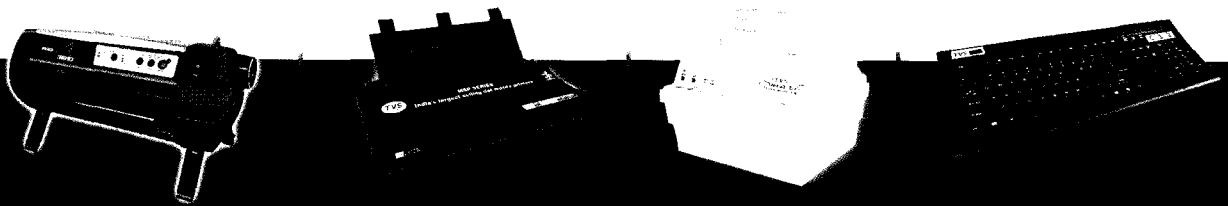




TVS ELECTRONICS LIMITED

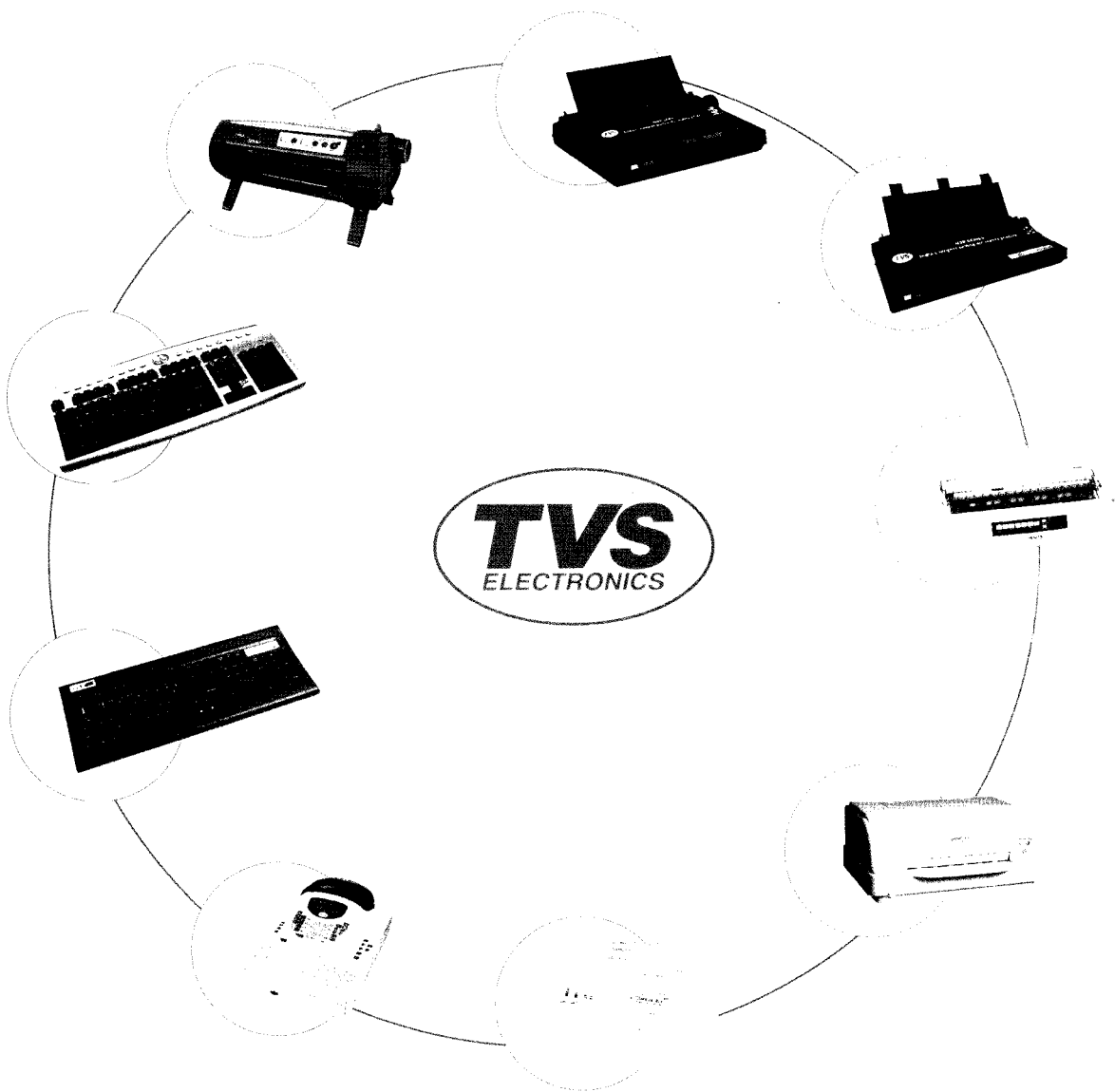


12TH ANNUAL REPORT
2006-07

www.tvs-e.in

Taking IT to the heart of India

India's Favourite Range Of Transaction Automation Products



Contents

TVS ELECTRONICS LIMITED

1. Board of Directors	...	...	...	2
2. Notice	...	...	...	3
3. Directors' Report	...	...	...	7
4. Report on Corporate Governance	...	...	...	16
5. Auditors' Report	...	...	...	27
6. Balance Sheet	...	...	...	32
7. Profit & Loss Account	...	...	...	33
8. Schedules	...	...	...	34
9. Notes on Accounts	...	...	...	41
10. Disclosure-Clause 32 of the Listing Agreement	...	...	...	59
11. Cash Flow Statement	...	...	...	60
12. Company Profile	...	...	...	61
13. Statement relating to Subsidiary	...	...	...	62

CONSOLIDATED ACCOUNTS

1. Auditors' Report on Consolidated Accounts	...	...	...	65
2. Consolidated Balance Sheet	...	...	...	66
3. Consolidated Profit & Loss Account	...	...	...	67
4. Consolidated Schedules	...	...	...	68
5. Consolidated Cash Flow Statement	...	...	...	75
6. Accounting Policies on Consolidation	...	...	...	76

SRAVANAA PROPERTIES LIMITED (Subsidiary)

1. Directors' Report	...	...	...	79
2. Auditors' Report	...	...	...	80
3. Balance Sheet	...	...	...	82
4. Profit & Loss Account	...	...	...	83
5. Schedules	...	...	...	84
6. Notes on Accounts	...	...	...	86

Board of Directors

Venu Srinivasan	<i>Chairman</i>
Gopal Srinivasan	<i>Whole-time Director</i>
T K Balaji	
H Lakshmanan	
S R Vijayakar	
Srini Nageshwar	
R R Nair	
Sridhar Mitta	

Committees of the Board

Audit Committee

Srini Nageshwar	<i>Chairman</i>
S R Vijayakar	
H Lakshmanan	
Sridhar Mitta	

Investors' Grievance Committee

Venu Srinivasan	<i>Chairman</i>
Gopal Srinivasan	
T K Balaji	

Remuneration/Compensation Committee

R R Nair	<i>Chairman</i>
Srini Nageshwar	
S R Vijayakar	
H Lakshmanan	

Advisor to the Board

R Ramaraj

Head - Corporate Accounts

S Kannan

Auditors

Sundaram & Srinivasan
Chartered Accountants,
23, C.P. Ramaswamy Road,
Alwarpet,
Chennai - 600 018.

Bankers

State Bank of India
State Bank of Mysore
State Bank of Travancore
Canara Bank
IDBI Bank Ltd.
ICICI Bank Ltd.

Registered Office

"Jayalakshmi Estates",
29, Haddows Road,
Chennai - 600 006.
Tel: 91-44-28277155

Tumkur Operations

Pandithanahalli,
Tumkur - 572 168.
Tel: 91-816-2243270
Fax No: 91-816-2243278

Chennai Plant & Administrative Office

34, Developed Plots,
South Phase, Industrial Estate,
Guindy, Chennai - 600 032.
Tel: 91-44-2232 5506/09
Tel: 91-44-4200 5200
Fax No: 91-44-2232 7577
Website: www.tvs-e.in

Himachal Pradesh Plant

KHASRE, No.59/3, Village Ogli,
Tarlokpur Road, Kala Amb - 173 030.
Sirmaur District.
Himachal Pradesh
Tel: 01734 325116

Uttarkhand

No.E12, Selaqui Industrial Estate
Selaqui, Dehradun, Uttarkhand

Nandambakkam Office

Off Mount Poonamalle Road,
Nandambakkam, Chennai - 600 089.
Tel: 91-44-2232 1166
Fax No: 91-44-2232 9533

Share Transfer Agents

Sundaram - Clayton Limited,
22, Railway Colony III Street,
Mehta Nagar, Chennai - 600 029.
Tel: 91-44-23741889,23742939
Fax No: 91-44-23741889
E-mail: investorservices@tvs-e.in

Shares Listed at

Ahmedabad Stock Exchange Ltd.
Bangalore Stock Exchange Ltd.
Bombay Stock Exchange Ltd.
Cochin Stock Exchange Ltd.
Madras Stock Exchange Ltd.
National Stock Exchange of India Ltd.
The Calcutta Stock Exchange Association Ltd.
The Delhi Stock Exchange Association Ltd.

Notice to the Shareholders

NOTICE is hereby given that the Twelfth Annual General Meeting of the Company will be held at "The Music Academy", New No.168, (Old No.306), T.T.K. Road, Chennai -600 014, on Monday, the 24th September, 2007 at 10:00 a.m. to transact the following business:

ORDINARY BUSINESS

1. 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 31st March, 2007 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.

2. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

RESOLVED THAT pursuant to the recommendation by the Board of Directors of the Company, dividend of 7.5% for the year ended 31st March, 2007 amounting to Re.0.75 per equity share of Rs. 10/-each, absorbing a sum of Rs.155.08 lakhs (including taxes) be and is hereby declared on 1,76,72,818 equity shares of Rs.10/- each fully paid up and that the same be paid to the Shareholders, whose names appear in the Register of Members of the Company as on 17th September, 2007(beginning of the day) in case of shares held in electronic form and as on 24th September, 2007 in respect of shares held in physical form.

3. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

RESOLVED THAT Mr. Venu Srinivasan who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a Director of the Company.

4. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

RESOLVED THAT Mr. T K Balaji who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a Director of the Company.

5. To consider and if thought fit to pass, with or without modification, the following resolution as an Ordinary Resolution:

RESOLVED THAT the retiring Auditors, M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai, be and are hereby re-appointed as Auditors of this Company to hold office from the conclusion of this 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

6. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

RESOLVED THAT pursuant to Clause 6.1(a) of SEBI (Delisting of Securities) Guidelines, 2003 and in accordance with the provisions of Listing Agreements entered into by the Company with the Stock Exchanges, where the shares of the Company are listed and SEBI (Delisting of Securities) Guidelines, 2003 and other applicable Guidelines, if any, issued by Securities and Exchange Board of India (SEBI), Statutes and Regulations and subject to such consents, approvals, permissions, and / or sanctions (collectively called 'requisite approvals') as may be necessary, of SEBI, Stock Exchanges or other Bodies or any other appropriate authorities (hereinafter collectively called as "Appropriate Authorities ") and subject to such conditions as may be prescribed by any of the Appropriate Authorities, while granting such requisite approvals, consent of the Company be and is hereby accorded for voluntary delisting of Company's Equity Shares from Ahmedabad Stock Exchange Ltd., Bangalore Stock Exchange Ltd., The Calcutta Stock Exchange Association Ltd., Cochin Stock Exchange Ltd., The Delhi Stock Exchange Association Ltd. and Madras Stock Exchange Ltd. and the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things as may be necessary, usual, expedient or proper to give effect to this resolution.

By Order of the Board

Registered Office:
"Jayalakshmi Estates",
No.29, Haddows Road,
Chennai -600 006.

June 23, 2007

R KALYANI
Assistant Secretary

Notice to the Shareholders (Contd.)

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 books of the Company will remain closed from September 17, 2007 to September 24, 2007, both days inclusive.
4. Consequent upon the amendment to Section 205A read with Section 205C of the Companies Act, 1956, dividend 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. The particulars of the 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 to the Company by surrendering the unencashed warrants immediately.
5. Members are requested to notify immediately any change in their address to the Company. Members holding shares in electronic form are requested to advice change of address to their depository participants.
6. 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.

7. Members are requested to sign at the space provided on the attendance sheet annexed to the proxy form and hand over the slip at the entrance of the meeting hall.
8. In terms of Clause 49 of the Listing Agreement with the Stock Exchanges, a brief resume of Directors who are proposed to be appointed / re-appointed at this meeting is given below :

i. Mr. Venu Srinivasan

Mr Venu Srinivasan is a Bachelor of Engineering from Madras University and a Master in Science from Purdue University, U.S.A. He is the eldest son of (Late) Mr. T S Srinivasan and grandson of (Late) Mr. T V Sundaram Iyengar, the founder of the TVS group of companies.

Mr. Venu Srinivasan now aged about 54 years (born on 11th December, 1952) has been the Managing Director of Sundaram - Clayton Limited since May, 1979 and the Managing Director of TVS Motor Company Limited from 1986. Since July, 2002 he is the Chairman & Managing Director of TVS Motor Company Limited.

He was the Chairman of the Confederation of Indian Industry (CII) (Southern Region) and has been associated with CII for nearly 17 years in various capacities. He was also the Past President of Automotive Research Association of India, Pune, a Past President of the Society of Indian Automobile Manufacturers & Association of Indian Automobile Manufacturers. At present, he is the Honorary Consul General of Republic of Korea, Chennai.

Mr. Venu Srinivasan has been honoured with various awards, including the HSBC Indo - British Achievement Award, presented in recognition of active contribution to Indo - British commercial relations. First Indian industrialist to be conferred with the honorary "Doctorate Degree in Science" by the University of Warwick, U.K. for excellence in manufacturing and contribution in the field of

Notice to the Shareholders (Contd.)

technology and R&D. Jamshetji Tata Life Time Achievement Award for the year 2004 by the Indian Society for Quality. J R D Tata Corporate Leadership Award for the year 2004 by All India Management Association. He was also chosen as "Stars Of Asia" by Business Week International.

He is the Chairman of the Investors' Grievance Committee of the Company.

Details of his other Directorship / Committee Membership are as follows:

Directorship	Committee Membership
Cummins India Limited	Compensation & Management Development Committee – Chairman Operations Committee – Member
Sundaram-Clayton Limited	Investor Grievances Committee – Member
TVS Motor Company Limited	Investor Grievances Committee – Member
TVS Finance and Services Limited	Investors Grievances Committee – Chairman
Auto (India) Engineering Limited	–
Emerald Haven Estates Limited	–
Lucas TVS Limited	–
Sundaram Textiles Limited	–
Southern Roadways Limited	–
Sundaram Fasteners Limited	–
Sundaram Non-conventional Energy Systems Limited	–
T V Sundram Iyengar & Sons Limited	–

Mr Venu Srinivasan is holding 50 Equity shares of Rs.10/- each in the Company.

ii. Mr. T K Balaji

Mr T K Balaji is a Bachelor of Engineering from Madras University, having secured first rank in the University. He is a MBA from IIM Ahmedabad and was awarded Gold Medal for outstanding scholastic performance.

Mr T K Balaji now aged about 59 years (born on 12th July, 1948) has held several senior positions in various capacities viz., Member of National Council of CII, Past President of ACMA, Member of Development Council for Automobiles and Allied Industries, Government of India, and has been conferred a Special Award by Foundation of Maharashtra in March, 1995 in recognition of his contribution to the development of automotive component industry.

Mr T K Balaji has been the Managing Director of Lucas – TVS Limited since 1979.

He is a member of the Investors' Grievance Committee of the Company

Details of his other Directorship / Committee Membership are as follows:

Directorship	Committee Membership
India Nippon Electricals Limited	Investors Grievances Committee – Chairman
Sundaram-Clayton Limited	Audit Committee – Member Investors Grievance Committee – Member
Titan Industries Limited	Audit Committee – Member Remuneration Committee – Chairman
TVS Motor Company Limited	Audit Committee – Member
Apollo Hospitals Enterprise Limited	–
Delphi-TVS Diesel Systems Limited	–
Lucas Indian Service Limited	–
Lucas TVS Limited	–
TVS Automotive Systems Limited	–
T V Sundram Iyengar & Sons Limited	–

Mr T K Balaji does not hold any Equity shares in the Company.

Notice to the Shareholders (Contd.)

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

The following explanatory statement sets out all material facts relating to special business mentioned in the accompanying notice dated June 23, 2007 and shall be taken as forming part of the notice.

Item No.6

Presently, the Company's Equity Shares are listed at the following Stock Exchanges:

- i) Ahmedabad Stock Exchange Ltd
- ii) Bangalore Stock Exchange Ltd
- iii) Bombay Stock Exchange Ltd
- iv) Cochin Stock Exchange Ltd
- v) Madras Stock Exchange Ltd
- vi) National Stock Exchange of India Ltd
- vii) The Calcutta Stock Exchange Assn. Ltd
- viii) The Delhi Stock Exchange Assn. Ltd

With the extensive network of the Bombay Stock Exchange Limited, Mumbai (BSE) and the National Stock Exchange of India Limited (NSE) and the extension of BSE and NSE terminals to other Cities as well, investors have access to online dealings in the Company's securities across the Country.

The bulk of the trading in the Company's equity shares in any case takes place on the BSE and the NSE and the Company's securities are very rarely traded on all other Stock Exchanges.

Hence, it is of considered view that it would be desirable to delist the Company's equity shares from all Stock

Exchanges (including Madras Stock Exchange) other than BSE and NSE .

Pursuant to 5.2 of SEBI (Delisting of Securities) Guidelines, 2003, the exit opportunity need not be given in cases where securities continue to be listed in a Stock Exchange having nationwide trading terminals. SEBI has notified BSE and NSE as Stock Exchanges having nationwide trading terminals.

The proposed delisting will not adversely affect the investors as the Company's equity shares will continue to be listed on BSE and NSE.

In line with Clause 6.1 (a) of SEBI (Delisting of Securities) Guidelines, 2003, approval of Members is being sought by a Special Resolution as proposed under Item No.6 of Notice

The Company is also separately giving Special Notice to the proposed voluntary delisting in one English national newspaper

The Directors recommend the Special Resolution for approval of Members.

None of the Directors of the Company are, in any way concerned or interested in the resolution.

By Order of the Board

Registered Office:
"Jayalakshmi Estates",
No.29, Haddows Road,
Chennai -600 006.

June 23, 2007

R KALYANI
Assistant Secretary

Directors' Report to the Shareholders

The Directors have pleasure in presenting the Twelfth Annual Report and the audited statements of accounts for the year ended 31st March, 2007.

FINANCIAL RESULTS

(Rupees in Crores)

Particulars	Year ended 31st March, 2007	Year ended 31st March, 2006
Sales and other income	277.14	265.72
Cost of goods sold	201.06	189.60
Contribution Margin	76.08	76.12
Administrative & other expenses	66.58	68.94
Earnings Before Interest & Tax (EBIT)	9.50	7.18
Profit Before Tax (PBT)		
before extraordinary items	1.86	1.18
Income from Extraordinary Items (Net)	-	1.70
Profit Before Tax	1.86	2.88
Tax	-	(0.29)
Profit After Tax (PAT)	1.86	3.17
Profit brought forward from previous year	6.15	4.50
Add / (Less): Tax relating to earlier years	-	(0.01)
Total available for appropriations	8.01	7.66
- Proposed Dividend	1.32	1.32
- Tax on Dividend	0.22	0.19
- Transfer to General Reserve	—	-
Surplus in Profit and Loss account	6.47	6.15

DIVIDEND

The Directors are pleased to recommend a dividend of Re.0.75 per equity share of Rs.10/-each for the year. The dividend, if approved by the Shareholders, would absorb Rs.1.32 Crores and the proposed dividend will be paid to all those Shareholders whose names appear in the Register of Members of the Company as on 17th September, 2007 (beginning of the day) in case of shares held in electronic form and as on 24th September, 2007 in respect of shares held in physical form.

