

Directors' report to the Shareholders

The directors have pleasure in presenting the twenty-fourth annual report and the audited financial statements for the year ended 31st March 2016.

1. COMPANY PERFORMANCE

The Company continued to grow ahead of the industry for the second year in succession and in 2015-16, registered sales of 25.7 lakh two wheelers, growing by 7% over last year. Sale of Motorcycles increased by 7% and scooters by 16%. Moped sales declined by 2.8%. Three-wheeler sales of the Company increased by 3% in 2015-16. Sales of spare parts grew by 12.7%. Despite continued weakness in economic activity and increased competitive intensity, Company managed to grow satisfactorily.

Company's products continued to top the quality charts. Across categories almost all the products were labelled as best by the recently concluded JD Power Study for the second consecutive year.

Total revenue of the Company including other income increased from Rs.10,072.62 Cr in the previous year to Rs.11,295.18 Cr in the current year. Profit before tax (PBT) for the year 2015-16 increased significantly from Rs. 456.16 Cr in the previous year to Rs.565.97 Cr in the current year. Similarly, PAT increased from Rs. 347.83 Cr achieved in the previous year after considering the extraordinary and exceptional items to Rs. 432.14 Cr in 2015-16.

2. FINANCIAL HIGHLIGHTS

Details	Year ended 31-03-2016	Year ended 31-03-2015
SALES		
Quantitative	(Numbers in lakhs)	
Motorcycles	10.17	9.51
Mopeds	7.38	7.59
Scooters	8.13	7.00
Three Wheelers	1.11	1.08
Total vehicles sold	26.79	25.18
Financials	(Rupees in crores)	
Motorcycles	4236.16	3810.20
Mopeds	1554.81	1553.04
Scooters	3054.91	2431.91
Three Wheelers	1023.92	976.00
Spares & Accessories and Raw Materials	1238.38	1093.10
Other Operating Income	135.69	178.08
Other Income	51.31	30.29
Sales (Net of Excise duty) & other income	11295.18	10072.62

Details	Year ended 31-03-2016	Year ended 31-03-2015
	(Rupees in crores)	
EBITDA	848.35	668.91
Less:		
Finance Charges & Interest (Gross)	46.24	27.42
Amortisation	46.30	32.00
Depreciation	189.84	153.33
Profit before tax	565.97	456.16
Less: Provision for tax	133.83	108.33
Profit for the year after tax	432.14	347.83
Add: Balance in Statement of Profit and Loss	722.08	481.76
Profit available for appropriation	1154.22	829.59
Appropriations:		
Dividend and Dividend Distribution Tax #	140.92	107.51
Surplus carried forward	1013.30	722.08
	1154.22	829.59

Rs.140.92 Cr includes Rs.0.20 Cr relating to increased surcharge applicable on dividend relating to 2014-15 paid in 2015-16.

3. DIVIDEND

The board of directors of the Company (the board) at its meeting held on 29th January 2016, declared a first interim dividend of Re.1/- per share (100%) for the year 2015-16 absorbing a sum of Rs. 55.65 Cr including dividend distribution tax. The same was paid to the shareholders on 10th February 2016.

The board at its meeting held on 12th March 2016 declared a second interim dividend of Rs. 1.50 per share (150%) for the year 2015-16 absorbing a sum of Rs. 85.07 Cr including dividend distribution tax. The same was paid to the shareholders on 23rd March 2016.

Hence, the total amount of both dividends for the year ended 31st March 2016 aggregated to Rs. 2.50 per share (250%) on 47,50,87,114 equity shares of Re.1/- each.

The board does not recommend any further dividend for the year under consideration.

4. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENTS

Below normal monsoon resulted in a weak rural economic activity. Low commodity prices affected economic growth and in turn currency availability in key export markets in Africa. This resulted in a growth of 3% only in two wheeler industry during 2015-16 as compared to 9% during 2014-15.

