Motor Company Limited, Chennai and its subsidiaries as at 31<sup>st</sup> March 2006, and also the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date, both annexed hereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of subsidiaries namely TVS Motor Company (Europe) B.V., Amsterdam, TVS Motor (Singapore) Pte. Limited, Singapore and PT TVS Motor Company Indonesia, Jakarta and associate namely TVS Finance and Services Limited, Chennai. The financial statements and other information of the subsidiaries and associate have been audited by other auditors, whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries and associate is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 on "Consolidated Financial Statements" read with Accounting Standard 23 on "Accounting for investments in Associates" issued by The Institute of Chartered Accountants of India, on the basis of the individual financial statements of TVS Motor Company Limited, Chennai, its subsidiaries viz., Sundaram Auto Components Limited, Chennai, TVS Motor Company (Europe) B.V., Amsterdam, TVS Motor (Singapore) Pte. Limited, Singapore and PT TVS Motor Company Indonesia, Jakarta and its associate TVS Finance and Services Limited, Chennai included in the aforesaid consolidation.

In our opinion, and based on our audit, the consolidated financial statements referred to above give a true and fair view of the financial position of TVS Motor Company Limited, Chennai and its subsidiaries named above as at 31<sup>st</sup> March 2006 and of the results of their operations and their cash flows for the year ended in conformity with generally accepted accounting principles in India.

For Sundaram & Srinivasan  
*Chartered Accountants*

Chennai  
June 26, 2006

M. BALASUBRAMANIAM  
*Partner*  
Membership No. F7945