REVIEW OF PERFORMANCE

The net turnover of the Company was Rs.272 Crores for the year. On a comparable basis, excluding sales of Components, this represents a growth of 10% over a turnover of Rs.259.5 Crores in the corresponding period of the previous year.

The Products and Solutions (P&S) business group consisting of Printers, Supplies, Keyboards, POS and

Solutions, registered a marginal 1% degrowth with revenue of Rs. 178 Crores excluding Payment system products during the year compared to Rs. 179 Crores during the corresponding period in previous year. The market share in value terms for DMP was at 36% on an average during the year as compared to 41% during the corresponding period in previous year. During the last quarter, the business improved this share to 38%.

The Customer Support (CS) business group consisting of contract manufacturing for OEMs, traded products like Set Top Box and field support business generated revenue of Rs.86.5 Crores during the year as against Rs.80.2 Crores last year, thereby registering 7.8% growth. The Customer Support business alone had a growth of 44% with revenues exceeding Rs.21 Crores. The Contract Manufacturing business at Tumkur grew by 11% during the year generating revenue of Rs.60 Crores compared to Rs.54 Crores during the corresponding period in previous year.

Directors' Report to the Shareholders (Contd.)

CMS Business

The CMS Business was being carried out of the Company's Tumkur facility. This was in the Power and Medical Electronics spaces for overseas customers. The CMS Industry was facing challenges of margin pressures, higher working capital requirements, competition from MNCs besides need to diversify into non conventional areas other than the above.

As the Company's core business is Products – predominantly printers, which account for more than two thirds of revenues, as a measure of risk mitigation from above factors and also to rechannel resources both financial and physical, it was thought of as a strategy to consider divestment of this CMS Business and in this connection, as recommended by the Board of Directors, the approval of the shareholders was obtained by postal ballot on 9th April, 2007. The CMS Business together with all its assets and business was transferred for a total consideration of Rs.41.12 Crores. The Company had executed Business Transfer Agreement on 31st May 2007 to give effect to the transfer of the CMS Business effective that date.

CCS Business

With a view to leverage on the opportunities available in the Contract Customer Support Services business by focusing on the activities with infrastructure, financial and other resources to scale up this business, the Board of Directors recommended and the Shareholders approved the proposal to transfer this business to a wholly owned subsidiary of the Company. The shareholders approved the proposal by postal ballot on 9th April, 2007.

A wholly owned subsidiary - TVS-E Servicetec Limited has been floated for the purpose which has obtained all statutory approvals to commence business. Steps have been taken to transfer the business to the subsidiary during the current financial year 2007-08.

FINANCE

During the year the interest rates have gone up due to money market movements and inflationary conditions and this had an effect on the interest outflow though the borrowings were controlled at the same level as in last year.

The Company launched Total Cost Management Program to improve cost productivity by driving efficiencies in

manufacturing and supply chain achieving a savings of Rs.7.4 Crores during the year.

DEPOSITS

The Company has not accepted any fresh deposits and renewals during the year under review. Unclaimed deposits amounting to Rs. 0.51 Lakhs at the end of 31st March, 2007 will be credited to the Investor Education and Protection Fund after a lapse of seven years.

DIRECTORS

Mr Venu Srinivasan and Mr T K Balaji, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr K Dhruva, Director resigned with effect from 31st July, 2006 from the Directorship due to personal reasons. Mr K Dhruva had association of more than a decade with various TVS Group Companies. The Board of Directors wish to place on record their deep sense of appreciation for the valuable contribution made by him.

SUBSIDIARY COMPANIES

During the current year, TVS-E Servicetec Limited, was promoted by the Company as a wholly-owned subsidiary, which is engaged in Contract Customer Support Services Business (CCS)

During the year, Sravanaa Properties Ltd, earned a revenue of Rs.3 lakhs. The Company is in the process of obtaining necessary statutory clearances for the building of commercial construction in this regard.

The reports and accounts of the Subsidiary Company- Sravanaa Properties Limited (Consolidated) along with the Statement pursuant to Section 212 of the Companies Act, 1956 are annexed.

AUDITORS

M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai, the Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for re-appointment.

EMPLOYEE STOCK OPTION SCHEME

Out of the total obligation of 2,11,000 options issued to the eligible employees of the Company under the Employees Stock Option Scheme (ESOP) 1,39,000 options granted to ten employees lapsed on account of their resignation. 72,000 stock options are still in force as at March 31, 2007 and these options were issued at the

Directors' Report to the Shareholders (Contd.)

rate of Rs.70/-per share and entitles the holder thereof to apply for and be allotted one equity share of the company of the nominal value of Rs.10/-each on payment of the exercise price during the exercise period. No fresh ESOP options have been issued during the financial year ended 31st March, 2007. As required by the Securities and Exchange Board of India, the details of the stock option scheme was disclosed in the notice calling the previous Annual General Meeting of the shareholders for the meeting held on 28th September, 2006.

During the year ended 31st March, 2007 the shareholders approved an Employees Stock Option Plan 2006 in the meeting held on 28th September, 2006. No Options were issued to any of the employees under this Plan during the year.

Details of the options granted and options in force as required under Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 are set out in Annexure "A" to this Report.

PERSONNEL

As required by the provisions of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, the name and other particulars of the employees is set out in Annexure "B" to the Directors' Report.

AWARDS AND RECOGNITIONS

The company has won many awards and recognitions in 2006-07. This list amongst others include the following:

- VAR india Award for "Best DMP & Mechanical Keyboard" 2006.
- "Goa IT Ratna Award 2006" given by Wisitex for Printer-institutional category.
- "Data Quest - Channel Choice Award" for the year 2006 in DMP given by Data Quest Publication.
- "PC Quest - Users' choice Award" for DMP
- VAR India Award under most trusted company flag for "Brand of Excellence-2007".

REPORT ON ENERGY CONSERVATION AND R&D ACTIVITIES

During the year, the Company invested Rs.3.71 Crores which is 1.4 % of its core products sale in Research and Development.

Information relating to energy conservation, foreign exchange earned and spent and research and development activities undertaken by the Company in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosures of particulars in the report of Board of Directors) Rules, 1988 are given in Annexure "C" to the Directors' Report.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, the Directors hereby state that

- i) in the preparation of the annual accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- ii) the Directors had selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and a fair view of the state of affairs of the Company at the end of the financial year (namely 31st March, 2007) and of the profit of the Company for that year;
- iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the Directors had prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, where the shares of the company are listed, Corporate Governance Report is made part of the Annual Report.

In compliance of Section 292A of the Companies Act, 1956 the Company has constituted the Audit Committee consisting of Mr Sridhar Nageshwar, Mr S R Vijayakar, Mr H Lakshmanan and Dr Sridhar Mitta as its Members.

The Company has constituted an "Investors' Grievance Committee" to deal with complaints and grievances of the Investors. The Company has also constituted a

Directors' Report to the Shareholders (Contd.)

"Remuneration / Compensation Committee" consisting of four Directors of which Mr R R Nair, Mr Srin Nageshwar, Mr S R Vijayakar are independent Directors and Mr H Lakshmanan as its Member. The Remuneration Committee also acts as the compensation committee which administers and superintends the stock option plan of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

As required under Clause 49 of the Listing Agreement, a detailed Report on Management Discussions and Analysis is given below:

1. The Industry and Trends

The Indian IT market is growing at 14% driven by 25% growth of personal computers and 10% growth in printing devices. DMP market was 0.46 Mn units, a slight decline from the previous year.

Transaction printing is growing at a healthy rate – driven by high investments in transport infrastructure, growth in retail automation & expansion of core banking solutions by all the major banks. The e-governance initiatives by both Central and State Governments are continuing at a rapid pace. The total IT spends for the coming year is estimated at Rs.37 Billion for Banking & Financial Services Institution (BFSI) as per DQ-IDC annual mega spender's survey.

The Company's field support extends to more than 400 towns through its 450 strong Authorized Service Partners. Telecom growth & computer penetration into the smaller towns is a major trend which we will focus our abilities on.

2. Review of Performance

Our products & solutions business group, which includes the dot matrix printers, remained flat at Rs.178Cr. During the year, significant channel de-stocking was done to maintain channel stocks at a robust level. The drive on internal efficiencies resulted in cost savings in excess of Rs.7 Crores and the migration to Himachal Pradesh during the year was successful as a result of meticulous planning and execution by dedicated teams.

The Dot Matrix printer business is TVS-E's largest on a revenue basis. Our company regained its leadership in Dot Matrix Printer segment in quarter 4 with a market share

of 40% by volume. Our company has been recently ranked as No.2 in the Asia Pacific Dot Matrix Printer market by Gartner and 4th in the World.

A detailed medium term strategy focusing on the above opportunity areas has been drawn up and specific teams have been formed to develop Products and Go to Market solutions.

3. Risks & Opportunities

The first major risk for DMP arises from the growth of alternative technologies catering to different applications due to migration of customers. We are responding to these by (a) constantly improving the print quality and speed of current range of printers & focusing on substantially improving the printing experience for our customers; (b) expanding our presence into the complete transaction printing coupled with our entry into POS automation products & solutions during the forthcoming year. Going forward, TVS-E will continue to carefully understand the needs of customers in individual markets and regions and will develop products and solutions that meet these needs while best utilizing the advantages of a large customer base built over the years and our channel capabilities; (c) export of dot matrix printers is an unexplored opportunity and we have already started pursuing this in an aggressive manner leading to revenue growth in the forthcoming year.

The continuing erosion in prices for DMP products is the second major risk for the organisation; we are geared to meet the same through rigorous cost management projects & bringing in cost-effective products through increased global sourcing.

4. Internal Control Systems & their adequacy

During the year, the Company initiated study on risk management processes covering various areas of business to support the business operations and strengthen the internal control systems. A formal risk management system implementation is expected during the current financial year.

The Audit Committee of the Board reviews the findings and recommendations of the internal audit report periodically.

5. Business Planning and Information Technology

The Company's business planning system with strong ownership and involvement include medium term strategy

Directors' Report to the Shareholders (Contd.)

formulation, annual and quarterly plans and periodic reviews which helps steering the operations of the Company to achieve its goals.

An enterprise resource planning system is being sourced for the purpose of digitizing the business process of the emerging business servicetec in order that we are able to manage requirements of multiple brand, as well as provide, standardized processes for partners across length and breadth of the country.

6. Quality Management

The Company has a TQM vision with a strong focus on road map of essential building blocks. An exhaustive action plan has been drawn up to improve the customer satisfaction significantly covering both product quality and post sales support. These initiatives are supported by Total Employee Involvement (TEI) programs. The Company's manufacturing plants located at Himachal Pradesh and Guindy are ISO 9001 certified.

7. Human Resource Development

Performance and Leadership are the corner stones for HR in the organization. Significant investment year after year is made on people through extensive training programs. The annual planning process with goal setting workshops facilitate performance standards which is supported through digitized performance management systems for evaluation. In order to encourage employees to continuously excel in their endeavour, performance linked compensation is implemented throughout the organization. The position evaluation and value operationalization have further built strong HR fundamentals based on which Career progression plan will be developed for the top talents.

8. Safety

Safety of products to customers and safe manufacturing practices are critical part of our value system. Continuous training and audits are conducted during the year. We maintain our consistent track record in

terms of zero reportable accidents in the factories for several years now.

9. Corporate Social Responsibility

We are actively engaged in corporate social responsibilities through employees, organizing medical programs, blood donation camps and village rehabilitation programs. We impart digital techniques in social transformation at schools and hospitals. Free education program and medical services are part of our consistent social commitment.

In recognition of the humanitarian services, the Government of India has conferred on the Company with 'Nirmal Gram Puraskar Award' towards implementation of sanitation program in Thiruvadanthai in the year 2006. The Rotary Club of Bangalore recently conferred the Company with 'Best Corporate Citizen Award'. We have established a Sanitary Napkin manufacturing Unit at Tiruvadanthai with the help of the SHG women and also the Government. This has provided employment to 8 women and is self sustaining.

GENERAL

The Directors wish to place on record their appreciation for the committed service of employees of the Company for its success.

The Directors would also like to express their grateful appreciation for the assistance and co-operation received from the customers, dealer partners, bankers, financial institutions, business partners and its Group Companies TVS Investments Limited and Sundaram -Clayton Limited during the year.

The Directors thank the Shareholders for the continued confidence and trust placed by them with the Company.

For and on behalf of the Board

Chennai
June 23, 2007

GOPAL SRINIVASAN
Whole-time Director

H LAKSHMANAN
Director

Cautionary Statement :

The Statements made in the Management Discussion and Analysis section of the above Report describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence Company's operations include global / domestic supply and demand conditions affecting selling prices of finished goods, input availability and prices, changes in government regulations, tax laws, economic developments within the country and other factors such as litigation and industrial relations.

Annexure 'A' to the Directors' Report

Statement as at 31.3.2007 pursuant to Clause 12 (Disclosure in the Directors' Report) of the SEBI (ESOP & ESPS) Guidelines, 1999.

Employees Stock Option Scheme 2003 (ESOP - 2003)

a)	Options Granted	2,11,000 options granted on 1.1.2003.
b)	Pricing Formula	Average of the market price quoted in the National Stock Exchange three months preceding the date of grant, rounded off to the nearest rupee.
c)	Options Vested	2,10,000
d)	Options Exercised	Nil
e)	The total no. of ordinary shares arising as a result of exercise of options	Nil
f)	Options lapsed	1,39,000
g)	Variation of terms of options	Nil
h)	Money realized by exercise of options	Nil
i)	Total no. of options in force	72,000
j)	(i) Details of options granted to Senior Managerial Personnel during the year	Nil
	(ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of options granted during the year	Nil
	(iii) Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants & conversions) of the Company at the time of grant	Nil
k)	Diluted earnings per share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with the International Accounting Standard (IAS 33)	Not Applicable

For and on behalf of the Board

Chennai
June 23, 2007

GOPAL SRINIVASAN
Whole-time Director

H LAKSHMANAN
Director

Annexure 'B' to the Directors' Report

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

Sl No.	Name	Age (Years)	Designation	Date of Employment	Remuneration (Rs.)	Qualification	Experience (years)	Previous Employment	
								Designation	Company Name
Employed throughout the year									
1.	Kannan K	59	Vice President – Sourcing	1-Feb-84	48,13,158	B.Sc., (Engg), DIIT (Prod Engg)	41	Manager –Engineering Services	Sundaram-Clayton Limited
2.	Kannan S	41	Head – Corporate Accounts	27-Aug-04	34,08,153	B.Com., ACA	18	Commercial Manager	Hindustan Lever Ltd.
3.	Raman S S	54	President – Products & Solutions	2-Jun-05	63,81,535	BE (Mech), PGDBM & Mast Dip in Bus Admin (Prodn Engg)	32	Executive Director & Vice President	Whirlpool India Ltd.
4.	Somasundaram M.	43	Head -Supply Chain	21-Feb-05	30,37,805	B.Com., AICWA, ACS	22	Commercial Manager, New Ventures	Hindustan Lever Ltd.
5.	S Magesh	37	Head - HR	10-Jul-03	25,00,130	AMIE	19	National Mgr-Mktg	Canon India Ltd
6.	R K Bhat	46	VP – Operations - CCS	12-Nov-05	32,68,244	BE (E&C)	25	VP-Operations	TI Cycles of India Ltd
Employed for a part of the year									
7.	Parthasarathy P	54	Chief Technology Officer	1-Jun-05	15,08,175	B.Sc., DMIT, M.Sc., Engg	30	Executive Vice President	Harita Infoserve Ltd.
8.	Jairam P Sampath	43	Head – ICT Practice Group	15-May-89	4,44,745	B.Tech.PGDM	22	Engr	Hindustan Motors Ltd
9.	Swaminathan S.	50	Head -POS Sales	14-Jul-99	34,58,571	B.Com., FCA	25	Vice President, Finance	erstwhile TVSElectronics Ltd.

Notes:

- Years of experience include experience prior to joining the company also.
- Remuneration comprises of salary, dearness allowances wherever applicable, house rent allowance, special allowance, conveyance allowance, Contribution to Provident Fund, Super-Annuation Fund, Medical Insurance Premia, Leave travel assistance and other benefits but does not include one time compensation paid under "Voluntary Separation Scheme".
- Besides, the above employees are entitled to Gratuity as per Rules.
- Employee Stock Options as approved by Compensation Committee in terms of SEBI (Employee Stock Operation Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 have been issued to certain employees of the company.
- Terms of employment of all the employees mentioned above are contractual.
- None of the above employees is related to any of the directors.
- None of the employees either individually or together with spouse or children holds more than two percent of the equity shares of the company.

For and on behalf of the Board

Chennai
June 23, 2007

GOPAL SRINIVASAN
Whole-time Director

H LAKSHMANAN
Director

Annexure 'B' to the Directors' Report

TVS Electronics Limited



Annexure 'C' to the Directors' Report

Information as required under Section 217 (1) (e) of the Companies Act, 1956.

A. CONSERVATION OF ENERGY

(a) Measures taken :

- a. Developed 9 W high speed print head which is capable of delivering higher force with less energy consumption compared to the existing print heads

(b) Proposed measures:

- a. Develop motors capable of running at lower input energy, which will reduce the stand by / running power consumption substantially
- b. Develop print heads with low voltage operation to reduce the running power consumption

B. TECHNOLOGY ABSORPTION

1. Specific areas in which R&D was carried out by the Company:

i) Dot Matrix Printers

- Development of Unicode for 9 Indian language printers
- Development of Pro series with increased Printing speed (380 CPS)
- Development of Jet black ink for Ribbon cassettes
- Development of CPLD design for constant current operation of 24 W High speed print head, which reduces heat dissipation from the MLC
- Development of 9 W high speed print head which is best in class in the segment

ii) Customization projects

- Customization of Pro series printer for banking application

iii) General:

As a part of value enhancement, the company has successfully:

- Developed the capability to design print heads with brazing technology which operates at higher frequency
- Developed capability to develop print head needles for ballistic technology.

2. Future plan of action

We will be launching new products which will add value to the process of our customers in terms of speed of printing, higher reliability, low power consumption etc.

3. Expenditure on R&D

Capital Expenditure : Rs.107.99 Lakhs

Revenue Expenditure : Rs.263.58 Lakhs

Total expenditure as a percentage of total turnover : 1.4 %

4. Technology absorption, adoption and Innovations

a) Efforts in brief

All R&D Personnel have been trained in Six sigma Green belt program, NPI program, Finite element analysis tools.

b) Benefits derived as a result of the above efforts

Development of high performance print head, reduce energy consumption at consumer place and cost-effective supplies.

c) Technology absorption

The company has been focusing on the transaction segment which will design and

Annexure 'C' to the Directors' Report (Contd.)

develop products with higher standards to compete in the international market. This will encompass developing of innovative products to reduce the power consumption, meet customer needs, meeting all the international standards and at an affordable cost to the end customer.

(a) Total Forex earned : Rs. 5,258.53 Lakhs

(b) Total Forex used : Rs. 8,567.49 Lakhs

C. EXPORT ACTIVITIES

The Company exported Un-interruptible power systems, Inverters & Printers and provided services

Chennai

June 23, 2007

GOPAL SRINIVASAN

Whole-time Director

H LAKSHMANAN

Director

For and on behalf of the Board

Report on Corporate Governance

A. MANDATORY REQUIREMENTS

1. Company's Philosophy:

The report on Corporate Governance reflects the commitment of the organization to its values and business ethics and provides a picture to the Shareholders on management of the organisation and the methodology the Board functions with transparency, accountability, professionalism, risk management and code of ethics, as its basic principles.

The Company acknowledges the need and importance of corporate governance and has adhered to the underlying principles of corporate governance and complied with the code of corporate governance as an integral part of its day-to-day operations.

2. Board of Directors:

All statutory, significant material information are placed before the Board / Committee of Directors for their approval to enable them to discharge their responsibilities as trustees of the large family of Shareholders and ensure full compliance with the principles of corporate governance.

a. Composition and Category of Directors

The Board of the Company comprises of a Non-executive Chairman, a Whole-time Director and six Non-executive Directors.