In the domestic market, two wheeler industry grew by 3% (from 159 lakh units in 2014-15 to 164 lakh units in 2015-16). Scooter as a category continued to gain share

in total two wheeler industry. The category share of scooters increased from 27% to 31% due to changing consumer preferences and strong urban demand. Scooters increased from 47.00 lakh units to 50.31 lakh units. The motorcycle segment remained flat for the second consecutive year (107.91 lakh numbers). Within motorcycles continued traction in urban demand enabled the premium segment to grow by 14% (from 20.7 lakh numbers in 2014-15 to 23.7 lakh numbers in 2015-16). In complete contrast commuting segment declined by 3% (from 95.4 lakh numbers in 2014-15 to 92.1 lakh numbers in 2015-16). Mopeds declined by 3.5% in 2015-16 compared to a 3.6% growth in 2014-15. The two wheeler exports grew by 1% (from 24.6 lakh units in 2014-15 to 24.8 lakh units in 2015-16).

Industry sales of three wheelers (Domestic plus Export)

The three wheeler industry inclusive of diesel vehicles (3 plus 1 segment) declined by 4% (from 6.23 lakh numbers in 2014-15 to 5.99 lakh numbers in 2015-16). Exports account for more than 70% of 3 Wheeler industry and it declined by 3% (from 4.04 lakh units in 2014-15 to 3.90 lakh units in 2015-16). 3 wheeler domestic passenger market declined by 5% during 2015-16 mainly due to non-availability of open permits in key states (from 2.19 lakh units in 2014-15 to 2.09 lakh units in 2015-16).

BUSINESS OUTLOOK AND OVERVIEW

Recovery in rural India is key to revival in economic activity. High fiscal thrust and a normal monsoon can stimulate rural demand. But lead time for these to translate into actual demand may vary across states. Urban demand is likely to be better than the current year due to 7th pay commission disbursements expected in later half of the year. Consequently, the growth in two wheeler industry in 2016-17 is expected to be around 3%.

New Product Launches and Initiatives

During the year 2015-16, the following new products and variants were launched.

TVS Victor:



TVS Victor was the first indigenously developed four stroke motorcycle and has been a well known brand in commuter segment. The TVS Victor, now comes in an all-new avatar. It is an ideal

combination of modern styling, superior engine performance and class leading comfort. It houses an advanced and refined 3-valve Eco thrust engine. An electric start fires up the 4 speed powertrain to churn out 9.6 PS of power @ 8000 rpm with a torque of 9.4 Nm @ 6000 rpm. Telescopic oil damped front suspension and 5 step adjustable hydraulic series spring suspension at the rear ensure smooth ride and handling. A broad seat adds to the comfort of the motorcycle. TVS Victor comes with new mirrors and

instrument panel. The new 55 watt headlight is brightest in the segment.

TVS Apache RTR 200:



Designed to deliver an adrenalin rush with an exhilarating race performance, TVS Apache RTR 200's advanced four valve racing O3C oil cooled over square, five-speed engine is equipped

with balancer shaft mechanism and is programmed to whip up an impressive 20.5 PS @ 8500 rpm with a torque of 18.1 Nm @ 7000 rpm. Apache RTR 200 also comes with a EFi variant and will be available in Indian & International markets. For the first time in the 200cc segment, TVS has introduced an oil cooled combustion chamber with ram air assist, which enables the motorcycle to achieve a top speed of 128 km/h with an astounding performance of 0-60 km/h in a mere 3.9 seconds. This makes it one of the fastest accelerating motorcycles in its segment. The bike is equipped with petal discs and advanced double channel ABS with rear liftoff protection (RLP) facility.

TVS Jupiter:



Jupiter brand lives true to its philosophy of 'ZYADA KA FAYDA'. Launched in September 2013 with next-gen 110cc CVT-i Engine, best-in-class mileage and many class-leading features, TVS Jupiter, the most awarded scooter took riding comfort of scooters to the next level. It is the no.2 scooter brand in India and has crossed one million customer base, the fastest ever in the scooter category.

Consistent product innovation has been an integral part of TVS Jupiter story. To continue the momentum and to infuse the excitement, a deluxe variant of TVS Jupiter christened as "TVS Jupiter ZX" was launched in 2 colours - Stallion Brown & Matte Sky Blue. Meticulously designed and lovingly crafted, TVS Jupiter ZX's Premium Beige coloured Interior Panels, Dura Cool Seat, 3D Logo of "Jupiter ZX" on side panels are pure indulgence. "Jupiter ZX" scooter adapts to the customer's needs and can be uniquely suited to match their style, status and personality.

TVS Wego:



TVS Wego is the only dual usage Scooter which enables young urban married couples to enjoy quality time together. It was introduced in 2010 as Premium stylish scooter designed for the riding suitability of both "him & her". It is loaded with a long list of features starting from a fully digital speedometer, body balance technology, all metal body, a powerful 110 CVT-i engine which gives the best-in-class mileage.

To raise the bar, TVS Wego recently launched a refresh version in Mono and Dual Tone Sky Blue color, adding more features like synchronized braking system, digital clock, body colored pillion grab rail and easy to use parking brakes. With this, TVS Wego has become an epitome of a clever integration of style, performance, power, convenience, comfort and safety.

TVS Scooty Zest 110:



TVS Scooty Zest 110 is designed to partner the young modern woman of today. With best-in-class pick-up, handling, storage and mileage, this scooter excels in all departments like its confident rider. With gorgeous color options and a first-time ever USB charger, it is the perfect 'college wali gaadi'. TVS Scooty Zest 110 has been

awarded the 'Best Executive Scooter'. TVS Scooty Zest 110 also became the first-ever Scooter with a female rider to conquer the 18380 feet of Khardung la in Himalayas, one of the highest Motorable roads in the world. To celebrate this unique feat Company introduced, 'Special Edition' of Scooty Zest 110'. with a new color, new sticker, new seat cover, new pigmented panels and a total new look for Scooty.

TVS XL 100:



A new four stroke TVS XL 100 moped was launched in October 2015. The new TVS XL 100 has been designed to meet the evolving needs of today's customer.

Two wheeler operations

The superior quality of our products is well reflected in the recently concluded JD Power study. The Company's products have the lowest number of defects compared to competitors. The study ranks them among the top, second year in a row, in all the segments the Company plays in. TVS Wego has the best initial quality in scooter industry, followed by Jupiter and TVS Zest. In Economy Segment motorcycles; TVS Star City+ and Sport are at 2nd & 3rd positions while in Premium Segment Apache RTR 180 & 160 are at 1st & 2nd position. In APEAL (Automotive Performance, Execution and Layout) survey, measuring how gratifying a new two-wheeler is to own and ride based on owner evaluations TVS Zest, TVS Wego, Jupiter, Star City+ & Sport secured highest rank in their respective categories.

Domestic Sales

Category shift from motorcycles to scooters continued in 2015-16. Scooter share in two wheeler industry went up from 28% to 31%. The shift in the scooter consumer preferences towards bigger scooters resulted in drop of TVS Scooty sales and this was addressed by TVS Jupiter. Also the timely refreshes and introduction of limited edition kept the brand momentum high. Scooter sales in domestic market grew by 14%.

Apache scaled new heights with a growth of 32% during the year. The Company expanded the portfolio in premium segment by launching new Apache 200. Overall Motorcycles sales grew by 8% during the year.

The Company has strong distribution network of authorized dealers across India and continuously seeks to increase its reach.

Exports

The Company's two wheeler exports grew by 11% in 2015-16 despite global economic downturn driven by low crude and commodity prices. However, the exports to key African countries suffered due to restricted availability of foreign exchange in these countries.

Three wheeler operations

Sale of three wheelers grew by a modest 2.7% due to non-availability of permits in key states and slow growth in diesel segment. Exports suffered due to forex shortage in Nigeria and higher down payment regulation in Sri Lanka.

Opportunities and Threats

Growing middle class, need for mobility and increased penetration levels will continue to trigger growth of two wheeler industry. Strong presence of the Company in all segments of two wheeler industry will help the Company to consolidate its gain of last year.