The Board functions either as a full Board or through Committees who meet at regular intervals. Strategic supervision in the form of policy formulation, evaluation of performance and control functions vest with the Board, while the Committees oversee operational issues.

b. Attendance of each Director at the Meetings of the Board of Directors and the last Annual General Meeting

During the year from 1st April, 2006 to 31st March, 2007 the Board met 6 times on 24th April 2006, 28th June, 2006, 27th July, 2006, 28th October, 2006, 31st January, 2007 and 26th February, 2007.

The last AGM was held on 28th September, 2006 and 7 Directors attended the AGM.

The following table gives details pertaining to attendance of Directors at the Board meetings and at the last Annual General Meeting and number of memberships held by Directors in the Board / Committees.

Name of the Director	Category	Attendance Particulars		Number of other Directorships and Committee Memberships / Chairmanships (As per declaration furnished in Form 24AA)		
		Board Meetings	Last AGM	Other Directorships #	Committee Memberships ##	Committee Chairmanships
Mr. Venu Srinivasan	C-NE-NI	5	YES	14	4	2
Mr. Gopal Srinivasan	E-NI	6	YES	14	2	—
Mr. T.K. Balaji	NE-NI	5	YES	14	6	1
Mr. H. Lakshmanan	NE-NI	6	YES	14	8	4
Mr. S.R. Vijayakar	NE-I	4	NO	2	3	—
Mr. Srin Nageshwar	NE-I	6	YES	2	1	1
Mr. K. Dhruva*	NE-NI	2	—	—	—	—
Mr. R.R. Nair	NE-I	4	YES	3	—	—
Dr. Sridhar Mitta	NE-I	5	YES	6	1	—

C Chairman; E Executive; NE Non-Executive; I Independent; NI Non-Independent

* Mr K Dhruva resigned on 31st July, 2006.

Report on Corporate Governance (Contd.)

Including Directorships in Private Limited Companies and excludes any company registered under Section 25 of the Companies Act, 1956 and foreign companies.

Only Audit Committee and Investors' Grievance Committee are considered for the purpose and includes committees where the Director is also the Chairman.

None of the Directors is a Member in more than 10 Committees and acts as a Chairman in more than 5 Committees across all companies in which he is a Director.

Code of Conduct for Board of Directors and Senior Management

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.tvs-e.in. All Board Members and senior management have confirmed compliance with the Code for the year ended 31st March, 2007. The annual report contains a declaration to this effect signed by the Whole-time Director.

3. Audit Committee:

- a. The Board has constituted an Audit Committee on 18th August, 2003. The Audit Committee consists of four Members. Three of them are Independent and Non-executive Directors. The role and terms of reference of the Audit Committee cover the areas mentioned under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, besides other terms as may be referred to by the Board of Directors from time to time.
- b. Brief descriptions of the terms of reference to the Audit Committee
 - Overseeing of Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
 - Recommending the appointment and re-appointment of and removal of external auditor, fixation of audit fee and also approval for payment for any other services.

- Reviewing with the management the annual financial statements before submission to the Board focussing primarily on:
 - Any change in accounting policies and practices.
 - Major accounting entries based on exercise of judgement by management.
 - Qualifications in draft audit report.
 - Significant adjustments arising out of audit.
 - The going concern assumption.
 - Compliance with Accounting Standards.
 - Compliance with Stock Exchange and legal requirements concerning financial statements.
 - Any related party transaction i.e. transactions of company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interest of company at large.
- Reviewing with the management external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with external auditors before the audit commences, nature and scope of audit,

Report on Corporate Governance (Contd.)

as well as, have post audit discussion to ascertain any area of concern.

- Reviewing the company's financial and risk management policies.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of dividends declared) and creditors.
- To review the quarterly / half-yearly and annual financial statements before submission to the Board and also ensure compliance of internal control systems.
- Authority to investigate into any matter referred to it by the Board

The composition of the Audit Committee of Directors and their attendance in the Committee meetings during the year under review is given below :

Sl. No.	Name of the Member	24.4.2006	28.6.2006	27.7.2006	28.10.2006	31.01.2007	26.02.2007
1.	Mr. Sridhar Nageshwar Chairman Non-Executive Director – Independent	Present	Present	Present	Present	Present	Present
2.	Mr. S.R. Vijayakar Non-Executive Director – Independent	Absent	Absent	Present	Present	Present	Present
3.	Mr. H. Lakshmanan Non-Executive Director – Non-Independent	Present	Present	Present	Absent	Absent	Present
4.	Dr Sridhar Mitta Non-Executive Director – Independent	Present	Present	Present	Absent	Absent	Present

4. Remuneration / Compensation Committee:

The Board has reconstituted the Remuneration / Compensation Committee on 18th July, 2003. The recommendations of the Committee is aimed at attracting and retaining high calibre talent. It decides the Company's policy on specific remuneration packages for Executive Directors including payment of remuneration in terms of Schedule XIII to the Companies Act, 1956 and also has such powers as may be entrusted to them from time to time by the Board of Directors or any other matter including pension rights and any compensation payment. The Committee under the nomenclature "Compensation Committee" also administers and superintends the stock options granted to eligible employees of the company. The Committee did not meet during the year since the need to meet did not arise. A total of 2,11,000 stock options have so far been recommended and issued by the compensation committee to the eligible employees. Out

of this, 1,39,000 options issued to eight employees lapsed on account of their resignation.

The Remuneration / Compensation Committee comprises of four Non-executive Directors with three of them being Independent Directors. The Chairman of the Committee is a Non-executive Independent Director.

The composition and names of the Members of the Committee are given below :

Sl. No.	Name of the Member	Status
1.	Mr. R.R. Nair, Chairman	Non-Executive Director – Independent
2.	Mr. Sridhar Nageshwar	Non-Executive Director – Independent
3.	Mr. S.R. Vijayakar	Non-Executive Director – Independent
4.	Mr. H. Lakshmanan	Non-Executive Director – Non-Independent

Report on Corporate Governance (Contd.)

Details of remuneration paid for the year ended 31st March, 2007 -

i. Executive Directors:

Mr. Gopal Srinivasan was appointed as the Whole-time Director of the Company for a period of five years from 18th August, 2003 without remuneration.

The remuneration of the managerial persons are decided by the Board of Directors subject to the approval of shareholders.

No sitting fee is paid to Mr. Gopal Srinivasan, Whole-Time Director. The other Non-Executive Directors are being paid a sitting fee of Rs.2,500/-for attending the meetings of the Board / Committee thereof. No ESOP options have been issued to any of the Directors of the Company.

ii. Non-Executive Directors:

Remuneration by way of sitting fees for attending the Board / Committee meetings are paid to Non-Executive Directors.

Particulars of sitting fees paid during the year ended 31st March, 2007 to Non-Executive Directors are as follows:

Name of the Directors	Sitting Fees paid (Rs.)
Mr. Venu Srinivasan	22,500
Mr. T.K. Balaji	22,500
Mr. H. Lakshmanan	35,000
Mr. S.R. Vijayakar	20,000
Mr. Srini Nageshwar	30,000

Name of the Directors	Sitting Fees paid (Rs.)
Mr. K. Dhruva	5,000
Mr. R.R. Nair	10,000
Dr. Sridhar Mitta	22,500

The Board of Directors at its meeting held on 21st August, 2003 approved the payment of sitting fees of Rs.2,500/- to the Directors for attending the meeting of the Board or a Committee thereof.

5. Investors' Grievance Committee:

The Board has also constituted an Investors' Grievance Committee on 18th August, 2003. The Committee met 4 times during the year ended 31st March, 2007.

The Investors' Grievance Committee inter alia, reviews and redresses 'the Investors' queries / grievances / complaints on matters relating to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. and also approves transfers, transmissions, consolidation and splitting of share certificates and authorises officials to make necessary endorsements on the share certificates. As is the industry practice, the Company disposes off investor's complaints on an average within 7 days of the receipt of the complaint / grievance.

In pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (duly amended), the Board has approved the "Code of Conduct for Prevention of Insider Trading". For any clarification / complaint, shareholders may contact Mr. R.S. Raghavan, Special Officer, of the Company at rs.raghavan@tvs-e.in.

The composition of Investors' Grievance Committee and the attendance of the members in the meeting are given below :

Sl. No.	Name of the Member	7.04.2006	3.07.2006	28.09.2006	22.12.2006
1.	Mr. Venu Srinivasan, Chairman - Non-Executive Director	Present	Present	Present	Present
2.	Mr. Gopal Srinivasan, Whole-time Director	Present	Present	Present	Present
3.	Mr. T.K. Balaji, Non-Executive Director	Present	Present	Present	Present

Report on Corporate Governance (Contd.)

Complaints received and redressed during 1st April, 2006 to 31st March 2007:

Sl. No.	Nature of Complaint	No. of Complaints
1.	Non receipt of Share Certificates	3
2.	Non receipt of Dividend Warrants	3
3.	Non receipt of Annual Report	1
4.	Other complaints	11
	Total	18

Since the Company adopts the policy of redressing the grievances of the investors within a period of 7 days, all the above said complaints received from the shareholders were remedied to the satisfaction of the concerned investors well within the time adopted by other companies.

The request for dematerialisation of shares were carried out within the stipulated time period and no certificates were pending for dematerialisation as on 31st March, 2007 for a period of more than 21 days from the date of lodgement with the company.

As required by the regulations of SEBI, the issued and listed capital of the company is reconciled with the aggregate of the number of shares held by investors in physical mode and in the demat mode. A certificate is being obtained on a quarterly basis to this effect from a practicing company secretary and submitted to the stock exchanges where the company's shares are listed. As on 31st March, 2007, there were no differences between the issued and listed capital and the aggregate of shares held by investors in both physical form and in electronic form with the depositories.

6. Trading of shares in Dematerialised form:

In order to encourage more shareholders to opt for holding their shares in electronic form, SEBI vide their circular dated MRD/DoP/SE/Dep/Cir-4/2005 dated January 28, 2005 have mandated that with effect from February 1, 2005, no investor shall be required to pay

- any charge for opening of a beneficiary owner account except the statutory charges and
- any charge for credit of securities into his account.
- Custody charge with effect from 1st April, 2005.

However, the Corporates will bear the custodial charges on per folio basis.

The Shareholders may utilize this opportunity to dematerialize their physical share certificates and hold the securities in electronic form.

7. Annual General Meetings:

The last three Annual General Meetings were held as under:

Year	Location	Date	Time
2006 (12 months)	The Music Academy New No.168, (Old No.306) TTK Road, Chennai - 600 014	28.9.2006	10.00 a.m.
2005 (15 months)	The Music Academy New No.168, (Old No.306) TTK Road, Chennai - 600 014	8.8.2005	10.15 a.m.
2003	The Music Academy New No.168, (Old No.306) TTK Road, Chennai - 600 014	16.6.2004	10.30 a.m.

8. Extra-ordinary General Meeting:

An extra-ordinary general meeting was held at 10.00 a.m. on 28th March, 2007 at The Music Academy, New No. 168, TTK Road, Chennai - 600 014 to obtain shareholders' approval for:

- i) increase in Authorised Share Capital
- ii) Preferential issue of convertible warrants

9. Postal Ballot

- a) None of the subjects placed before the shareholders in the last annual general meeting / extra-ordinary general meeting required approval of the Shareholders by Postal Ballot in terms of Section 192A of the Companies Act, 1956 and the Companies (Passing of Resolution by Postal Ballot) Rules, 2001.
- b) During the current year, as per Section 192A of the Companies Act, 1956 and the Companies (Passing of Resolution by Postal Ballot) Rules, 2001, the approval of Shareholders was sought vide Postal Ballot notice dated February 26, 2007:

Report on Corporate Governance (Contd.)

- i) for transfer by way of sale or otherwise the Contract Manufacturing Services Business of the Company (CMS Business) and
- ii) for transfer by way of sale or otherwise the Contract Customer Support Services Business of the Company.(CCS Business)
- c) The Postal ballot notice together with ballots were despatched to the shareholders on March 4, 2007
- d) Mr K Sriram of M/s S Krishnamurthy & Co., Practising Company Secretary, Chennai was appointed as the Scrutinizer for conducting the Postal Ballot.
- e) The Postal Ballot Results were declared on April 9, 2007 the details of which are furnished hereunder:

A.	Description of resolution	Particulars	No. of Ballots	No. of shares	% to total valid votes cast
	Ordinary resolution to transfer the CMS business of the Company	Assent for the resolution	1,025	1,09,45,890	99.78
		Dissent for the resolution	41	23,720	0.22
		Invalid Votes	86	—	—
		Total	1,152	1,09,69,610	100

B.	Description of resolution	Particulars	No. of Ballots	No. of shares	% to total valid votes cast
	Ordinary resolution to transfer the CCS business of the Company	Assent for the resolution	1,003	1,09,36,508	99.78
		Dissent for the resolution	40	24,080	0.22
		Invalid Votes	109	—	—
		Total	1,152	1,09,60,588	100

10. Disclosures:

- a. 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 promoters, its subsidiaries and associate companies etc., of routine nature have been reported elsewhere in the annual report as per the Accounting Standard (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:

As per the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, the company has to submit a report on the equity shareholding of the promoters and the persons acting in concert within 30 days from the end of the financial year and a similar report during the Book closure period fixed for the purposes of declaration of dividend. SEBI vide its letter No.CFD/DCR/RC/TO/23040/04 dated November 16, 2004 had alleged that the company had not submitted the return under Clause 8(3) of the said Regulation for the financial year ended 31st March, 2000 and record date for the year 2000 fixed for the purpose of declaration of dividend and had given an option for composition of the offence upon giving a letter of consent for payment of a one time compulsory fee of Rs.50,000/-. The company had filed the

Report on Corporate Governance (Contd.)

above returns to the stock exchanges by courier. Since the company could not establish the proof of delivery to these exchanges, the company had given its consent to SEBI for paying a one time *compounding fee of Rs.50,000/-*. Further communication from SEBI on this subject is awaited.

11. Means of Communication:

- Quarterly results were published in Business Line, News Today and the Tamil version of the same was published in Makkal Kural.
- The quarterly / annual financial results, share-holding pattern etc., are uploaded in the website of SEBI and the members can have access to the same at the website – **www.sebiedifor.nic.in**.
- The quarterly results and also the annual audited results are published in the company's web site – **www.tvse.in**.
- "Management Discussion and Analysis Report" is furnished as forming part of the Annual Report.

12. General Information for Shareholders:

- Date of AGM : 24th September, 2007

Time of AGM : 10.00 a.m.

Venue of AGM : "The Music Academy"
: No.168, TTK Road,
: Chennai -600 014.

2. Financial reporting for the quarter ending (Tentative)

30 th June, 2007	UA A	Before 31 st July, 2007 or Before 31 st August, 2007
30 th September, 2007	UA A	Before 31 st October, 2007 or Before 30 th November, 2007
31 st December, 2007	UA A	Before 31 st January, 2008 or Before 28 th February, 2008
31 st March, 2008	UA A	Before 30 th April, 2008 or Before 30 th June, 2008

UA - Unaudited; A - Audited

- Period of Book Closure : 17.9.2007 to 24.9.2007
(both days inclusive)

- Dividend Payment Date : 29.9.2007

- Listing on Stock Exchanges :

- The Company's equity shares are listed on the following Stock Exchanges :

No.	Name of the Stock Exchange	Stock Code
1.	Ahmedabad Stock Exchange Ltd	—
2	Bangalore Stock Exchange Ltd	—
3	Bombay Stock Exchange Ltd	532513
4	Cochin Stock Exchange Ltd	—
5	Madras Stock Exchange Ltd	—
6	National Stock Exchange of India Ltd	TVSELECT
7	The Calcutta Stock Exchange Association Ltd	—
8	The Delhi Stock Exchange Association Ltd	—

Note: Annual listing fees for the year 2007-08 have been duly paid to all the above Stock Exchanges.

- Demat ISIN in NSDL and CDSL : INE236G01019

6. Market Price Data :

Month	Bombay Stock Exchange Ltd. (BSE) in Rs.		National Stock Exchange of India Ltd. (NSE) in Rs.	
	High	Low	High	Low
Apr 2006	62.20	54.30	62.00	54.55
May 2006	61.95	46.60	62.45	47.00
Jun 2006	50.10	36.70	47.80	37.00
Jul 2006	44.40	34.40	44.40	35.00
Aug 2006	46.40	35.05	46.60	35.00
Sep 2006	50.00	41.50	49.00	42.00
Oct 2006	56.00	43.60	54.90	43.60
Nov 2006	52.45	40.80	50.10	40.00
Dec 2006	49.50	36.00	49.95	35.60
Jan 2007	56.70	44.00	56.50	35.80
Feb 2007	56.40	43.60	56.40	46.00
Mar 2007	46.50	38.60	46.50	38.80

Report on Corporate Governance (Contd.)

7. Share Price performance in comparison to broad based indices BSE Sensex and NSE Nifty:

Financial year	Percentage change in	
	Company's shareprice (%)	Sensex(%)
2006-07	(31.46)	15.89
2005-06	5.77	73.73
2004-05	3.64	16.14

8. Share Transfer System:

With a view to rendering prompt and efficient services to the investors, the company has handed over the share registry work pertaining to the Company, to M/s. Sundaram-Clayton Limited, (SCL) Chennai, the ultimate holding company with effect from 1st October, 2004. SCL has registered itself with SEBI as share transfer agents in category II to carry on the share registry work of the group companies as well as associate Companies with effect from 21st April, 2004.

SEBI vide Circular No.SEBI/MRD/Cir-10/2004 dated February 10, 2004 has withdrawn the facility of transfer-cum-demat facility hitherto extended by the issuer Companies. However, after receipt of share certificates duly registered in their names, the shareholders could approach their concerned depository participants to dematerialize their shareholding.

The dividend will be paid to all those shareholders whose names appear in the Register of Members of the company as on 17th September, 2007 (beginning of the day) in case of shares held in electronic form and as on 24th September, 2007 in respect of shares held in physical form.

9. a. Distribution of equity shareholding as on 31st March, 2007:

No. of shares held	No. of share holders	% of share holders	No. of shares held	% of share holding
Up to 500	23445	92.49	3217802	18.21
501 to 1000	1183	4.67	965438	5.46
1001 to 2000	372	1.47	561151	3.18

No. of shares held	No. of share holders	% of share holders	No. of shares held	% of share holding
2001 to 3000	121	0.48	310167	1.76
3001 to 4000	70	0.27	247713	1.40
4001 to 5000	50	0.20	233814	1.32
5001 to 10000	67	0.26	489611	2.77
10001 and above	40	0.16	11647122	65.90
TOTAL	25348	100.00	1,76,72,818	100.00

b. Pattern of equity shareholding as on 31st March, 2007:

Shareholders	No. of shares held	% of total shares held
Promoter Companies	1,05,53,449	59.72
Directors & Relatives	1,91,150	1.08
Corporate Bodies	6,71,133	3.80
Nationalised Banks	1,400	0.00
Mutual Funds	4,200	0.02
Resident Individuals	58,31,302	33.00
Non-resident Indians	4,20,184	2.38
TOTAL	1,76,72,818	100.00

10. Dematerialisation of Shares and Liquidity:

Out of 6928219 shares held by persons other than promoters, Directors and relatives, 5892467 shares have been dematerialised as on 31st March, 2007 accounting to 85.05%. As per directives issued by SEBI, it is compulsory to trade in the company's shares in the dematerialised form. The ISIN Number allotted for the company's shares in Demat form is INE 236G01019. The Company has received 659 requests for dematerialisation of shares during the year ended 31st March, 2007 representing 10615731 shares.

11. Plant & office Locations:

Karnataka : Pandithanahalli,
Operations Tumkur -572 168.
Tel: 91-816-2243270
Fax No.: 91-816-2243278

Report on Corporate Governance (Contd.)

Tamil Nadu : 34, Developed Plots,
Plant & South Phase,
Administrative Industrial Estate,
Office Guindy,
Chennai - 600 032.
Tel : 91-44-2232 5506/09
91-44-4200 5200
Fax No.: 91-44-2232 7577
Visit us @ www.tvs-e.in

Himachal Pradesh : Khasre No.59/3,
Plant Village Ogli,
Tarlokpur Road,
Kalaamp -173 030.
Sirmaur District,
Himachal Pradesh
Tel: 01734 325116

Uttarkhand : No.E12,
Plant Selaqui Industrial Estate
Selaqui
Dehradun,
Uttarkhand

Nandambakkam :
Office Off Mount Poonamalle Road,
Nandambakkam,
Chennai - 600 089.
Tel: 91-44-2232 1166
Fax No: 91-44-2232 9533

12. Address for Investors' Correspondence :

Sundaram-Clayton Limited,
Share Transfer Agent
Unit:TVS Electronics Limited,
22, Railway Colony III Street,
Mehta Nagar,
Chennai -600 029.
Tel: 91-44-23741889,23742939
Fax No: 91-44-23741889
E-mail: investorservices@tvs-e.in

B. NON-MANDATORY REQUIREMENTS

a. Remuneration Committee

A Remuneration / Compensation Committee has been formed by the company. The Committee decides on the remuneration of executive directors and also approves the remuneration payable as

per the provisions of Schedule XIII to the Companies Act, 1956. The Committee also known as the Compensation Committee administers and superintends the Employee Stock Option Scheme of the company. Apart from the ESOP options issued during the year 2003, no fresh ESOP options have been issued during the year ended 31st March, 2007.

b. Request to Investors

Investors are requested to kindly note the following procedure :

- If you are holding shares in physical mode, please communicate the change of address, if any, directly to the Share Transfer Agents viz., Sundaram -Clayton Limited at the address given in Page 2.
- As required by SEBI, it is advised that the Investors shall furnish details of their bank account number, name and address of the bank for incorporating the same in the warrants. This information is required to avoid wrong credits being obtained by un-authorised persons.
- Investors who have not availed nomination facility are requested to kindly fill in the nomination form and submit the same to the company along with the requisite proof of nomination.
- Investors are requested to kindly note that any dividend which remains un-encashed for a period of seven years will be transferred to "Investor Education and Protection Fund" in terms of Section 205C of the Companies Act, 1956 .
- 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.
- Since the facility of transfer - cum - demat has been withdrawn consequent to SEBI circular no. SEBI / MRD / Cir / 10/2004, the Shareholders may approach their DP directly for dematerializing their physical shares.

Report on Corporate Governance (Contd.)

- In their own interest, the shareholders are requested to dematerialize their physical holding of their equity shares in the company since, with effect from 1.2.2005 no investor shall be required to pay
 - any charge for opening of a beneficiary owner account except the statutory charges and
 - any charge for credit of securities into his account.
 - Custody charge with effect from 1st April, 2005.
- Members who have not encashed their dividend warrants in respect of dividends declared for the

year ended 31st December, 2000 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 become 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

Financial Year	Date of Declaration	Amount outstanding (in Rs.) as on 31st March, 2007	Date of Transfer to Special Account	Last Date for claiming unpaid dividend	Due date for transfer to IEPF	Status
31.12.1998 (9 months)	16.6.1999	–	03.08.1999	03.08.2006	03.09.2006	transferred
31.12.1999 (Interim)	25.5.2000	2,63,389	12.07.2000	12.07.2007	12.08.2007	will be transferred
31.12.2000	11.6.2001	2,36,232	17.07.2001	17.07.2008	17.08.2008	–
31.12.2001	06.06.2002	2,06,556	11.07.2002	11.07.2009	11.08.2009	–
31.12.2002	29.09.2003	1,98,449	04.11.2003	04.11.2010	04.12.2010	–
31.12.2003	16.06.2004	2,06,762	22.07.2004	22.07.2011	22.08.2011	–
31.3.2005 (15 months)	08.08.2005	3,11,381	13.09.2005	13.09.2012	13.10.2012	–
31.3.2006	28.09.2006	2,97,475	03.10.2006	03.10.2013	03.11.2013	–

Auditors' Certificate

Auditors' Certificate on Compliance of the Provisions of the Code of Corporate Governance of the Listing Agreement

To
The Shareholders of TVS Electronics Limited
Chennai - 600 006.

We have examined the compliance of conditions of Corporate Governance by TVS Electronics Limited, Chennai - 600 006 for the year ended 31st March, 2007, 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 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 Investor's Grievance 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 23, 2007

Declaration pursuant to Clause 49 of the Listing Agreement regarding adherence to the Code of Conduct

To
The Shareholders of TVS Electronics Limited
Chennai - 600 006.

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 Conduct of the Company formulated by the Board of Directors for the financial year ended 31st March, 2007.

Chennai
June 23, 2007

GOPAL SRINIVASAN
Whole-time Director

Auditors' Report

Auditors Report to the Members of

TVS Electronics Limited, Chennai for the year ended 31st March, 2007

We have audited the attached Balance Sheet of M/s. TVS Electronics Limited, "Jayalakshmi Estates, 29, Haddows Road, Chennai - 600 006 as at 31st March, 2007, the Profit & Loss Account for the year ended 31st March, 2007 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 the 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 paragraphs 4 and 5 of the said Order.
3. Further to our comments in the Annexure referred to above, we state that -
 - (a) 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;
 - (b) 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;

- (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of account;
- (d) 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 the Companies Act, 1956.
- (e) On the basis of written representations received from the directors of the company, as on March 31, 2007 and taken on record by the Board of Directors, we report that no director is disqualified from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 on the said date;
- (f) 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:
 - (i) in so far as it relates to the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
 - (ii) in so far as it relates to the Profit and Loss Account, of the Profit of the company for the year ended 31st March, 2007; and
 - (iii) 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

M BALASUBRAMANIAM

Chennai
June 23, 2007

Partner
Membership No. F7945

Annexure to the Auditors' Report

Annexure referred to in our report of even date on the accounts for the year ended 31st March, 2007.

1. a) The company has maintained proper records showing full particulars including quantitative details and situation of the fixed assets.
- b) The assets are physically verified, in phases, by the Management during the year as per the regular programme of verification, 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 physical verification. The discrepancies noticed on such verification have been appropriately dealt with in the books of account of the company. (Refer foot note to Schedule VI (a) to the financial statements).
- c) The assets disposed off during the year are not substantial and therefore do not affect the going concern status of the company.
2. a) The stock of raw materials, stores, spare parts and finished goods other than in transit were physically verified during the year by the Management. In our opinion, the frequency of verification is reasonable. 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 of physical verification of inventory followed by the management are 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 noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
3. a) During the year the company has granted unsecured loans to a company covered in the register maintained under Section 301 of the Companies Act, 1956 amounting to Rs.116.28 lakhs (Balance due as at 31.03.2007 is Rs. 208.28 lakhs).
- b. In our opinion, the rate of interest and other terms and conditions of such unsecured loans made by the company are not prima facie prejudicial to the interest of the company.
- c. The receipt of principal amount and interest thereon are regular.
- d. As on the date of the balance sheet, there was no overdue amount recoverable on the said unsecured loans.
4. a. The company had availed an unsecured loan of Rs. 500 lakhs from a company covered in the register maintained under section 301 of the Companies Act, 1956. The year end balance on such loan is Nil.
- b. The rate of interest and other terms and conditions of the loan were not prima facie prejudicial to the interest of the company.
- c. The repayment of principal amount and interest thereon was regular.
5. 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 weaknesses have been noticed in the internal control system.
6. 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 Rs.5.00 lakhs in respect of each party have been

Annexure to the Auditors' Report (Contd.)

made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

7. The company has not accepted any deposits from the public. In respect of fixed deposits accepted in earlier years from the public and outstanding in the books of account, the company has complied with the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 framed thereunder. (Please refer note below Schedule XII).
8. The company has an internal audit system, which in our opinion, is commensurate with its size and nature of its business.
9. 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 and are of the opinion that, prima facie,

the prescribed accounts and records have been made and maintained.

10. a. According to the records provided to us, the company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom 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, sales tax, service tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2007 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 the Statute	Nature of dues	Amount (Rs. in lakhs)	Forum where dispute is pending
Sales Tax Act	Statutory Forms related	22.85	The Assistant Commissioner, Commercial Taxes, Kolkatta
Income Tax Act, 1961	Disallowance of claims for deduction	120.39	Income tax Appellate Tribunal, Chennai

11. 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.
12. 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 any financial institution or bank.
13. 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.
14. The company is not a chit / nidhi / mutual benefit fund / society and as such clause (xiii) of the order is not applicable.
15. The company is not dealing or trading in shares, securities, debentures and other investments. All investments are held in the company's own name except in the case of investment in wholly owned subsidiary where certain number of shares are held by nominees as provided in Section 49 (3) of the Companies Act, 1956.
16. The company has not given any guarantee for loans taken by others from bank or financial institution.

Annexure to the Auditors' Report (Contd.)

17. In our opinion, the term loans were applied for the purpose for which the loans were obtained.
18. On the basis of our examination, the company has not used the funds raised on short-term basis for long-term investments. During the year, the company has not availed any long term loans.
19. 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.
20. During the year, the company has not issued any debentures.
21. During the year, the company has not raised any money by public issue.
22. 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 23, 2007

Financial Statements

Balance Sheet as at 31st March 2007

Rupees in Lakhs

	Schedule Number	As at 31.03.2007	As at 31.03.2006
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	I	1,767.28	1,767.28
Reserves and Surplus	II	<u>2,370.56</u>	<u>2,353.84</u>
		4,137.84	4,121.12
Loan Funds			
Secured Loans	III	4,863.64	3,522.82
Unsecured Loans	IV	<u>4,045.44</u>	<u>5,337.26</u>
		8,909.08	8,860.08
Deferred Tax Liability (Net)	V	<u>196.62</u>	<u>297.86</u>
Total		<u>13,243.54</u>	<u>13,279.06</u>
APPLICATION OF FUNDS			
Fixed Assets	VI (a)		
Gross Block		9,059.11	8,881.15
Less: Depreciation		<u>5,814.50</u>	<u>5,166.27</u>
Net Block		3,244.61	3,714.88
Capital Work-in-progress	VI (b)	<u>152.54</u>	<u>149.54</u>
		3,397.15	3,864.42
Investments	VII	1,691.73	1,641.73
Current Assets, Loans & Advances			
Inventories	VIII	3,014.51	2,894.08
Sundry Debtors	IX	8,040.50	8,115.87
Cash and Bank Balances	X	373.66	337.71
Loans & Advances	XI	<u>1,661.33</u>	<u>1,467.08</u>
	(a)	13,090.00	12,814.74
Less: Current Liabilities & Provisions			
Current Liabilities	XII	4,494.42	4,581.64
Provisions	XIII	<u>440.92</u>	<u>460.19</u>
	(b)	4,935.34	5,041.83
Net Current Assets	(a) - (b)	<u>8,154.66</u>	<u>7,772.91</u>
Total		<u>13,243.54</u>	<u>13,279.06</u>
Notes on Accounts	XX		

For and on behalf of the board

GOPAL SRINIVASAN
Whole-time Director
H LAKSHMANAN
Director

As per our report of even date annexed

For SUNDARAM & SRINIVASAN
Chartered Accountants

Chennai
June 23, 2007

S KANNAN
Head-Corporate Accounts
M BALASUBRAMANIAM
Partner
Membership No: F 7945

Profit and Loss account for the year ended 31st March 2007

Rupees in Lakhs

	Schedule Number	Year ended 31.03.2007	Year ended 31.03.2006
INCOME			
Turnover (Gross)		29,109.01	28,223.08
Less : Excise duty collected		1,867.21	2,273.01
Turnover (Net)		27,241.80	25,950.07
Add : Other Income	XIV	472.04	622.50
Total - (A)		27,713.84	26,572.57
EXPENSES			
Raw materials and components consumed, work-in-process & finished goods	XV	12,407.03	13,602.38
Consumption of traded Items	XVI	4,393.71	2,120.85
Salaries & Wages, stores consumed and other expenses	XVII	9,261.53	9,388.43
Interest	XVIII	764.10	600.26
Depreciation		701.84	742.59
Total - (B)		27,528.21	26,454.51
Profit before Extraordinary items & Tax	A - B	185.63	118.06
Add : Income from Extraordinary Items (Net)	XIX	-	170.15
Profit before tax		185.63	288.21
Less : Provision for current taxation		26.11	34.00
Less : Provision for fringe benefit tax		75.00	91.00
Add: Provision for deferred tax written back		101.24	154.01
Profit after tax		185.76	317.22
Add: Balance brought forward from previous year		614.96	450.50
Add / (Less): Tax relating to earlier years		-	(1.62)
Balance available for appropriation		800.72	766.10
Proposed Dividend @ 7.50%		132.55	132.55
Tax on Dividend including surcharge		22.53	18.59
Balance carried to Balance Sheet		645.64	614.96
Total		800.72	766.10
Notes on Accounts	XX		
Nominal value of each share in Rupees		10	10
Basic and Diluted Earnings per share in Rupees before Extraordinary item		1.05	0.82
Basic and Diluted Earnings per share in Rupees after Extraordinary item		1.05	1.79

For and on behalf of the board

As per our report of even date annexed

GOPAL SRINIVASAN**H LAKSHMANAN**

Whole-time Director

Director

For SUNDARAM & SRINIVASAN

Chartered Accountants

M BALASUBRAMANIAM

Partner

Chennai

S KANNAN

June 23, 2007

Head-Corporate Accounts

Membership No: F 7945

Schedules

Rupees in Lakhs

	As at 31.03.2007	As at 31.03.2006
I. CAPITAL		
Authorised		
2,50,00,000 (last year 2,00,00,000) Equity shares of Rs.10 each	2,500.00	2,000.00
Issued, subscribed and paid-up		
1,76,72,818 (last year 1,76,72,818) Equity shares of Rs.10 each	1,767.28	1,767.28
Of the above, 1,05,53,449 shares are held by M/s TVS Investments Ltd., Chennai, the Holding company (last year 1,05,53,449)		
The shareholders of the company at the Extra-ordinary General Meeting of the company held on 28th March 2007, approved the issue of 36,00,000 warrants on preferential basis to TVS Investments Ltd., Chennai with an exercisable option to convert into equity shares of Rs 10/- each.		
Thus, the number of equity shares held prior to preferential allotment namely 1,05,53,449 numbers of equity shares are subject to a lock-in-period of 6 months from 26th February 2007 which is the relevant date for preferential allotment	1,767.28	1,767.28
II. RESERVES AND SURPLUS		
Capital Reserve	60.60	60.60
Share Premium	1,281.92	1,281.92
Investment subsidy	15.00	15.00
General Reserve		
As per last balance sheet	349.58	349.58
Add: Transfer from Profit and Loss account	-	349.58
Employee Stock Options (vide note No.14)		
Total cost of Employee Stock Options viz., "Grants"	50.10	50.10
Less: Cost of Pending options lapsed	32.24	17.36
Net cost of options	17.86	32.74
Less: Cost to be amortised over remaining one vesting period subsequent to the accounting period	0.04	0.96
Surplus - i.e., Balance in Profit & Loss Account	645.64	614.96
	2,370.56	2,353.84

Schedules (Contd.)

Rupees in Lakhs

	As at 31.03.2007	As at 31.03.2006
III SECURED LOANS		
From Banks	4,863.64	3,522.82
Secured by a first charge on all movable properties of the Company, present and future, a pari passu charge on the current assets of the Company by hypothecation of raw materials, components, work in process, finished goods, book debts, stores and spares and further secured by a second charge on immovable properties on a paripassu basis to the consortium of banks	<u>4,863.64</u>	<u>3,522.82</u>
IV UNSECURED LOANS		
From Banks - Long term	-	3,200.17
- Short term	<u>4,045.44</u>	<u>2,137.09</u>
	<u>4,045.44</u>	<u>5,337.26</u>
V DEFERRED TAX LIABILITY (NET)		
As per last balance sheet	297.86	451.87
Less: Transfer to Profit & Loss Account towards current year deferred taxation	<u>(101.24)</u>	<u>(154.01)</u>
	<u>196.62</u>	<u>297.86</u>
Deferred tax liability (Net) consists of :		
a) Liabilities :-		
Tax on depreciation	295.77	367.71
Less :		
b) Assets :-		
Tax on provisions in respect of expenditure which will be allowed under Income Tax Act, 1961 only on payment basis	99.15	69.85
	<u>196.62</u>	<u>297.86</u>

VI (a) FIXED ASSETS

Rupees in Lakhs

Description	Land	Buildings	Plant and machinery	Intellectual property equipments	Furniture, Fixtures & equipments	Vehicles	As at 31-Mar-07	As at 31-Mar-06
COST OF ASSETS								
As at 01-04-2006	471.01	954.08	4,356.45	800.00	2,056.63	242.98	8,881.15	9,703.71
Additions	-	5.05	187.08	-	61.84	9.38	263.35	540.99
Sales / Transfers	-	-	11.14	-	4.44	69.81	85.39	1,363.55
Total	471.01	959.13	4,532.39	800.00	2,114.03	182.55	9,059.11	8,881.15
DEPRECIATION								
Upto 31-03-2006	-	488.07	2,986.70	259.67	1,336.82	95.01	5,166.27	4,332.09
For the year	-	53.39	259.88	76.00	277.18	35.39	701.84	742.59
Additional Depreciation	-	541.46	3246.58	335.67	1614.00	130.40	5868.11	5074.68
Sales / Transfers	-	-	-	-	-	-	-	224.65*
Sales / Transfers	-	-	11.14	-	4.44	38.03	53.61	133.06
Total	-	541.46	3,235.44	335.67	1,609.56	92.37	5,814.50	5,166.27
WRITTEN DOWN VALUE								
As at 31-03-2007	471.01	417.67	1,296.95	464.33	504.47	90.18	3,244.61	3,714.88
As at 31-03-2006	471.01	466.01	1,369.75	540.33	719.81	147.97	3,714.88	

* Includes Rs. 8.22 lakhs written down value of assets, arising out of physical verification

• Charged against extraordinary items of income during year ended 31/03/2006.

Schedules (Contd.)

Rupees in Lakhs

	As at 31.03.2007	As at 31.03.2006
VI (b) CAPITAL WORK-IN-PROGRESS (at cost)		
Building (*)	152.54	144.47
Plant and Machinery	-	5.07
	<u>152.54</u>	<u>149.54</u>
<p>(*) Rs.148.05 relates to Buildings on land on lease from a key management personnel and from a Company in which controlling interest is held.</p>		
VII INVESTMENTS (Long Term) - (at cost)	Face value	
Trade - Quoted		
14,840,000 equity shares of Rs 10 each in TVS Finance and Services Ltd, Chennai, fully paid up	1,484.00	1,484.00
Trade - Unquoted		
15,27,255 Equity shares of Rs 10 each in Modular Infotech Pvt. Ltd, Pune, fully paid up	152.73	152.73
Trade - Unquoted - in subsidiary		
50,000 Equity Shares of Rs.10 each in Sravanaa Properties Limited, Chennai	5.00	5.00
Application money paid to Sravanaa Properties Limited, Chennai pending allotment	50.00	
	<u>1,691.73</u>	<u>1,641.73</u>
Market value of quoted Investments	1,721.44	1,777.83
VIII INVENTORIES *		
a) Raw Materials and components at cost	2,025.89	1,478.33
b) Work-in-process at cost	138.57	148.57
c) Finished goods (at cost or market value whichever is lower)	452.88	942.17
d) Traded items at cost	396.58	200.87
e) Goods-in-transit at cost	0.59	124.14
	<u>3,014.51</u>	<u>2,894.08</u>

Ref Note 1-AS 2

* As certified by a Director

Schedules (Contd.)
Rupees in Lakhs

	As at 31.03.2007	As at 31.03.2006
IX SUNDRY DEBTORS - UNSECURED		
Considered Good		
a) Debts outstanding for a period exceeding six months	5,047.58	8.26
b) Other debts	2,992.92	8,107.61
	8,040.50	8,115.87
Considered Doubtful		
a) Debts outstanding for a period exceeding six months	139.34	69.65
b) Other debts	4.17	-
	143.51	69.65
	8,184.01	8,185.52
Less : Provision made for Doubtful debts	143.51	69.65
Ref Note 4 (c)	8,040.50	8,115.87
X CASH AND BANK BALANCES		
a) Cash and cheques on hand	175.63	143.08
b) Balances with Scheduled Banks		
i. Current accounts	28.85	49.21
ii. Deposit accounts	148.37	128.22
iii. Dividend accounts	17.20	16.17
c) Balances with Non-Scheduled Banks		
i. Current accounts	3.61	1.03
	373.66	337.71
XI LOANS AND ADVANCES - UNSECURED		
CONSIDERED GOOD		
A. LOANS - Intercompany Deposits	208.29	142.00
B. ADVANCES		
i) Advances recoverable in cash or in kind or for value to be received	930.51	993.32
ii) Deposits	295.02	199.02
iii) Advance income tax paid and tax deducted at source (net of provisions made for Direct Taxes)	227.51	132.74
	1,661.33	1,467.08
XII CURRENT LIABILITIES		
a) Sundry Creditors	4,285.01	4,297.10
b) Unexpired Service Contracts	188.01	262.92
c) Unpaid Dividend	* 17.20	16.17
d) Unpaid Fixed deposits & interest thereon	* 1.21	2.28
e) Interest accrued but not due	2.99	3.17
	4,494.42	4,581.64
* Amount to be credited to Investor Education and Protection fund as and when due		

Schedules (Contd.)