RISKS AND CONCERNS

For continued thrust in rural India, efficient implementation of schemes enabling entrepreneurship and investment, a good monsoon is essential for sustained growth in consumer demand. Currency devaluation in key two wheeler export markets remains a concern. Moreover, currency availability in key export markets can exert further pressure. The continued momentum in scooters and motorcycles and success of planned launches is vital to achieve business objectives. If the two wheeler industry growth remains at a low level, higher competitive intensity can lead to lower margins. The Company will initiate various cost reduction measures to mitigate this risk.

RISK MANAGEMENT POLICY

The board has established a Risk Management Policy which formalizes the Company's approach to oversight and management of major business risks. The policy is implemented through a top down and bottom up approach identifying, assessing, monitoring and managing key risks across the Company's business units.

Risks and effectiveness of their management are internally reviewed and reported regularly to the board. The Management has reported to the board that the Company's risk management and internal compliance and control system are operating efficiently and effectively in all material respects.

The board is satisfied that there are adequate systems and procedures in place to identify, assess, monitor and manage risks. The Company's audit committee reviews reports by

members of the management team and recommends suitable action. Risk minimisation policy has already been approved by the board.

OPERATIONS REVIEW

Total Quality Management (TQM)

In the journey towards excellence, the Company continues to rely on TQM. Periodic assessment of gaps and immediate action to address such identified gaps have strengthened the process across the Company.

Cost Management

Total cost management is a continuous journey and the Company has been instituting various cost control measures across the organization. The Company will continue to pursue process innovation, value engineering and alternate sourcing to reduce material costs during this year.

Research and Development

Company's Research and Development (R&D) team has launched three attractive new products in key segments. Leveraging the strength of indigenous competence and capabilities, these new products have been developed meeting highest quality standards, with very high appeal value for the customers in terms of overall product quality, innovative features, superlative performance and premium touch and feel.

The R&D team continued their efforts in developing cutting edge technologies that are relevant for the requirements of the Company. These are centered on customers, emerging needs of environment, safety and sustainability. The Company also collaborates with leading research establishments and educational institutions, both within and outside the country to explore and develop breakthrough opportunities. The R&D team has so far published 100 technical papers in national and international conferences.

TVS Racing continues to add valuable inputs to the new product development by leveraging its advanced capabilities and racing experience. TVS Racing has won 8 out of 9 National championships and 5 major awards in 2015.

Information Technology

The Company has been using ERP to integrate its various business processes within the Company and its business partners. The Company continued to implement several projects in the supply chain to improve its efficiency and transparency. Digital manufacturing execution system has been improved to further enhance automation, process quality control and traceability.

During the year the Company has embarked on mobile platforms to get closer to customers by launching mobile apps. Digital frameworks and several enhancements in dealer management system were undertaken to integrate Customer Relationship Management (CRM) and measure customer satisfaction and retention.

As part of continuous improvement and benchmarking the Company's IT systems were audited by external experts and recommendations were implemented. To enhance information security, periodic audits are conducted by external experts and necessary control measures are taken.

The Company is ISO 27001:2005 certified for all manufacturing units and sales offices. Business continuity plan for major business and design applications have been implemented and tested.

INTERNAL CONTROL AND THEIR ADEQUACY

The Company has a proper and adequate internal control system to ensure that all the assets of the Company are safeguarded and protected against any loss and that all the transactions are properly authorized and recorded. Information provided to management is reliable and timely. Company ensures adherence to all statutes.

INTERNAL FINANCIAL CONTROL

The Company has an established Internal Financial Control framework including internal controls over financial reporting, operating controls and anti-fraud framework. The framework is reviewed regularly by the management and tested by internal audit team and presented to the audit committee. Based on the periodical testing, the framework is strengthened, from time to time, to ensure adequacy and effectiveness of Internal Financial Controls.

Occupational Health & Safety (OHS)

The Company has successfully completed 2nd surveillance audit in the 3rd recertification process of Occupational Health & Safety system through implementation of OHSAS 18001:2007 standard in Hosur & Mysore plants. During this year, as a part of continual improvement, around 1375 hazard control measures have been implemented across its plant in Hosur, Mysore and Himachal Pradesh. Robot automations with safety features were part of the Company's control measures to eliminate human exposures to different hazards. The plant safety rating system scores have significantly improved and the Company plants have reached "Gold" status. Towards building a sustainable safety culture, periodical safety trainings have been organized and around 4850 employees were covered in last year.