Rupees in Lakhs

	As at 31.03.2007	As at 31.03.2006
XIII PROVISIONS		
a) Proposed Dividend	132.55	132.55
b) Dividend Tax	22.53	18.59
c) Warranty	119.42	151.82
d) Staff benefit schemes	94.78	63.31
e) Others	71.64	93.92
	<u>440.92</u>	<u>460.19</u>
	Year ended 31.03.2007	Year ended 31.03.2006
XIV OTHER INCOME		
a) Sale of scrap	38.91	26.21
b) Profit on sale of assets	2.62	6.93
c) Miscellaneous income	430.51	589.36
	<u>472.04</u>	<u>622.50</u>
XV RAW MATERIALS AND COMPONENTS CONSUMED, WORK-IN-PROCESS AND FINISHED GOODS		
A) RAW MATERIALS AND COMPONENTS CONSUMED		
a) Opening stock	1,478.33	2,963.08
b) Add: Purchases	12,455.30	12,351.83
	<u>13,933.63</u>	<u>15,314.91</u>
c) Less: Closing stock	2,025.89	1,478.33
Total (A)	<u>11,907.74</u>	<u>13,836.58</u>
B) (INCREASE)/ DECREASE IN STOCKS		
a) Opening Stock		
Work-in-process	148.57	249.64
Finished Goods	942.17	606.90
	<u>(i) 1,090.74</u>	<u>856.54</u>
b) Closing stock:		
Work-in-process	138.57	148.57
Finished Goods	452.88	942.17
	<u>(ii) 591.45</u>	<u>1,090.74</u>
Total (B)	<u>[(i) - (ii)] 499.29</u>	<u>(234.20)</u>
Raw materials and components consumed,		
Work-in-process and Finished goods	<u>[A + B] 12,407.03</u>	<u>13,602.38</u>

Schedules (Contd.)
Rupees in Lakhs

	Year ended 31.03.2007	Year ended 31.03.2006
XVI CONSUMPTION OF TRADED ITEMS		
a) Opening stock	200.87	383.90
b) Add: Purchases	4,589.42	1,937.82
	4,790.29	2,321.72
c) Less: Closing stock	396.58	200.87
Consumption of Traded Items	4,393.71	2,120.85
XVII SALARIES & WAGES, STORES CONSUMED AND OTHER EXPENSES		
a) Salaries, wages and allowances	2,155.07	2,226.90
b) Contribution to provident and other funds	206.48	197.20
c) Staff welfare expenses	359.52	421.28
d) Stores, spares and tools consumed	94.08	103.24
e) Power & fuel	121.17	135.01
f) Rent	209.80	208.00
(Includes Rs. 0.50 lakhs paid to Whole-time Director Last Year Rs. 0.50 lakhs)		
g) Rates and taxes	201.47	273.48
h) Repairs & Maintenance		
Buildings	166.90	162.80
Machinery	50.17	57.34
Other assets	89.46	82.21
i) Insurance	90.44	75.94
j) Directors sitting fees	1.68	1.88
k) Loss on sale of assets	1.02	2.77
l) Audit fees	10.34	9.32
m) Other expenses	5,503.93	5,431.06
	9,261.53	9,388.43
XVIII INTEREST		
a) Fixed loans	193.18	239.51
b) Other loans (Net of recoveries)	570.92	360.75
	764.10	600.26
XIX Income from Extra-ordinary items (Net)	-	170.15

Notes on accounts

Rupees in Lakhs

As at /Year ended 31.03.2007	As at /Year ended 31.03.2006
---------------------------------	---------------------------------

XX NOTES ON ACCOUNTS

1 ACCOUNTING STANDARDS COMPLIANCE

The financial statements have been prepared in accordance with the norms and principles prescribed in the Accounting Standards issued by the Institute of Chartered Accountants of India which are itemised below.

AS - 1 Disclosure of accounting policies

The Company is following accrual basis of accounting on a going concern concept.

AS - 2 Valuation of inventories

- a Raw materials, components, stores and spares and other trading products are valued at cost determined on weighted average basis. Work in process includes material cost and applicable direct overheads. Finished goods are valued at the aggregate of material cost and applicable direct and indirect overheads or market value whichever is lower.
- b Excise duty in respect of finished goods lying within the factory are included in valuation of inventories.
- c As per practice consistently followed, customs duty and countervailing duty payable on raw materials, components and finished goods lying in customs bonded warehouses is accounted for on debonding. Non-provision of this duty will not affect the profit for the year.

AS - 3 Cash flow statements

Cash flow statement has been prepared under indirect method.

AS - 4 Contingencies and Events occurring after the Balance Sheet Date

The company has sold the Contract Manufacturing Services business at Tumkur to Incap Contract Manufacturing Services Pvt Limited, Bangalore - subsidiary of Finland based Incap Corporation subsequent to the date of Balance Sheet. The effect of this sale on the financial position will be reflected in the financial year ending 31st March 2008.

Other than this, there are no contingencies and events after the Balance Sheet date that affect the financial position of the company. Contested liabilities and outstanding bank guarantees are disclosed by way of a note.

Notes on accounts (Contd.)

	<i>Rupees in Lakhs</i>	
	As at /Year ended 31.03.2007	As at /Year ended 31.03.2006
AS - 5 Net profit or loss for the Year, prior period items and changes in accounting policies		
a) Details of prior period items in Profit and Loss account		
Expenditure: Sales commission and discounts	123.58	-
b) Details of Extraordinary Items:		
1. Extra Ordinary Income: Profit on transfer of Land & Building	-	3,332.97
2. Debits to Extraordinary expenses include:		
a) Additional Depreciation/Amortisation		
- on tools & moulds	-	190.81
- on certain class of office equipments	-	11.86
- written down value of assets scrapped	-	21.98
b) Voluntary separation scheme expenses paid to certain eligible employees	3.41	128.97
c) Bad Debts/Irrecoverable advances written off	-	965.92
d) Write Down of Inventory		
- Write down of cost of inventory after considering appropriate salvage value	-	1,684.75
- Value of inventory written down based on agewise analysis	-	158.53
Total write down of inventory	-	1,843.28
AS - 6 Depreciation accounting		
a) Depreciation on fixed assets is provided on straight line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 with applicable shift allowance except:		
i) on computers (including printers, uninterruptible power supply systems and computer accessories) and vehicles acquired on or after 01-04-1998, depreciation has been charged at 30% and 18% respectively on straight line method, which are higher than the rates prescribed in Schedule XIV.		
ii) on capital expenditure on Buildings taken on lease depreciation has been charged at 20% on straight line method which is higher than the rate prescribed in Schedule XIV to the Companies Act, 1956.		
iii) on Intellectual property rights acquired on amalgamation, depreciation has been charged at 9.5% per annum under straight-line method.		
iv) on Software acquired, depreciation has been charged at 50% per annum on pro - rata basis under straight line method		
v) on assets acquired whose actual cost does not exceed Rs. 5,000 individually, depreciation has been provided at 100%.		

Notes on accounts (Contd.)

Rupees in Lakhs

As at /Year ended 31.03.2007	As at /Year ended 31.03.2006
---------------------------------	---------------------------------

- vi) From financial year 2005-06, tools and moulds which are three year old have been subject to depreciation @ 31.67% as against normal rate of 16.21%, so as to bring the written down value of such assets to 5% original cost.
- vii) On certain class of office equipments depreciation has been charged at 99% of its original cost on prorata basis, considering the useful life of asset as one year as against Schedule XIV rates applied hitherto.
- b In respect of assets depreciated on straight line method which have been acquired on amalgamation / business transfer, depreciation is provided on the original cost of acquisition as appearing in the books of transferor companies.

AS - 7 Accounting for Construction contracts

The company is not engaged in any Construction business covered by this Standard.

AS - 8 Accounting for Research and Development

This standard stands withdrawn as Accounting Standard 26 - Intangible Assets has become mandatory.

AS - 9 Revenue recognition

- a Income and expenditure are accounted on a going concern basis.
- b The company's income consists of income from sale of manufactured equipments, traded goods and after - sales service and income from Information technology (IT) related consultancy and services.
- c Sales is accounted net of excise duty, service tax and sales tax. Income from consultancy services and annual maintenance contracts are considered on accrual basis. Income from IT solutions are recognised depending upon the stage of completion of the project.
- d Sale of products, income from services and other income include realised exchange fluctuations on exports.
- e Interest income is recognised on a time proportion basis taking into account the amount of outstanding and the rate applicable.
- f The company has not derived any income during the current year out of its investments.

Notes on accounts (Contd.)

Rupees in Lakhs

	As at /Year ended 31.03.2007	As at /Year ended 31.03.2006
--	---	---

- g In respect of domestic sales, the recognition is on the basis of delivery of goods to customers.
- h Export turnover is recognised based on " LET Export " certification issued by customs authorities.

AS - 10 Accounting for fixed assets

Fixed Assets are stated at cost of acquisition or construction cost net of cenvat and includes expenditure incurred upto the date the asset is put to use, less accumulated depreciation. Technical know-how fees paid is capitalised under plant and machinery. Temporary constructions / alteration costs are charged off in the same year.

AS - 11 Accounting for effects in foreign exchange rates

- a 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 market exchange rate prevailing on the date of the balance sheet.
- b Year end foreign currency denominated liabilities and receivables are translated at exchange rates prevailing as at Balance Sheet date, the difference being charged/ credited to respective revenue or capital account. Any difference between the forward rate and the exchange rate on the date of inception of forward contract is recognised as discount or premium over the period of the contract .

c Derivative transactions :

The Company uses forward exchange contracts to hedge its exposure in foreign currency : -

a) Forward exchange contracts outstanding as at 31st March 2007

- Euro	Nil	Nil	202.32
- Japanese Yen	40.834 million equivalent to Rs.151.83 lakhs	151.83	568.03
- USD	5.364 million equivalent to Rs. 1846.02 lakhs	1,846.02	1,237.12

Notes on accounts (Contd.)

		<i>Rupees in Lakhs</i>	
		As at /Year ended 31.03.2007	As at /Year ended 31.03.2006
b) Foreign currency exposures not covered by Forward exchange contracts as at 31st March 2007			
- Euro	1.181 million equivalent to Rs. 684.05 lakhs	684.05	3.49
- Japanese Yen	55.262 million equivalent to Rs. 207.12 lakhs	207.12	261.82
- USD	1.125 million equivalent to Rs. 498.42 lakhs	498.42	295.59

AS - 12 Accounting for Government Grants

The company has received no government grants during the current accounting Year

AS - 13 Accounting for Investments

Investments are stated at cost. Provision for diminution in value is made only if such a decline is other than temporary in the opinion of the management.

AS - 14 Accounting for amalgamation

This standard is not applicable to the company for the year under review.

AS - 15 Accounting for Retirement benefits

- 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 Employees Provident Fund Organisation.
- Leave Salary payable in respect of encashable leave has been provided for according to the service rules of the company based on actuarial valuation.
- Contributions to gratuity and superannuation fund are made to Life Insurance Corporation of India in accordance with the scheme framed by the corporation.

AS - 16 Borrowing cost

All borrowing costs are charged to revenue except to the extent they are attributable to qualifying assets which are capitalised. During the year under review there was no borrowing attributable to qualifying assets and hence no borrowing cost was capitalised.

AS - 17 Segment reporting

Since the group of products sold and services rendered by the company pertains to Information Technology related

Notes on accounts (Contd.)

	<i>Rupees in Lakhs</i>	
	As at /Year ended 31.03.2007	As at /Year ended 31.03.2006

products and services, the operations of the company relate to a single reportable segment.

AS - 18 Related party disclosure

Disclosure is made as per the requirements of the standard and as per the clarifications issued by the Institute of Chartered Accountants of India.

AS -19 Leases

This standard is not applicable as the company does not have any finance lease agreement in force.

AS - 20 - Earnings per share

Disclosure is made in the Profit and Loss account as per the requirement of the standard.

AS - 21 Consolidated financial statements

Consolidated financial statements of the company and its wholly owned subsidiary (Sravanaa Properties Ltd., Chennai) are enclosed.

AS - 22 Accounting for taxes on income

Provision for current tax is made after taking into consideration benefits admissible under the provisions of Income Tax Act, 1961. Current tax is calculated as per provisions of Section 115 JB viz., Minimum Alternate Tax. Deferred tax resulting from timing differences between book and taxable profit is accounted for, using the tax rates in force as on the balance sheet date. Deferred tax asset is recognised and carried forward only to the extent that there is reasonable certainty that the asset will be realised in future.

Details of deferred taxation are furnished in Schedule V.

AS - 23 Accounting for Investments in Associates in Consolidated Financial Statements

Consolidated financial statements include the effect of accounting for investments in an associate - viz., TVS Finance and Services Limited, Chennai only. The audited financials of Modular Infotech Private Limited, Pune, which is an associate of the company have not been received on the date of finalisation of accounts and hence the effect of the same has not been considered.

Notes on accounts (Contd.)

	Rupees in Lakhs	
	As at /Year ended 31.03.2007	As at /Year ended 31.03.2006

AS - 24 Discontinuing Operations:

None of the business operations are discontinued during the year under review and hence compliance with this standard does not arise. The company has sold its Contract Manufacturing Services business located at Tumkur to Incap Contract Manufacturing Services Pvt Limited, Bangalore subsidiary of Finland based Incap Corporation on 31st May 2007.

AS - 25 Interim Financial Reporting

Quarterly financial results are published in accordance with the requirement of listing agreement with Stock Exchanges. The recognition and measurement principle as laid down in the standard have been followed in the preparation of these results.

AS - 26 Intangible Assets

The company owns Intellectual Property Right relating to its service business and the carrying amount thereof is disclosed in the schedule on Fixed assets. This would be amortised over the remaining period of 5 years and 9 months on a straight line method @ 9.5 % per annum.

AS - 27 Financial Reporting of Interest in Joint ventures

This standard is not applicable to the company as the company does not have any joint venture interest.

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 such assets. Hence there is no impairment loss on the assets of the Company.

AS - 29 Provisions, Contingent Liabilities and Contingent Assets

Contingent Liabilities are disclosed in Note No. 8

Contingent Assets which are likely to give rise to the possibility of inflow of economic benefits - NIL

Contested liabilities are disclosed in Note No. 9

Warranty cost on sale of products has been determined based on management estimates and historical data and provided for - Rs. 119.42 lakhs (Previous Year - Rs. 151.82 Lakhs).

Notes on accounts (Contd.)

		<i>Rupees in Lakhs</i>	
	As at /Year ended 31.03.2007	As at /Year ended 31.03.2006	
2 Previous year figures have been regrouped wherever necessary to confirm to current year's classification.			
3 Land			
In terms of the agreement with Karnataka Industrial Areas Development Board, Bangalore, lands earlier acquired under lease-cum-sale basis have been purchased and the lands are now held as Freehold.			
4 Sundry debtors include			
a Dues from companies under the same management within the meaning of Section 370 (1-B)			
Sundaram-Clayton Limited, Chennai	6.11	-	
TVS Motor Company Limited, Chennai	2.32	1.18	
TVS Finance and Services Limited, Chennai	62.70	89.92	
Harita TVS Technologies Limited, Chennai	438.42	430.27	
b Sundry Debtors is net of Rs.1537.39 lakhs (Previous year Rs.1872.41 lakhs) towards Securitised Receivables assigned to a Bank.	1,537.39	1,872.41	
c Due from wholly owned subsidiary			
- Sravanaa Properties Limited, Chennai	4,501.08	4,499.97	
Outstanding more than six months - Rs. 4500 lakhs (Previous Year Nil)			
5 Bank Balances Include			
Amounts held with a non-scheduled bank viz., Industrial and Commercial Bank of China, Shanghai	3.61	1.02	
Maximum balance held in the above bank account at any time during the year	13.28	11.13	
6 Deposits include			
Deposits with			
a) Central excise	253.25	126.40	
b) Post Office & Telephones	3.17	3.17	
c) Sales tax	11.36	11.08	
7 Current Liabilities			
Sundry Creditors include Amount Payable to Micro, Small and Medium Enterprises within the meaning of Micro Small Medium Enterprises Development Act, 2006.			
Autoplast, Tumkur, Ace Trading Company, Chennai, Balaji Industries, Bangalore, Image Labels Pvt Ltd, Bangalore, Indo Coil System (P) Ltd., Bangalore, Laxmi Electronics Moulds &			

Notes on accounts (Contd.)

	Rupees in Lakhs	
	As at /Year ended 31.03.2007	As at /Year ended 31.03.2006
Precision Engineering (P) Ltd, Bangalore, M M Polymers, Chennai, Newman Press Private Ltd, Chennai, Polytec Packings India Pvt Ltd, Bangalore, Pavithra Toolings, Bangalor, R & S Associates, Tumkur, Sealwel, Neemuch, Screen Tech, Bangalore, Stypack Petro Products PLtd, Tirupathi, Sneha Packaging, Bangalore, Tumkur Precision Pressing Works, Tumkur, Unique Punch Systems (P) Ltd, Bangalore, Universal Technologies, Tumkur, Monarch Self Adhesive, Chennai, Axiom Energy Conversion, Hyderabad, Promptech Industrial Products, Faridabad, Axiom Energy Conversion Pvt. Ltd., Bangalore, Kaypee Electronics & Associates, Bangalore, Orion Metis, Bangalore.		
Based on the information received from Suppliers of Inputs/ Services, above enterprises were identified as covered by the provisions of Micro Small Medium Enterprises Development Act, 2006. In respect of delay in settlement of their bills, provision for Interest payable thereon has been made to the tune of Rs. 4.23 lakhs		
Interest provision on delayed payments made during the year	3.27	-
Interest provision on balances remaining unpaid beyond 45 days as at 31.03.2007	0.96	-
List of Small scale Industrial units for whom outstanding is above 30 days and which have not fallen due for payment as payment term is more than 30 days	215.54	214.44
Autoplast, Tumkur, Ace Trading Company, Chennai, Balaji Industries, Bangalore, Image Labels Pvt Ltd, Bangalore, Indo Coil System (P) Ltd., Bangalore, Laxmi Electronics Moulds & Precision Engineering (P) Ltd, Bangalore, M M Polymers, Chennai, Newman Press Private Ltd, Chennai, Polytec Packings India Pvt Ltd, Bangalore, Pavithra Toolings, Bangalor, R & S Associates, Tumkur, Sealwel, Neemuch, Screen Tech, Bangalore, Stypack Petro Products PLtd, Tirupathi, Sneha Packaging, Bangalore, Tumkur Precision Pressing Works, Tumkur, Unique Punch Systems (P) Ltd, Bangalore Universal Technologies, Tumkur, Monarch Self Adhesive, Chennai, Axiom Energy Conversion, Hyderabad, Promptech Industrial Products, Faridabad, Axiom Energy Conversion Pvt. Ltd., Bangalore, Kaypee Electronics & Associates, Bangalore, Orion Metis, Bangalore, Hi - Tech Resistors Pvt Ltd., Bangalore.		