Towards environmental sustainability, advanced facilities, to recycle waste and to harness renewable energy, were commissioned. Several comprehensive systems like Environmental Management System (ISO14001:2004) and Occupational Health and Safety Management System (OHSAS 18001:2007) are adopted.

HUMAN RESOURCE DEVELOPMENT (HRD)

HRD framework has manpower planning & resourcing, employee engagement, performance & compensation management, competency based development, career &

succession planning and organisation building as its six constituents. Each of these constituents have a structured approach, guidelines, policies and standard operating procedures which are reviewed and updated periodically to deliver consistent results.

Through a systematic talent review process, leadership development for identified talent through exposure to globally acclaimed programs, challenging project assignments and job rotations are taken up on a regular basis.

The Company continues to maintain its record of good industrial relations without any interruption in work. As on 31st March 2016, the Company had 5240 employees on its rolls.

CAUTIONARY STATEMENT

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

5. DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 134(5) of the Act, with respect to Directors' Responsibility Statement, it is hereby stated -

- i. that in the preparation of annual accounts for the financial year ended 31st March 2016, the applicable Accounting Standards had been followed and that there were no material departures;
- ii. that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- iii. that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the directors had prepared the accounts for the financial year ended 31st March 2016 on a "going concern basis";
- v. that the directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and

- vi. that the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

6. CORPORATE SOCIAL RESPONSIBILITY (CSR)

CSR activities have already been textured into the Company's value system through Srinivasan Services Trust (SST), the CSR arm of the Company established by the group companies in 1996 with the vision of building self-reliant rural community.

Over 20 years of service, SST has played a pivotal role in changing lives of people in rural India by creating self-reliant communities that are models of sustainable development.

The Company is eligible to spend on their ongoing projects/ programs, falling within the CSR activities specified under the Act, as mandated by the Ministry of Corporate Affairs for carrying out the CSR activities.

The Committee formulated and recommended a CSR policy in terms of Section 135 of the Act along with a list of projects / programmes to be undertaken for CSR spending in accordance with the Companies (Corporate Social Responsibility Policy) Rules, 2014.

Based on the recommendation of the CSR Committee, the board has approved the projects / programs carried out as CSR activities by the following non-profitable organizations having an established track record for more than the prescribed years in undertaking similar programmes / projects, constituting more than 2% of average net profits, for the immediate past three financial years, towards CSR spending for the current financial year 2015-16.

S.No.	Name of the Trust	Amount spent (Rs in Lakhs)
1	Sri Sathya Sai Central Trust	385.00
2	AIM for SEVA	50.00
3	NIMHANS	64.50
4	Voluntary Health Services	25.00
5	Srinivasan Services Trust	191.00
	Total	715.50

Presently, SST is working in 3,449 villages spread across Tamil Nadu, Karnataka, Maharashtra, Himachal Pradesh and Andhra Pradesh covering about 20,90,000 population and 4,63,500 families. Its major focus areas are Economic development, health care, quality education, environment and infrastructure.

Of the 3,449 villages, 2,654 villages (16,72,620 population and 3,67,170 families) have been funded by the Company during the year.

Achievements in 2,654 villages are:

Economic development:

- 2,27,667 families living in these villages have a monthly income of above Rs.15,000/-. They have financial security.
- 1880 farmers groups have been formed with 31,323 members.
- Improved agriculture practices enabled 1,51,862 farmers owning 1,64,124 hectares to increase the yields than the state average by 15%.
- 1,36,050 families earn more than Rs 3,500/- per month through livestock.

Women empowerment:

- Formed 7,064 Self Help Groups. These groups have 1,06,720 women as members.
- Of the 1,06,720 members, 99,170 members are in income generation activities. They earn a minimum income of Rs. 2,500/- per month.

Health care:

- 60,512 children in the age group below 5 are not malnourished.
- 2,75,970 women are freed from anemia.
- 2,32,436 households were provided access to toilet facilities.
- The morbidity percentage reduced from 9% to 5%.
- Enrolment in anganwadis increased from 86% to 100% and attendance is 99%.
- 1,073 anganwadis have met all the Integrated Child Development Services Scheme (ICDS) standards.
- 88% involvement of mother volunteers in the functioning of anganwadis. They volunteer their time to ensure proper functioning.

Quality education:

- 100% enrolment of children in schools. There are no drop outs in the schools.
- Percentage of slow learners reduced in schools from 27% to 14%.
- Out of 1,204 schools, 807 schools are now model schools.
- 73,345 illiterate women out of 1,18,872 have been made literates.

Environment and Infrastructure:

- 2,14,120 households dispose solid waste through individual and common compost pits. 82 tons of vermi compost generated per month from wastes.
- Sewage water from 2,18,234 households disposed through soak pits, kitchen gardens and drains.
- Safe drinking water is available to 2,137 villages.

Communities take care of their development needs. 5,302 social leaders are active in this effort.

As required under Section 135 of the Act read with Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, the annual report on CSR containing the

particulars of the projects / programmes approved and recommended by CSR Committee and approved by the board for the financial year 2015-16 are given by way of Annexure IV attached to this Report.

7. FINANCIAL PERFORMANCE & POSITION OF SUBSIDIARIES & ASSOCIATE COMPANIES

The following companies and bodies corporate are the subsidiaries / associates of the Company:

Subsidiaries

- Sundaram Auto Components Limited, Chennai;
- TVS Housing Limited, Chennai;
- PT. TVS Motor Company Indonesia, Jakarta;
- TVS Motor Company (Europe) B.V., Amsterdam;
- TVS Motor (Singapore) Pte. Limited, Singapore;
- Sundaram Business Development Consulting (Shanghai) Co. Ltd., Shanghai; and
- Sundaram Holding USA Inc., Delaware, USA.

Associates

- Emerald Haven Realty Limited, Chennai; and
- Green Infra Wind Energy Theni Limited, New Delhi.

Sundaram Auto Components Limited (SACL)

During the year, SACL, a wholly owned subsidiary of the Company, achieved a turnover of Rs.2,737 Cr including Rs.491 Cr in Plastics Component business. SACL earned a profit after tax of Rs.28.64 Cr during 2015-16.

SACL increased its customer base by addition of new customers for manufacture of cluster components and heating, ventilating and air-conditioning parts.

SACL productionized 314 new parts for various customers.

SACL received the following awards:

- "Outstanding Supplier for achieving Delivery Target" from TOYODA GOSEI
- "Q1" certification from FORD India
- "SQ mark" certification from Hyundai Motors India Ltd.
- "Best Supplier Kaizen award" from India Japan Lighting Pvt. Ltd.

SACL on 24th December, 2015, declared a first interim dividend of Rs.4.00 per share (40%) for the year 2015-16 absorbing a sum of Rs.5.56 Cr including dividend distribution tax.

SACL again on 7th March, 2016 declared a second interim dividend of Rs.3.00 per share (30%) for the year 2015-16 absorbing a sum of Rs.4.18 Cr. including dividend distribution tax.

Hence, the total amount of both dividends paid, for the year ended 31st March, 2016 aggregates to Rs.7.00 per share (70%) thereby absorbing a sum of Rs.9.74 Cr. including dividend distribution tax.

**TVS Housing Limited (TVSH) /
Emerald Haven Realty Limited (EHRL)**

EHRL is the developer of the Nedungundram, Chennai project of TVSH. Phase 1 was developed as apartments and Phase 2 was launched as villas and row houses. As of 31st March 2016, all the 448 apartments have been sold and customers have taken possession of the apartments. Despite the tough real estate market condition in Chennai, the responses for the villas and row houses have been quite good. As the phase 2 is nearing completion, the Company has already sold about 90% of the units. The Company is confident that the remaining units would be sold during 2016-17.