Notes on accounts (Contd.)

	<i>Rupees in Lakhs</i>	
	As at /Year ended 31.03.2007	As at /Year ended 31.03.2006
8 Contingent liability not provided for:		
a) On counter guarantee given to banks	358.43	381.09
b) On letters of credit opened with banks	1,535.66	1,089.95
c) On bills discounted	40.10	1.32
d) Estimated amount of contracts remaining to be executed on capital account	46.96	51.93
e) On account of sale of receivables to a Bank covered by a specific deposit	125.00	113.00
f) Service tax	121.15	-
g) Central Excise Duty	66.83	66.83
h) Customs Duty	50.53	7.51
i) Sales Tax	22.65	2.53
9 Liability disputed not provided for		
a) Sales Tax	22.85	103.98
b) Income Tax	120.39	225.59
c) Differential interest debited by a bank	14.83	-
10 Audit fees consists of		
a) Audit fees - As Auditors	7.50	7.00
b) Taxation matters	0.75	0.75
c) Certification fees	0.75	0.75
d) Other Services	0.49	0.66
e) Expenses	0.85	0.16
Total	10.34	9.32
11 Other expenses include		
a) Travelling & conveyance	627.91	579.49
b) Communication expenses	245.98	254.08
c) Carriage outwards	643.05	461.07
d) Sales commission and discounts	1,294.19	1,347.19
e) Other selling expenses	1,498.99	1,635.12
f) Management service fees	280.60	234.67
g) Staff training & Recruitment Consultancy	54.24	48.15
h) Software & Data processing charges	170.45	160.70
i) Provision for Bad and doubtful debts	73.86	69.65

Notes on accounts (Contd.)

	<i>Rupees in Lakhs</i>	
	As at /Year ended 31.03.2007	As at /Year ended 31.03.2006
12 Details of Revenue/Capital Expenditure incurred for "In house" R & D Unit:-		
a) Revenue Expenditure incurred under the following heads of account		
Salaries, Wages & Allowances	121.63	159.40
Staff Welfare Expenses	1.21	0.43
Stores,spares & tools consumed	6.19	13.53
Rent	-	0.14
Repairs & Maintenance - Machinery	4.30	1.86
Other Expenses :		
Travelling & Conveyance	15.58	21.29
Communication Expenses	1.52	3.06
Printing & Stationary	0.16	0.55
Consultancy	2.14	4.45
Product Development	76.45	81.74
Tools & Accessories	0.21	7.99
Stores Consumables	2.80	0.17
Consultancy & Technology	8.79	11.20
Reliability Testing, Field Tests & Trials	0.98	0.82
Miscellaneous Expenses	21.62	6.62
	263.58	313.24
b) Addition to Fixed assets :-		
Plant & Machinery	107.99	128.23
Office equipments	-	0.35
	107.99	128.58
13 Interest received on advances and deposits (Gross) netted against interest paid on loans (Others)		
On Advances	19.14	16.94
On Deposits	8.68	28.12
From suppliers on early payment of invoices	16.14	38.38
Others	13.66	45.56
Total	57.61	129.00
(TDS Rs.6.70 lakhs - last year Rs.6.81 lakhs)		

Notes on accounts (Contd.)
Rupees in Lakhs

	As at /Year ended 31.03.2007	As at /Year ended 31.03.2006
--	---	---

- 14 In accordance with the Board resolution dated 31st January 2003 and shareholders' special resolution dated 9th August 2000 the Employee Stock Option Scheme 2003 (ESOP - 2003) was instituted during year ended 31/12/2003.

As per the above scheme, the company issued 2,11,000 numbers of options to 26 eligible employees. Of this 9000 options have lapsed consequent to the resignation of an employee during year ended 31/12/2003. The total cost of the vesting of live options in respect of the remaining 2,02,000 options was Rs. 50.10 lakhs. This represented the excess of the market price viz., Rs. 94.80 per equity share over the issue price of Rs. 70/- per equity share as on the "Grant Date".

On account of resignation of two employees during the period ended 31st March 2005, six employees during the year ended 31st March 2006 and an employee during the year ended 31st March 2007, Rs. 3.97 lakhs, Rs. 13.39 lakhs and Rs. 14.88 lakhs respectively have been reversed. Hence the revised total cost of vesting of live options in respect of remaining 72,000 options is Rs. 17.86 lakhs.

During the current year, after charging a further sum of Rs. 0.92 lakhs based on the Vesting Schedule' there is a credit to the profit and loss account amounting to Rs. 13.96 lakhs on account of resignation of an employee. The balance of Rs. 0.04 lakhs will be amortised over the remaining vesting period as indicated below:

	Rs. in lakhs		
Deferred Employee compensation account		50.10	
Less: Charged to Profit and Loss account			
under Salaries, wages and allowances			
Year ended 31/12/2003	23.65		
Period ended 31/03/2005	<u>14.09</u>	<u>37.74</u>	
To be amortised		12.36	
Balance Carried over		12.36	
Balance brought forward		12.36	
Less: Cost of options lapsed on account			
of resignation of employees			
During period ended 31st March 2005	3.97		
During year ended 31st March 2006	13.39		
Amount credited to salaries,			
wages and allowances	<u>(5.96)</u>	<u>7.43</u>	
During year ended 31st March 2007	14.88		
Amount credited to salaries,			
wages and allowances	<u>(13.96)</u>	<u>0.92</u>	<u>12.32</u>
To be amortised during year ending			
31st March 2008		<u>0.04</u>	

Notes on accounts (Contd.)

Rupees in Lakhs

As at /Year ended	As at /Year ended
31.03.2007	31.03.2006

15 Related Party Disclosures as per Accounting Standard - 18

(a) LIST OF RELATED PARTIES

Reporting Entity	: TVS Electronics Limited, Chennai
Clause 3 (a)	Period

Holding Company	
Sundaram - Clayton Limited, Chennai (Ultimate Holding Company)	1.4.2006 to 31.03.2007
TVS Investments Limited, Chennai	1.4.2006 to 31.03.2007

Wholly owned Subsidiary

Shravanaa Properties Limited, Chennai	1.4.2006 to 31.03.2007
---------------------------------------	------------------------

Fellow Subsidiary

Anusha Investments Limited, Chennai	1.4.2006 to 31.03.2007
Harita Stocks Limited, Chennai (merged with Anusha Investments Limited effective 30th March 2007)	1.4.2006 to 29.03.2007
TVS Motor Company Limited, Chennai	1.4.2006 to 31.03.2007
Sundaram Auto Components Limited, Chennai	1.4.2006 to 31.03.2007
Auto (India) Engineering Limited, Chennai (since renamed as WABCO-TVS (India) Limited effective 3rd May 2007)	1.4.2006 to 31.03.2007
Sundaram Investment Limited, Chennai	1.4.2006 to 31.03.2007

Clause 3 (b)

Associate Company	
Modular Infotech Private Limited, Pune	1.4.2006 to 31.03.2007

Associate and Fellow Subsidiary

TVS Finance and Services Limited, Chennai	1.4.2006 to 31.03.2007
---	------------------------

Clause 3 (e)

Controlling Interest by TVS Electronics Limited	
Harita TVS Technologies Limited, Chennai (Formerly known as Harita Infoserve Limited, Chennai)	1.4.2006 to 31.03.2007
Harita Properties Limited, Chennai (Formerly known as Harita Engineering Services Private Limited, Chennai)	1.4.2006 to 31.03.2007

Clause 3 (d)

Key Management Personnel	
Mr Gopal Srinivasan	1.4.2006 to 31.03.2007

Notes on accounts (Contd.)

		<i>Rupees in Lakhs</i>	
		As at /Year ended 31.03.2007	As at /Year ended 31.03.2006
(b) Particulars of transactions with related parties			
i) Purchases made			
<i>Ultimate holding company</i>			
Sundaram Clayton Ltd, Chennai	194.28	-	
<i>Associate and Fellow Subsidiary</i>			
TVS Finance and Services Ltd, Chennai	10.44	-	
<i>Associate Company</i>			
Modular Infotech Private Limited, Pune	6.42		80.15
ii) Services availed			
<i>Controlling Interest</i>			
Harita TVS Technologies Limited, Chennai	119.82		21.68
<i>Ultimate holding company</i>			
Sundaram Clayton Ltd, Chennai	281.96		267.58
<i>Associate Company</i>			
Modular Infotech Private Limited, Pune	15.54		-
iii) Transfer of Capital Assets			
<i>Wholly owned Subsidiary</i>			
Sravanaa Properties Ltd , Chennai	-		4,500.00
iv) Services rendered			
<i>Associate and Fellow Subsidiary</i>			
TVS Finance and Services Ltd, Chennai	172.98		218.18
<i>Fellow subsidiary</i>			
TVS Motor Company Limited, Chennai	49.66		74.81
Sundaram Auto Components Limited, Chennai	3.96		3.25
<i>Holding company</i>			
TVS Investments Limited, Chennai	-		12.53
<i>Ultimate holding company</i>			
Sundaram Clayton Ltd, Chennai	49.30		27.60
<i>Controlling Interest</i>			
Harita TVS Technologies Limited, Chennai	143.60		185.46
<i>Associate Company</i>			
Modular Infotech Private Limited, Pune	-		2.95
v) Rent Received			
<i>Ultimate holding company</i>			
Sundaram Clayton Ltd, Chennai	3.00		3.00
vi) Rent paid			
<i>Controlling Interest</i>			
Harita Properties Limited, Chennai	1.00		1.00
<i>Key Management Personnel</i>			
Mr. Gopal Srinivasan	0.50		0.50
<i>Wholly owned Subsidiary</i>			
Sravanaa Properties Ltd , Chennai	3.00		0.03

Notes on accounts (Contd.)

		<i>Rupees in Lakhs</i>	
		As at /Year ended 31.03.2007	As at /Year ended 31.03.2006
vii)	Remuneration to relatives of key management personnel	0.45	0.45
viii)	Interest received /accrued on Inter Corporate Deposits made during the current year		
	<i>Controlling Interest</i>		
	Harita TVS Technologies Limited, Chennai	19.13	11.92
ix)	Inter Corporate Deposits placed by the company during the current year		
	<i>Controlling Interest</i>		
	Harita TVS Technologies Limited, Chennai	116.28	197.00
x)	Inter Corporate Deposits received back		
	<i>Controlling Interest</i>		
	Harita TVS Technologies Limited, Chennai	50.00	80.00
xi)	Interest paid on Inter Corporate Deposits received during the current year		
	<i>Fellow subsidiary</i>		
	TVS Motor Company Limited, Chennai	2.86	-
xii)	Inter Corporate Deposits received by the company and paid back during the current year		
	<i>Fellow subsidiary</i>		
	TVS Motor Company Limited, Chennai	500.00	-
xiii)	Amount outstanding as at Balance Sheet date		
a)	Sundry Debtors		
	<i>Ultimate holding company</i>		
	Sundaram Clayton Ltd, Chennai	6.11	-
	<i>Controlling Interest</i>		
	Harita TVS Technologies Limited, Chennai	438.42	430.27
	<i>Associate and Fellow Subsidiary</i>		
	TVS Finance and Services Ltd, Chennai	62.70	89.92
	<i>Wholly owned Subsidiary</i>		
	Sravanaa Properties Ltd , Chennai	4,501.08	4,499.97
b)	Sundry Creditors		
	<i>Ultimate holding company</i>		
	Sundaram Clayton Ltd, Chennai	63.48	55.18
	<i>Controlling Interest</i>		
	Harita TVS Technologies Limited, Chennai	0.70	-
	<i>Fellow subsidiary</i>		
	TVS Motor Company Limited, Chennai	2.32	14.12
	<i>Associate Company</i>		
	Modular Infotech Private Limited, Pune	3.16	4.94
c)	Inter Corporate Deposit outstanding		
	<i>Controlling Interest</i>		
	Harita TVS Technologies Limited, Chennai	208.29	142.00

Notes on accounts (Contd.)

16 Information pursuant to the provisions of Part II of Schedule VI of The Companies Act, 1956
(vide notification dated 30th October 1973 of Department of Company Affairs, Government of India.)

Rs. in lakhs

Particulars	Year ended 31st March 2007		Year ended 31st March 2006	
	Quantity	Value	Quantity	Value
I RAW MATERIALS & COMPONENTS CONSUMED				
1 Raw Material & Intermediates & Components consumed				
i) Integrated Circuits (Nos)	40,80,209	1,489.82	59,95,916	2,031.20
ii) Miscellaneous Items (which do not individually account for more than 10% of the value of the consumption)		10,917.21		11,571.18
		12,407.03		13,602.38

Particulars	% of total consumption	Amount	% of total consumption	Amount
2 Consumption of Raw materials & Components				
a) Imported	53.14%	6,593.13	54.90%	7,467.31
b) Indigenous	46.86%	5,813.90	45.10%	6,135.07
Total	100.00%	12,407.03	100.00%	13,602.38
II CONSUMPTION OF MACHINERY SPARES				
a) Imported	11.62%	4.58	11.20%	4.41
b) Indigenous	88.38%	34.82	88.80%	34.97
	100.00%	39.40	100.00%	39.38
III IMPORTS (CIF VALUE)				
a) Raw materials		57.27		36.68
b) Spares, Stores and Components		6,702.66		8,082.16
c) Capital goods		31.22		105.65
d) Traded goods		1,529.84		1,480.86
Total		8,320.99		9,705.35

Notes on accounts (Contd.)

Rupees in Lakhs

	Year ended 31.03.2007	Year ended 31.03.2006
IV OTHER EXPENDITURE IN FOREIGN CURRENCY		
Salaries	21.34	19.91
Staff Welfare	0.33	-
Rent	4.57	5.47
Rates & Taxes	1.30	-
Repairs & Maintenance	0.91	4.02
Travel	132.59	174.61
Conveyance expenses	0.36	0.32
Communication expenses	0.57	8.22
Other selling expenses	2.44	2.10
Training expenses	12.93	3.87
Software & Data processing charges	1.58	0.03
Consultancy, Legal fee & Retainers	61.07	179.56
Testing charges	6.06	13.38
Subscriptions	0.42	2.94
Bank charges	0.03	0.48
V SALE BY CLASS OF GOODS		
	Quantity Nos.	Quantity Nos.
(a) Uninterruptible power supplies	58,195	5,748.50
(b) Computer Peripherals	8,94,876	16,645.34
(c) Income on Services rendered		1,878.89
(d) Service, Spares & others		2,969.07
	<u>27,241.80</u>	<u>25,950.08</u>
VI EARNINGS IN FOREIGN EXCHANGE		
Exports (on f.o.b. basis)	5,258.53	3,675.61
	<u>5,258.53</u>	<u>3,675.61</u>
VII LICENSED AND INSTALLED CAPACITY		
Information is not furnished in view of the abolition of the Industrial Licensing requirements		

Information pursuant to the provisions of Part II of Schedule VI of The Companies Act, 1956 (Contd.)

VIII. OPENING AND CLOSING STOCK OF GOODS PRODUCED AND QUANTITY PURCHASED DURING THE YEAR

(Rs. In Lakhs)

Description	Year ended 31.03.2007						Year ended 31.03.2006					
	Opening stock		Production / Purchases meant for Sale		Closing stock		Opening stock		Production / Purchases meant for Sale		Closing stock	
	Quantity Nos	Value	Quantity Nos	Value	Quantity Nos	Value	Quantity Nos	Value	Quantity Nos	Value	Quantity Nos	Value
(A) MANUFACTURED ITEMS												
a) Uninterruptible power supplies	4,803	208.04	2,74,985		4,015	154.50	7,704	207.64	74,218		4,803	208.04
b) Computer Peripherals	35,432	616.56	14,16,299		22,938	287.04	12,381	341.60	4,16,661		35,432	616.56
c) Others		117.57				11.34	-	57.66				117.57
		942.17		-		452.88		606.90	-		-	942.17
(B) TRADED ITEMS												
a) Computer Peripherals	3,774	72.34	2,18,862		24,898	154.17	1,861	207.22	146,858		3,774	72.34
b) Others		128.53				242.41		176.68				128.53
		200.87		4,589.42		396.58	383.90	-		1,937.82	-	200.87

Disclosure Statement

Disclosure made in terms of Clause 32 of the Listing Agreement with Stock Exchanges

Rs. in lakhs

Particulars	Name of the Parent / Subsidiary / Associate Company	Amount outstanding as on 31/03/2007	Maximum amount due at any one time during the year	Remarks
-------------	---	-------------------------------------	--	---------

(I) Disclosure in respect of loans and advances/ Investments to Parent / Subsidiary / Associate companies during the year

A. LOANS AND ADVANCES**				
1. Loans and advances in the nature of loans made to Parent company		-		
2. Loans and advances in the nature of loans made to subsidiary		-	-	
3. Loans and advances in the nature of loans made to associates		-		
4. Loans and advances in the nature of loans made to firms/ companies in which the directors of the company (Formerly Harita Infoserve Limited, Chennai) are interested	Harita TVS Technologies Limited, Chennai	208.29	242.00	
B. INVESTMENTS				
1. Investments made in Parent company		-	-	
2. Investments made in Associate company	TVS Finance and Services Limited, Chennai	1,484.00	1,484.00	
Modular Infotech Private Limited, Pune		152.73	152.73	
3. Investments made in Subsidiary company (including application money pending allotment)	Shavanaa Properties Limited, Chennai	5.00	5.00	
		50.00	50.00	

(II) Disclosure in respect of loans and advances/ Investments by Parent / Subsidiary / Associate companies during the year

A. LOANS AND ADVANCES**				
1. Loans and advances in the nature of loans availed from Holding company				
2. Loans and advances in the nature of loans availed from associates				
3. Loans and advances in the nature of loans availed from firms/ companies in which the directors of the company are interested	TVS Motor Company Limited, Chennai	-	500.00	
B. INVESTMENTS				
1. Investments made by Parent company	TVS Investments Limited, Chennai	1,055.34	1,055.34	
2. Investments made by Associate company	-	-	-	-

** The above loans are subject to repayment schedule as agreed between the company and its loanee and are repayable within seven years and carry interest at agreed rates which are not less than interest stipulated in Section 372A of the Companies Act, 1956.

Investment by the loanee in the shares of the parent company and the subsidiary company when the company has made a loan or advance in the nature of loan- Nil

Cash Flow Statement

Rupees in Lakhs

	Year ended 31.03.2007	Year ended 31.03.2006
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Tax and extraordinary items	185.63	118.06
Adjustment for :		
Depreciation	701.84	967.24
Employee stock option expense	(13.96)	(5.96)
Profit on sale of asset	(2.62)	(6.93)
Loss on sale of asset	1.02	2.77
Extra ordinary income net	-	170.15
Interest	764.10	600.26
Operating Profit before Working Capital changes	1,450.38	1,727.53
Adjustment for :	1,636.01	1,845.59
Inventories	(120.43)	1,394.34
Sundry Debtors	75.37	(1,899.56)
Loans and Advances	(194.25)	(164.30)
Current liabilities and provisions	(136.53)	910.43
	(375.84)	240.91
Cash generated from operations	1,260.17	2,086.50
Interest paid (Net)	(764.10)	(600.26)
Direct taxes paid net of provision	(75.00)	(118.62)
Net cash from / (used in) Operating activities (A)	421.07	1,367.62
B. CASH FLOW FROM INVESTING ACTIVITIES		
Fixed assets	(263.35)	(540.99)
Capital Work-in-Progress	(3.00)	(3.62)
Investments	(50.00)	(5.00)
Sale of fixed assets	33.37	67.62
Net cash from / (used in) investing activities (B)	(282.98)	(481.99)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of Loans (Net)	49.00	(670.63)
Dividend paid	(132.55)	(159.06)
Corporate Dividend tax paid	(18.59)	(22.65)
Net cash used in financing activities (C)	(102.14)	(852.34)
D. NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT (A+B+C)	35.95	33.29
Opening cash and cash equivalents as at 01.04.2006	337.71	304.42
Closing cash and cash equivalents as at 31.03.2007	373.66	337.71

Notes

- The above statements have been prepared in indirect method.
- Cash and cash equivalent represents cash and bank balances.

For and on behalf of the board

As per our report of even date annexed

GOPAL SRINIVASAN
Whole-time Director
H LAKSHMANAN
Director
For SUNDARAM & SRINIVASAN
Chartered Accountants
M BALASUBRAMANIAM
Partner

Chennai

June 23, 2007

S KANNAN
Head-Corporate Accounts

Membership No: F 7945

Balance Sheet Abstract and Company's General Business Profile

I Registration Details

Registration No. State Code

Balance Sheet Date

II Capital raised during the year (Amount in Rs. Thousands)

Public Issue Rights Issue

Bonus Issue Private Placement

III Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities Total Assets

Source of Funds

Paid-up Capital Reserves & Surplus

Secured Loans Unsecured Loans

Application of Funds

Net Fixed Assets Investments

Net Current Assets Miscellaneous Expenditure

Accumulated Losses

IV Performance of Company (Amount in Rs. Thousands)

Turn over Total Expenditure

Profit before Tax** ☒ Profit/Loss after Tax ☒

Earning per Share in Rs. Dividend Rate %

V Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No.

(ITC Code)

Product Description

** Includes Extraordinary items

For and on behalf of the board

GOPAL SRINIVASAN
Whole-time Director

H LAKSHMANAN
Director

As per our report of even date annexed

For SUNDARAM & SRINIVASAN
Chartered Accountants

M BALASUBRAMANIAM
Partner

Chennai
June 23, 2007

S KANNAN
Head-Corporate Accounts

Membership No: F 7945

Statement relating to Subsidiary

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary

Sl. No.	Particulars	Name of the Subsidiary Sravanaa Properties Limited
(1)	(2)	(3)
1.	Financial year of the Company	01.04.2006 to 31.03.2007
2.	Shares of the Subsidiary held by the Company on the above date	
	(a) Number and face value	50,000 Equity shares of Rs.10/-each fully paid-up
	(b) Extent of holding	100%
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.(2.28) Lakhs
	(b) for the previous financial years since it became a Subsidiary	Rs. (4.40) Lakhs
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 / (loss)	—
	(b) for the previous financial years since it became a Subsidiary	—

For and on behalf of the Board

Chennai
June 23, 2007

GOPAL SRINIVASAN
Whole-time Director

H LAKSHMANAN
Director

**Consolidated Accounts
for the year ended
31st March 2007**

Auditors Report on Consolidated Accounts

We have audited the attached Balance Sheet of M/s. TVS Electronics Limited, "Jayalakshmi Estates, 29, Haddows Road, Chennai - 600 006 and its subsidiary as at 31st March, 2007 and also the related Profit and Loss Account 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. We did not audit the financial statement of Sravanaa Properties Limited, Chennai subsidiary company for the year ended 31st March 2007. These statements were audited by another firm of Chartered Accountants whose report has been furnished to us, and our opinion, so far as it relates to this company is based solely on the report of the other auditor.

We conducted our audit in accordance with the 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 and the report of other firm of auditors provide 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 "Consolidated Financial Statements" read with Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India, on the basis of the individual financial statements of TVS Electronics Limited, Chennai, its 100% subsidiary - Sravanaa Properties Limited, Chennai, and an associate company - viz., TVS Finance and Services Limited, Chennai. The Directors of the company have reported that the audited financials of another associate company viz., Modular Infotech Private Limited, Pune have not been received as on the date of finalisation of accounts and hence not considered while preparing the consolidated financial statements.

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 Electronics Limited and its subsidiary as at 31st March 2007 and of the results of their operations and their cash flows for the year then ended in conformity with the accounting principles generally accepted in India.

For **SUNDARAM & SRINIVASAN**
Chartered Accountants

M BALASUBRAMANIAM

Chennai
June 23, 2007

Partner
Membership No. F7945

Consolidated Balance Sheet as at 31st March 2007
Rupees in Lakhs

	Schedule Number	As at 31.03.2007	As at 31.03.2006
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	I	1,767.28	1,767.28
Reserves and Surplus	II	240.26	254.22
		2,007.54	2,021.50
Loan Funds			
Secured Loans	III	4,863.64	3,522.82
Unsecured Loans	IV	4,045.44	5,337.26
		8,909.08	8,860.08
Deferred Tax Liability (Net)	V	196.62	297.86
Total		11,113.24	11,179.44
APPLICATION OF FUNDS			
Fixed Assets	VI(a)		
Gross Block		10,271.15	10,053.96
Less: Depreciation		5,817.08	5,172.08
Net Block		4,454.07	4,881.88
Goodwill on consolidation		0.83	0.83
Capital Work-in-progress	VI(b)	152.54	149.54
		4,607.44	5,032.25
Investments	VII	153.05	153.05
Current Assets, Loans & Advances			
Inventories	VIII	3,014.51	2,894.08
Sundry Debtors	IX	3,539.42	3,615.87
Cash and Bank Balances	X	382.46	340.61
Loans & Advances	XI	1,662.01	1,466.35
	(a)	8,598.40	8,316.91
Less: Current Liabilities & Provisions			
Current Liabilities	XII	4,495.47	4,581.73
Provisions	XIII	440.92	460.19
	(b)	4,936.39	5,041.92
Net Current Assets	(a) - (b)	3,662.01	3,274.99
Debit Balance in Profit and Loss Account		2,690.74	2,719.15
Total		11,113.24	11,179.44
Notes on Accounts	XX		

For and on behalf of the board

As per our report of even date annexed

GOPAL SRINIVASAN
H LAKSHMANAN
For SUNDARAM & SRINIVASAN
Whole-time Director
Director
Chartered Accountants
M BALASUBRAMANIAM

Chennai

S KANNAN
Partner

June 23, 2007

Head-Corporate Accounts

Membership No: F 7945

Consolidated Profit and Loss account for the year ended 31st March 2007
Rupees in Lakhs

	Schedule Number	Year ended 31.03.2007	Year ended 31.03.2006
INCOME			
Turnover (Gross)		29,109.01	28,223.08
Less : Excise duty collected		1,867.21	2,273.01
Turnover (Net)		27,241.80	25,950.07
Add : Other Income	XIV	472.04	622.50
Total - (A)		27,713.84	26,572.57
EXPENSES			
Raw materials and components consumed, work-in-process & finished goods	XV	12,407.03	13,602.38
Consumption of traded Items	XVI	4,393.71	2,120.85
Salaries & Wages, stores consumed and other expenses	XVII	9,261.25	9,390.53
Interest	XVIII	764.10	600.26
Depreciation		704.39	742.62
Total - (B)		27,530.48	26,456.64
Profit before Extraordinary items & Tax	A - B	183.36	115.93
Less: Extraordinary expenses (Non Recurring)	XIX	-	3,162.82
Profit before tax		183.36	(3,046.89)
Less : Provision for current taxation		26.11	34.00
Less : Provision for fringe benefit tax		75.00	91.00
Add: Provision for deferred tax written back		101.24	154.01
Profit after tax		183.49	(3,017.88)
Add: Balance brought forward from previous year		(2,719.15)	450.50
Add: Pro rata share of profit of an associate		-	0.99
Less: Tax relating to earlier years		-	(1.62)
Balance available for appropriation		(2,535.66)	(2,568.01)
Proposed Dividend		132.55	132.55
Tax on Dividend including surcharge		22.53	18.59
Balance carried to Balance Sheet		(2,690.74)	(2,719.15)
Total		(2,535.66)	(2,568.01)
Notes on Accounts	XX		
Nominal value of each share in Rupees		10	10
Basic and Diluted Earnings per share in Rupees before Extraordinary item		1.04	0.83
Basic and Diluted Earnings per share in Rupees after Extraordinary item		1.04	(17.07)

For and on behalf of the board

As per our report of even date annexed

GOPAL SRINIVASAN
H LAKSHMANAN
For SUNDARAM & SRINIVASAN
Whole-time Director
Director
Chartered Accountants
M BALASUBRAMANIAM

Chennai

S KANNAN
Partner

June 23, 2007

Head-Corporate Accounts

Membership No: F 7945

Schedules

Rupees in Lakhs

	As at 31.03.2007	As at 31.03.2006
I. CAPITAL - PARENT COMPANY		
Authorised		
2,50,00,000 (last year 2,00,00,000) Equity shares of Rs.10 each	<u>2,500.00</u>	<u>2,000.00</u>
Issued, subscribed and paid-up		
1,76,72,818 (last year 1,76,72,818) Equity shares of Rs.10 each	<u>1,767.28</u>	<u>1,767.28</u>
Of the above, 1,05,53,449 shares are held by M/s TVS Investments Ltd., Chennai, the Holding company (last year 1,05,53,449)		
The shareholders of the company at the Extra-ordinary General Meeting of the company held on 28th March 2007, approved the issue of 36,00,000 warrants on preferential basis to TVS Investments Ltd., Chennai with an exercisable option to convert into equity shares of Rs 10/- each.		
Thus, the number of equity shares held prior to preferential allotment namely 1,05,53,449 numbers of equity shares are subject to a lock-in-period of 6 months from 26th February 2007 which is the relevant date for preferential allotment		
	<u>1,767.28</u>	<u>1,767.28</u>
II. RESERVES AND SURPLUS		
Capital Reserve - Parent Company	60.60	60.60
Capital Reserve - on consolidation	0.04	0.04
Share Premium	1,281.92	1,281.92
Investment subsidy	15.00	15.00
General Reserve	349.58	349.58
Employee Stock Options		
Total cost of Employee Stock Options viz., "Grants"	50.10	50.10
Less: Cost of Pending options lapsed	32.24	17.36
Net cost of options	<u>17.86</u>	<u>32.74</u>
Less : Cost to be amortised over remaining one vesting period subsequent to the accounting period	<u>0.04</u>	<u>0.96</u>
Share in loss of associate companies	<u>(1,484.70)</u>	(1,484.70)
	<u>240.26</u>	<u>254.22</u>

Schedules (Contd.)

Rupees in Lakhs

	As at 31.03.2007	As at 31.03.2006
III SECURED LOANS		
From Banks	4,863.64	3,522.82
Secured by a first charge on all movable properties of the Company, present and future, a pari passu charge on the current assets of the Company by hypothecation of raw materials, components, work in process, finished goods, book debts, stores and spares and further secured by a second charge on immovable properties on a paripassu basis to the consortium of banks	<u>4,863.64</u>	<u>3,522.82</u>
IV UNSECURED LOANS		
From Banks - Long term	-	3,200.17
- Short term	4,045.44	2,137.09
	<u>4,045.44</u>	<u>5,337.26</u>
V DEFERRED TAX LIABILITY (NET)		
As per last balance sheet	297.86	451.87
Less: Transfer to Profit & Loss Account towards current year deferred taxation	<u>(101.24)</u>	<u>(154.01)</u>
	<u>196.62</u>	<u>297.86</u>
Deferred tax liability (Net) consists of :		
a) Liabilities :-		
Tax on depreciation	295.77	367.71
Less :		
b) Assets :-		
Tax on provisions in respect of expenditure which will be allowed under Income Tax Act, 1961 only on payment basis	99.15	69.85
	<u>196.62</u>	<u>297.86</u>

VI (a) FIXED ASSETS

Rupees in Lakhs

Description	Land	Buildings	Plant and machinery	Intellectual property equipments	Furniture, Fixtures & equipments	Vehicles	As at 31-Mar-07	As at 31-Mar-06
COST OF ASSETS								
As at 01-04-2006	1,562.15	1,035.75	4,356.45	800.00	2,056.63	242.98	10,053.96	9,703.71
Additions	44.25	5.81	187.08	-	61.84	9.38	308.36	540.99
Sales / Transfers	-	5.78	11.14	-	4.44	69.81	91.17	190.74
Total	1,606.40	1,035.78	4,532.39	800.00	2,114.03	182.55	10,271.15	10,053.96
DEPRECIATION								
Upto 31-03-2006	-	493.88	2,986.70	259.67	1,336.82	95.01	5,172.08	4,332.09
For the year	-	55.94	259.88	76.00	277.18	35.39	704.39*	742.62
		549.82	3246.58	335.67	1614.00	130.40	5876.47	5074.71
Additional Depreciation	-	-	-	-	-	-	-	224.65•
Sales / Transfers	-	5.78	11.14	-	4.44	38.03	59.39	127.28
Total	-	544.04	3,235.44	335.67	1,609.56	92.37	5,817.08	5,172.08
WRITTEN DOWN VALUE								
As at 31-03-2007	1,606.40	491.74	1,296.95	464.33	504.47	90.18	4,454.07	4,881.88
As at 31-03-2006	1,562.15	541.87	1,369.75	540.33	719.81	147.97	4,881.88	

* Includes Rs. 8.22 lakhs written down value of assets, arising out of physical verification

• Charged as extraordinary expense during year ended 31/03/2006.

Schedules (Contd.)
Rupees in Lakhs

	As at 31.03.2007	As at 31.03.2006
VI (b) CAPITAL WORK-IN-PROGRESS (At cost)		
Building (*)	152.54	144.47
Plant and Machinery	-	5.07
	<u>152.54</u>	<u>149.54</u>
(*) Rs.148.05 relates to Buildings on land on lease from a key management personnel and from a Company in which controlling interest is held.		
VII INVESTMENTS (Long Term) - (At Cost)		
Quoted Investment		
Trade	1,484.00	1,484.00
Less: Share in loss of associate company restricted to cost of investment	<u>(1,484.00)</u>	<u>(1,484.00)</u>
	-	-
Unquoted Investment		
Trade	152.73	152.73
Add : Pro-rata equity interest in associate	<u>0.32</u>	<u>0.32</u>
	<u>153.05</u>	<u>153.05</u>
Market value of quoted Investments	1,721.44	1,777.83
VIII INVENTORIES *		
a) Raw Materials and components at cost	2,025.89	1,478.33
b) Work-in-process at cost	138.57	148.57
c) Finished goods (at cost or market value whichever is lower)	452.88	942.17
d) Traded items at cost	396.58	200.87
e) Goods-in-transit at cost	<u>0.59</u>	<u>124.14</u>
	<u>3,014.51</u>	<u>2,894.08</u>

Ref Note 1-AS 2

* As certified by a Director

Schedules (Contd.)
Rupees in Lakhs

	As at 31.03.2007	As at 31.03.2006
IX SUNDRY DEBTORS - UNSECURED		
Considered Good		
a) Debts outstanding for a period exceeding six months		
- Considered Good	547.58	8.26
- Considered Doubtful	139.34	69.65
	686.92	77.91
b) Other debts		
- Considered Good	2,991.84	3,607.61
- Considered Doubtful	4.17	-
	2,996.01	3,607.61
	3,682.93	3,685.52
Less : Provision made for Doubtful debts	143.51	69.65
	3,539.42	3,615.87
X CASH AND BANK BALANCES		
a) Cash and cheques on hand	175.65	143.09
b) Balances with Scheduled Banks		
i. Deposit accounts	37.63	128.22
ii. Current accounts	148.37	52.10
iii. Dividend accounts	17.20	16.17
c) Balances with Non-Scheduled Banks		
Current accounts	3.61	1.03
	382.46	340.61
XI LOANS AND ADVANCES - UNSECURED		
CONSIDERED GOOD		
A. LOANS - Intercompany Deposits	208.29	142.00
B. ADVANCES		
i) Advances recoverable in cash or in kind or for value to be received	930.51	993.32
ii) Deposits	295.02	199.02
iii) Advance income tax paid and tax deducted at source (net of provisions made for Direct Taxes)	228.19	132.01
	1,662.01	1,466.35
XII CURRENT LIABILITIES		
a) Sundry Creditors	4,286.06	4,297.19
b) Unexpired Service Contracts	188.01	262.92
c) Unpaid Dividend	* 17.20	16.17
d) Unpaid Fixed deposits & interest thereon	* 1.21	2.28
e) Interest accrued but not due	2.99	3.17
	4,495.47	4,581.73

* Amount to be credited to Investor Education and Protection fund as and when due

Schedules (Contd.)
Rupees in Lakhs

	As at 31.03.2007	As at 31.03.2006
XIII PROVISIONS		
a) Proposed Dividend	132.55	132.55
b) Dividend Tax	22.53	18.59
c) Warranty	119.42	151.82
d) Staff benefit schemes	94.78	63.31
e) Others	71.64	93.92
	<u>440.92</u>	<u>460.19</u>
	Year ended 31.03.2007	Year ended 31.03.2006
XIV OTHER INCOME		
a) Sale of scrap	38.91	26.21
b) Profit on sale of assets	2.62	6.93
c) Miscellaneous income	430.51	589.36
	<u>472.04</u>	<u>622.50</u>
XV RAW MATERIALS AND COMPONENTS CONSUMED, WORK-IN-PROCESS AND FINISHED GOODS		
A) RAW MATERIALS AND COMPONENTS CONSUMED		
a) Opening stock	1,478.33	2,963.08
b) Add: Purchases	12,455.30	12,351.83
	<u>13,933.63</u>	<u>15,314.91</u>
c) Less: Closing stock	2,025.89	1,478.33
Total (A)	<u>11,907.74</u>	<u>13,836.58</u>
B) (INCREASE)/ DECREASE IN STOCKS		
a) Opening Stock		
Work-in-process	148.57	249.64
Finished Goods	942.17	606.90
	<u>(i) 1,090.74</u>	<u>856.54</u>
b) Closing stock:		
Work-in-process	138.57	148.57
Finished Goods	452.88	942.17
	<u>(ii) 591.45</u>	<u>1,090.74</u>
Total (B)	<u>[(i) - (ii)] 499.29</u>	<u>(234.20)</u>
Raw materials and components consumed, Work-in-process and Finished goods	<u>[A + B] 12,407.03</u>	<u>13,602.38</u>

Schedules (Contd.)
Rupees in Lakhs

	Year ended 31.03.2007	Year ended 31.03.2006
XVI CONSUMPTION OF TRADED ITEMS		
a) Opening stock	200.87	383.90
b) Add: Purchases	4,589.42	1,937.82
	4,790.29	2,321.72
c) Less: Closing stock	396.58	200.87
Consumption of Traded Items	4,393.71	2,120.85
XVII SALARIES & WAGES, STORES CONSUMED AND OTHER EXPENSES		
a) Salaries, wages and allowances	2,155.07	2,226.90
b) Contribution to provident and other funds	206.48	197.20
c) Staff welfare expenses	359.52	421.28
d) Stores, spares and tools consumed	94.08	103.24
e) Power & fuel	121.17	135.01
f) Rent (Includes Rs. 0.50 lakhs paid to Whole-time Director Last Year Rs. 0.50 lakhs)	206.80	207.97
g) Rates and taxes	202.59	275.50
h) Repairs & Maintenance		
Buildings	166.90	162.80
Machinery	50.17	57.34
Other assets	89.46	82.21
i) Insurance	90.44	75.94
j) Directors sitting fees	1.68	1.88
k) Loss on sale of assets	1.02	2.77
l) Audit fees	10.44	9.42
m) Other expenses	5,505.43	5,431.07
	9,261.25	9,390.53
XVIII INTEREST		
a) Fixed loans	193.18	239.51
b) Other loans (Net of recoveries)	570.92	360.75
	764.10	600.26
XIX Extra-ordinary Expenses (non-recurring)		
a. Inventory write down	-	1,843.28
b. Payments under Voluntary separation scheme	-	128.97
c. Bad Debs written off	-	888.26
d. Loans & Advances written off	-	77.66
e. Additional Depreciation on Fixed assets and Write off of Fixed assets scrapped	-	224.65
Extra-ordinary Expenses (non-recurring) - Total	-	3,162.82

Cash Flow Statement

Rupees in Lakhs

	Year ended 31.03.2007	Year ended 31.03.2006
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Tax and extraordinary items	183.36	(3,046.89)
Adjustment for :		
Depreciation	704.39	967.27
Employee stock option expense	(13.96)	(5.96)
Profit on sale of asset	(2.62)	(6.93)
Loss on sale of asset	1.02	2.77
Interest	764.10	600.26
Operating Profit before Working Capital changes	1,636.29	(1,489.48)
Adjustment for :		
Inventories	(120.43)	1,394.34
Sundry Debtors	76.45	1,433.41
Loans and Advances	(195.66)	(164.30)
Current liabilities and provisions	(135.58)	910.43
	(375.22)	3,573.88
Cash generated from operations	1,261.07	2,084.40
Interest paid (Net)	(764.10)	(600.26)
Direct taxes paid net of provision	(75.00)	(118.62)
Net cashfrom / (used in) Operating activities (A)	421.97	1,365.52
B. CASH FLOW FROM INVESTING ACTIVITIES		
Fixed assets	(308.36)	(540.99)
Capital Work-in-Progress	(3.00)	(3.62)
Sale of fixed assets	33.38	67.62
Net cash from / (used in) investing activities (B)	(277.98)	(476.99)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of Loans (Net)	49.00	(670.63)
Dividend paid	(132.55)	(159.06)
Corporate Dividend tax paid	(18.59)	(22.65)
Net cash used in financing activities (C)	(102.14)	(852.34)
D. NET INCREASE(DECREASE)IN CASH AND CASH EQUIVALENT (A+B+C)	41.85	36.19
Opening cash and cash equivalents as at 01.04.2006	340.61	304.42
Closing cash and cash equivalents as at 31.03.2007	382.46	340.61

Notes

- The above statements have been prepared in indirect method.
- Cash and cash equivalent represents cash and bank balances.