PT.TVS Motor Company Indonesia (PT TVSM)

During 2015-16, motorcycle industry in Indonesia declined by 12% (from 7.6 million units in 2014-15 to 6.6 million units in 2015-16). The decline was mainly due to lower economic growth and weak consumer sentiments due to subdued commodity prices and further tightening of credit. While the bebek segment declined by 33%, sports motorcycle segment went down by 23%. The scooter category marginally declined by 5%. Within 2 wheelers, the scooter segment continued to dominate with a category share of 75%.

During the year, PT TVSM launched the 110cc Dazz scooter with fuel injection system in Indonesian market. It also launched the new Apache 200cc sports motorcycle. PT TVSM continued its focus on exports to ASEAN and African countries. PT TVSM commenced its exports to Latin American market by entering Colombia.

The decline in two wheeler industry resulted in lower domestic sales during 2015-16. PT TVSM sold total of 17,100 vehicles as against 23,300 vehicles sold in the previous year. However, the focus on ASEAN and African markets helped the company to export 15,000 nos, registering an increase of 4% over the previous year. The EBITDA loss for the year of 6.8 Mn USD is marginally lower than EBITDA loss of 7.7 Mn USD of 2014-15. Focus during 2016-17 will be to build on the portfolio and substantially reduce the EBITDA loss.

**TVS Motor Company (Europe) B.V &
TVS Motor (Singapore) Pte. Ltd**

TVSM had earlier incorporated both these entities with a view to serve as special purpose vehicles for making and protecting the investments made in overseas operations of PT TVSM.

**Sundaram Business Development Consulting
(Shanghai) Company Limited (SBDC)**

SBDC was initially established to explore options of sourcing auto components and local assembly of two wheelers etc., in China. After a complete review, board felt that it may not be viable to carry out manufacturing activities in China and therefore steps were taken for closure of operations of SBDC. All required formalities were completed in April 2016. Hence in the books a provision of Rs.1.07 Cr has been made for diminution in the value of investments.

Sundaram Holding USA Inc.

SACL made an investment of USD 750 consisting of 750 shares with face value of USD 1 each in Sundaram Holding USA Inc., (SHUI) a company established under the applicable laws of United States of America (USA) for carrying out the business of SACL in USA. SACL by this investment acquired 75% of the paid up capital of SHUI and hence, it has become a subsidiary of the Company effective 9th September 2015, by virtue of the provisions of Section 2(87) of the Act.

Green Infra Wind Energy Theni Ltd (GIWETL)

SACL had earlier invested Rs.3 Cr. (30 lakh shares of Rs.10 each) representing 21.58% of total share capital of Rs.13.9 Cr. of GIWETL. The above investment was made by SACL purely to comply with the legal requirement to draw low cost green energy from 6 MW committed to SACL by GIWETL. SACL has no operating control and not involved in daily operation of GIWETL. Hence, both the Company and SACL have not consolidated the financials of GIWETL.

8. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company are prepared in accordance with the provisions of Section 129 of the Act, read with the Companies (Accounts) Rules, 2014 and Regulation 33 of the SEBI (LODR) Regulations 2015 along with a separate statement containing the salient features of the financial performance of subsidiaries / associate in the prescribed form. The audited consolidated financial statements together with Auditors' Report form part of the Annual Report.

The audited financial statements of the subsidiary companies will be made available to the shareholders, on receipt of a request from any shareholder and it has also been placed on the website of the Company. This will also be available for inspection by the shareholders at the registered office during business hours.

The consolidated profit after tax of the Company and its subsidiaries & associate amounted to Rs. 369.33 Cr for the financial year 2015-16 as compared to Rs. 328.26 Cr in the previous year.

9. DIRECTORS & KEY MANAGERIAL PERSONNEL**Independent Directors (IDs)**

All IDs hold office for a fixed term of five years and are not liable to retire by rotation.

At the annual general meeting held on 14th July 2014, M/s T Kannan, C R Dua, R Ramakrishnan, Prince Asirvatham and Hemant Krishan Singh, were appointed as IDs for the first term of five consecutive years from the conclusion of the twenty second AGM and entitled to receive remuneration by way of fees, reimbursement of expenses for participation in the meetings of the board and / or committees and profit related commission in terms of applicable provisions of the Act as determined by the board from time to time.