For and on behalf of the board

GOPAL SRINIVASAN
Whole-time Director
H LAKSHMANAN
Director

Chennai
June 23, 2007

S KANNAN
Head-Corporate Accounts

As per our report of even date annexed

For SUNDARAM & SRINIVASAN
Chartered Accountants
M BALASUBRAMANIAM
Partner

Membership No: F 7945

Accounting Policies adopted in the preparation of Consolidated Accounts

A. Principles of Consolidation

The consolidated accounts relate to TVS Electronics Limited, Chennai (parent company) and its 100% subsidiary company – Sravanaa Properties Limited, Chennai and have been prepared in accordance with Accounting Standard 21 “ Consolidated Financial Statements” read with Accounting Standard 23 “ Accounting for Investments in Associate in Consolidated Financial Statements “ issued by the Institute of Chartered Accountants of India.

The consolidated accounts have been prepared based on line by line consolidation by adding together the book values of like items of assets, liabilities, income and expenses as per the accounts of the parent company and its subsidiary company (duly certified by its auditor) Intra Group balances/Intra Group transactions have been eliminated.

The consolidated accounts 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 same manner as the parent company's individual accounts.

The excess of cost of parent company's investments over parent company's share of equity in subsidiary is treated as goodwill.

The Directors of the company have reported that the audited financials of the other associate company viz., Modular Infotech Private Limited, Pune, have not been received as on the date of finalisation of accounts and hence not considered while preparing the consolidated financial statements.

B. Details of subsidiary company considered in the consolidated accounts:

Name of the subsidiary	Country of Incorporation	Shareholding as on	Extent of Holding (%)Direct
Sravanaa Properties Limited, Chennai	India	31.03.2007	100%

C. Other significant accounting policies:

Accounting Standards 1 to 29 (to the extent applicable) issued by the Institute of Chartered Accountants of India have been duly considered while preparing the accounts of both holding and subsidiary company and

the same have been explained in detail in the notes on accounts of the respective companies which may be referred to. Notes to Accounts annexed to respective financial statements form part of this Consolidated financial statement.

SUBSIDIARY
SRAVANAA PROPERTIES LIMITED

SRAVANAA PROPERTIES LIMITED

Board of Directors

H Lakshmanan
R S Raghavan
R Jagannathan

Bankers

Central Bank of India
Nungambakkam Branch
Chennai - 600 006.

Auditors

Raghu & Gopal
Chartered Accountants,
48, Luz Church Road,
Mylapore,
Chennai - 600 004.

Registered Office

"Jayalakshmi Estates",
29, Haddows Road,
Chennai - 600 006.

Directors' Report

The Directors have pleasure in presenting the Fifth Annual Report and the audited statements of accounts for the year ended 31st March, 2007

FINANCIAL RESULTS

(Rupees in Lakhs)

Particulars	Year ended 31st March, 2007	Year ended 31st March, 2006
Income	3.00	10.15
Expenditure	5.27	2.28
Profit / (Loss) before tax	(2.27)	7.87
Provision for tax	-	0.73
Profit /(Loss) after tax	(2.27)	7.14
Tax relating to earlier years	0.01	—
Profit/(Loss) brought forward from previous year	(2.95)	(10.08)
Profit/(Loss) carried to balance sheet	(5.23)	(2.95)

DIVIDEND

As there are no disposable surplus, Directors do not propose any dividend during the year.

OPERATIONS

The Company is in the process of exploring various opportunities to economically benefit from the property at Nandambakkam which it acquired last year.

DIRECTORS

Mr. R S Raghavan, Mr. H Lakshmanan and Mr. R Jagannathan, Directors retire and being eligible offer themselves for re-appointment.

AUDITORS

M/s. Raghu and Gopal, Chartered Accountants, Chennai, the Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for re-appointment.

STATUTORY REQUIREMENTS

The company is engaged in the business of property development and related business and hence the provisions of Section 217(1)(e) of the Companies Act, 1956 does not apply .

As there are no employees in the company, the requirement of furnishing information under Section 217(2A) of the Companies Act, 1956 does not apply

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, the Directors hereby state that

- in the preparation of the annual accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- the Directors had selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and a fair view of the state of affairs of the Company at the end of the financial year (namely 31st March, 2007) and of the loss of the Company for that year;
- the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors had prepared the annual accounts on a going concern basis

For and on behalf of the Board

Chennai	H LAKSHMANAN	R S RAGHAVAN
June 18, 2007	Director	Director

Auditors' Report

Auditors' Report to the Members of Sravanaa Properties Ltd, Chennai

We have audited the attached Balance Sheet of M/s. Sravanaa Properties Ltd, Chennai - 600 006 as at March 31, 2007 and the Profit and Loss Account for the year ended on that date annexed thereto. 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 have conducted our audit in accordance with the 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 from any 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. Further to our comments in the Annexure referred to in paragraph 2 above, we report that :
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of such books;
 - (c) The Balance Sheet and the Profit and Loss Account referred to in this report are in agreement with the books of account;
 - (d) The Balance Sheet and the Profit and Loss account dealt with by this report comply with the Accounting Standards specified by the Institute of Chartered Accountants of India, referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (e) On the basis of written representations received from the directors of the company as on March 31, 2007 and taken on record by the Board of Directors, we report that no director is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 on the said date.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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:
 - (i) in the case of Balance Sheet, of the state of affairs of the company as at March 31, 2007.
 - (ii) in the case of Profit and Loss Account, of the loss of the company for the year ended on that date.

For RAGHU & GOPAL
Chartered Accountants

A GOPAL

Partner

Membership No. 9035

Chennai
June 18, 2007

Annexures to the Auditors' Report

Annexure referred to in our report of even date on the accounts for the year ended March 31, 2007

In terms of the information and explanations given to us and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state as under:

1. The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. Viz Land and Buildings.
2. Being a Property development Company, the matters in connection with verification, reporting and all other related matters on inventory are not applicable.
3. During the year the company has not granted any loans to a company listed in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, for the purchase of fixed assets and for its business activities. In our opinion, there is no continuing failure to correct major weaknesses in internal control.
5.
 - a. According to the information and explanations given to us, we are of the opinion, that the transactions that need to be entered in the register maintained under Section 301 of the Companies Act, 1956, have been so entered.
 - b. In our opinion and according to the information and explanations given to us, there are no transactions of the nature referred to and required to be entered in the register maintained under Section 301 of the Companies Act, 1956.
6. The company has not accepted deposits from the public for the financial year 2006-2007.
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. Being a Property Development Company, the maintenance of cost records as prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 is not applicable to the company.
9. The Company has no employee. The Company also has no undisputed statutory dues remaining unpaid .
10. The Company was incorporated only on 28/08/2002 and therefore Clause X of para 4 is not applicable.
11. The company has not defaulted in repayment of dues to any financial institutions or banks.
12. In our opinion 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. Hence, the question of maintenance of records or reporting on deficiencies does not arise.
13. The company is not a chit fund, nidhi or mutual benefit fund / society. Therefore, the provisions of Clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
14. In our opinion, during the year under audit, the company did not engage in trading in shares, securities and debentures.
15. The company has not given any guarantee for loans taken by others from banks or financial institutions.
16. In our opinion, the company has not availed any term loans.
17. According to the information and explanations given to us and on overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long term investments and vice versa.
18. The Company has not issued any debentures.
19. To the best of our knowledge and according to the information and explanations given to us during the course of checks carried out by us and according to the nature of Company's business, no material fraud on or by the company has been noticed by us or reported to us during the year under report.

For RAGHU & GOPAL
Chartered Accountants
A GOPAL
Partner
 Membership No. 9035

Chennai
 June 18, 2007

Balance Sheet as at 31st March 2007

			<i>Rupees</i>
	Schedule Number	As at 31.03.2007	As at 31.03.2006
SOURCES OF FUNDS			
1 Shareholders' Funds			
Capital	1	5,00,000	5,00,000
Share Application money	1	<u>5,00,000</u>	<u>-</u>
		<u>55,00,000</u>	<u>5,00,000</u>
APPLICATION OF FUNDS			
1. Fixed Assets	2		
Gross Block		45,45,00,570	
Less : Depreciation		<u>2,58,007</u>	
Net Block		<u>45,42,42,563</u>	44,99,97,222
2. Current Assets, loans and advances			
Cash and Bank balances	3	8,79,869	2,90,155
Loans and Advances	4	<u>68,044</u>	<u>-</u>
		<u>9,47,913</u>	<u>2,90,155</u>
Less : Current Liabilities and Provisions			
Current Liabilities	5	45,02,12,971	45,00,09,188
Provisions		<u>-</u>	<u>73,000</u>
Net Current Assets		<u>(44,92,65,058)</u>	<u>(44,97,92,033)</u>
3. Profit and Loss account		<u>522,495</u>	<u>2,94,811</u>
		<u>55,00,000</u>	<u>5,00,000</u>
Notes on Accounts	7		

For and on behalf of the board

As per our report of even date

For **RAGHU & GOPAL**

Chartered Accountants

A GOPAL

Partner

Membership No. 9035

Chennai

June 18, 2007

H LAKSHMANAN

Director

R S RAGHAVAN

Director

Profit & Loss account for the year ended 31st March 2007

				<i>Rupees</i>
	Schedule Number	Year ended 31.03.2007	Year ended 31.03.2006	
INCOME				
Realisation on sale of land and transfer of development rights		-	4,99,00,000	
Less : 'Expenditure				
Land and Development rights in immovable properties				
Balance brought Forward		6,02,75,572		
Development expenses incurred during the period		25,00,000		
Closing balance		-	6,27,75,572	
Loss on sale of land and transfer of development rights			1,28,75,572	
Less : Loss transferred under terms of purchase		-	1,28,75,572	-
Other income-Rent		3,00,000		3,333
Credit Balances written back		-		10,12,132
		3,00,000		10,15,465
Administrative and Other Expenses	6	2,71,271	2,25,924	
Depreciation		2,55,229	2,778	
		5,26,500		2,28,702
Profit / (Loss) before tax		(2,26,500)		7,86,763
Provision for tax				
Current Tax		-		73,000
Deferred Tax		-		-
Tax relating to earlier Years		1,184	1,184	-
Profit / (Loss) after tax		(2,27,684)		7,13,763
Loss brought forward		2,94,811		10,08,574
Loss carried to Balance Sheet		5,22,495		2,94,811
Notes on Accounts	7			

For and on behalf of the board

As per our report of even date

For **RAGHU & GOPAL**

Chartered Accountants

A GOPAL

Partner

Membership No. 9035

Chennai

June 18, 2007

H LAKSHMANAN

Director

R S RAGHAVAN

Director

Schedules

	<i>Rupees</i>	
	As at / Year ended 31st March, 2007	As at / Year ended 31st March, 2006
1. SHARE CAPITAL		
Authorised		
20,00,000 Equity shares of Rs.10 each	<u>2,00,00,000</u>	<u>2,00,00,000</u>
Issued, subscribed and paid-up		
50,000 equity shares of Rs.10 each fully paid (All the shares are held by the holding company of TVS Electronics Limited and its nominee)	5,00,000	5,00,000
Share Application Money	50,00,000	0
	<u>55,00,000</u>	<u>5,00,000</u>
3. CASH AND BANK BALANCES		
Cash on Hand	2,450	800
Balance with Schedule bank in Current Account	8,77,419	2,89,355
	<u>8,79,869</u>	<u>2,90,155</u>
4. LOANS AND ADVANCES		
Advances		-
Tax Deducted and Source & Advance Tax-(NET)	68,044	-
	<u>68,044</u>	<u>-</u>
5. CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors Due to Holding Company-TVS Electronics Ltd	45,02,12,971	45,00,09,188
Provisions		
For taxation	-	73,000
	<u>45,02,12,971</u>	<u>45,00,82,188</u>
6. ADMINISTRATIVE AND OTHER EXPENSES		
Interest and Bank Charges	10,224	12,418
Rates and Taxes	1,11,606	2,03,200
Audit fees	10,000	10,000
Printing and Stationery	32,296	306
Consultancy	5,000	-
Miscellaneous Expenses	1,00,107	-
Conveyance	2,038	-
	<u>2,71,271</u>	<u>2,25,924</u>

2. FIXED ASSETS

Rupees

S.No.	Particulars	GROSS BLOCK (AT COST)			DEPRECIATION BLOCK			NET BLOCK	
		As at 1/4/2006	Additions	As at 31/3/2007	Up to 1/4/2006	Depreciation	Total as at 31/3/2007	As at 31/3/2007	As at 1/4/2006
1	Land	44,24,11,231	44,24,673	44,68,35,904	-	-	-	44,68,35,904	44,24,11,231
2	Buildings	75,88,769	75,897	76,64,666	2,778	2,55,229	2,58,007	74,06,659	75,85,991
	Total	45,00,00,000	45,00,570	45,45,00,570	2,778	2,55,229	2,58,007	45,42,42,563	44,99,97,222
	Previous Year Figures	45,00,00,000	-	45,00,00,000	-	2,778	2,778	44,99,77,222	-

Notes on Accounts

7. Notes forming part of accounts for the period ended 31st March 2007

- a. The Directors have waived their sitting fees.
- b. The Company adopts completed contract basis for the purpose of recognition of income from property development.
- c. The company follows mercantile system of accounting.
- d. The company's investment in Land and Building represents its acquisitions under a transfer from the holding company.
- e. Depreciation on buildings is provided under straight line method at the rates prescribed under schedule XIV of the Companies Act , 1956
- f.

	31/3/2007	31/3/2006
Audit Fees	4,000	5,000
Towards statutory audit	1,000	-
Towards Tax audit	5,000	5,000
Reimbursement of out of pocket expenses		
- g. The Company has no employee. The Company has also not incurred any expenditure in the nature of "fringe benefits". Therefore no provision has been made towards fringe benefit tax.
- h. The Company has no Tax liability either under normal provisions or under Section 115-JB of the Income Tax Act, 1961
- i. There are no timing differences in the computation of Income for Tax purposes and book.. Since therefore there are no deferred tax liability or asset.
- j. The Accounting Standards, to the extent they are applicable, have been complied with.
- k. There are no dues payable to Small Scale Industrial Undertakings
- l. Miscellaneous expenses under Administrative and other expenses includes Seminar Expenses Rs 1,00,000/- (31.03.06 -NIL)
- m. Sundry creditors includes amount due to the Holding Company TVS Electronics Ltd - Rs 45,01,08,494 (31.03.06-44,99,96,667)
- n. Tax deducted at source -Rent Rs 68,044 (31.03.06 -NIL)

o Related Party Transaction

i. Name of the related party	TVS Electronics Ltd	
ii. Relationship	Holding Company	
	31.03.2007	31.03.2006
iii Nature of Transaction		
1. Rent Receipt	300,000	3,226
2. Share Application money	5,000,000	-
iv. Outstanding as on 31/03/2007 -CR	45,01,08,494	44,99,96,667

For and on behalf of the board

As per our report of even date

For **RAGHU & GOPAL**

Chartered Accountants

A GOPAL

Partner

Membership No. 9035

Chennai
June 18, 2007

H LAKSHMANAN
Director

R S RAGHAVAN
Director

TVS Electronics Limited

Regd. Office "Jayalakshmi Estates", 29, Haddows Road, Chennai - 600 006.



ATTENDANCE SLIP

Please hand over this attendance slip at the entrance of the meeting hall

NAME AND ADDRESS OF THE SHAREHOLDER

No. of Shares held

Client ID

Folio No.

(Strike off whichever is not applicable)

NAME OF THE PROXY (IN CAPITAL LETTERS)

12TH ANNUAL GENERAL MEETING

24th September, 2007 at 10.00 A.M.

The Music Academy

No.168. T.T.K. Road,

Chennai - 600 014.



Member



Proxy

I hereby record my presence at the Meeting

Signature of the Member or Proxy

TVS Electronics Limited

Regd. Office "Jayalakshmi Estates", 29, Haddows Road, Chennai - 600 006.



PROXY FORM

I/We.....
of.....
in the district of.....being member(s) of
TVS ELECTRONICS LIMITED hereby appoint.....of.....
in the district of.....
or failing him/her.....of.....
in the district of.....
as my/our proxy to vote for me/us on my/our behalf at the 12th Annual General Meeting of the
Company to be held on Monday, the 24th day of September, 2007 at 10.00 A.M. and/or at any
adjournment thereof.

Signed this.....day of.....2007.

Client ID	Folio No.	No. of shares

(Strike off whichever is not applicable)

Proxy Form must reach company's registered office not later
than 48 hours before the commencement of the meeting

FOR OFFICE USE ONLY	
Proxy No.	Date of Receipt

Affix
Re. 1/-
Revenue
Stamp

Signature

Our constant commitment to quality and innovation has won us many prestigious accolades over the years. Some of them include:

🏆 Ranked as No. 2 in Asia Pacific Region Dot Matrix market

Gartner

🏆 Top 3 Indian IT Brands

PCQUEST

🏆 Brand of Excellence award by VAR India in 2007



🏆 Best DMP at VAR India StarNite Awards - 2006



🏆 DQ Channels' Choice Award in 2006 for "Best DMP company"



🏆 PC Quest Users' Choice Award - 4 years in a row



🏆 Goa IT Ratna Award 2006 for "Best Dot Matrix Printer"

🏆 Most Admired Company for Dot Matrix Printers in India

CRN

🏆 Bhoomi awards - 4 years in a row for DMP category

**Bhoomi
brands
AWARDS 2008**

🏆 No. 1 in Service Satisfaction

DATAQUEST
The Business of infotech

🏆 Excellence in Exports 2001, 2002, 2003 (Export Promotion Council, Govt. of India)



🏆 Manufacturer's Association of Information Technology (MAIT) recognition for Business Excellence, (Level II) 2003

MAIT



TVS Electronics Limited

34, Developed Plots, South Phase, Industrial Estate, Guindy, Chennai - 600 032. INDIA.

Ph: +91 - 44 - 4200 5200 Fax: +91 - 44 - 2232 7577

www.tvs-e.in