On appointment, each ID has acknowledged the terms of appointment as set out in their letter of appointment. The terms cover, inter alia, duties, rights of access to information, disclosure of their interest / concern, dealing in Company's shares, remuneration and expenses, insurance and indemnity. The IDs are provided with copies of the Company's policies and charters of various committees of the board.

In accordance with Section 149(7) of the Act, all IDs have declared that they met the criteria of independence as provided under Section 149(6) of the Act.

The detailed terms of appointment of IDs are disclosed on the Company's website in the following link <http://www.tvsmotor.com/pdf/Terms-of-Appointment-Independent-Directors.pdf>.

Separate meeting of Independent Directors

The IDs were fully kept informed of the Company's activities in all its spheres.

During the year under review, a separate meeting of IDs was held on 12th March 2016 and the IDs reviewed the performance of:

- (i) non-IDs viz., M/s Venu Srinivasan, Chairman and Managing Director, Sudarshan Venu, Joint Managing Director, H Lakshmanan, and Dr Lakshmi Venu, directors; and
- (ii) the board as a whole.

They also reviewed the performance of Chairman after taking into account, the views of Executive and Non-Executive Directors.

They also assessed the quality, quantity and timeliness of flow of information between the Company's Management and the board that is necessary for the board to effectively and reasonably perform its duties.

All the Independent Directors were present at the Meeting.

Woman director

In terms of Section 149 of the Act and Regulation 17 of the SEBI (LODR) Regulations 2015, the Company is required to have a woman director on its board.

Dr Lakshmi Venu was appointed as non-executive and non-independent director of the Company in terms of Section 161 read with Section 149 of the Act, effective 10th September 2014. Her appointment was regularized at the AGM held on 29th July 2015.

Non-executive and non-independent directors (NE-NIDs)

In terms of the provisions of sub-section (6) read with explanation to Section 152 of the Act, two-third of the total number of directors i.e., excluding IDs, are liable to retire by rotation and out of which, one-third is liable to retire by rotation at every AGM.

Mr H Lakshmanan, director who is liable to retire by rotation at the AGM, and being eligible, offers himself for re-appointment.

The directors, therefore, recommend his re-appointment as director of the Company.

Key Managerial Personnel (KMP)

M/s Venu Srinivasan, Chairman and Managing Director, Mr Sudarshan Venu, Joint Managing Director, Mr K N Radhakrishnan, Chief Executive Officer, Mr S G Murali, Chief Financial Officer and Mr K S Srinivasan, Company Secretary are KMP of the Company in terms of Section 2(51) and Section 203 of the Act.

Nomination and Remuneration Policy

The Nomination and Remuneration Committee of Directors (NRC) reviews the composition of the board, to ensure that there is an appropriate mix of abilities, experience and diversity to serve the interests of all shareholders and the Company.

In accordance with the requirements under Section 178 of the Act, Nomination and Remuneration Policy was formulated to govern the terms of nomination / appointment and remuneration of (i) Directors, (ii) KMP and (iii) Senior Management Personnel (SMP) of the Company. The same was approved by the board at its meeting held on 23rd September, 2014. There is no change in the Policy during the year under review.

The NRC also reviews succession planning of KMP, SMP and board. The Company's approach in recent years is to have a greater component of performance linked remuneration for SMP.

The process of appointing a director / KMP / SMP is, that when a vacancy arises, or is expected, the NRC will identify, ascertain the integrity, qualification, appropriate expertise and experience, having regard to the skills that the candidate will bring to the board / Company, and the balance of skills added to that of which the existing members hold.

The NRC will review the profile of persons and the most suitable person is either recommended for appointment by the board or is recommended to shareholders for their election. The NRC has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.

NRC will ensure that any person(s) who is / are appointed or continues in the employment of the Company as its executive chairman, managing director, whole-time director shall comply with the conditions as laid out under Part I of Schedule V to the Act.

NRC will ensure that any appointment of a person as an independent Director of the Company will be made in accordance with the provisions of Section 149 read with Schedule IV to the Act along with any other applicable provisions and SEBI (LODR) Regulations, 2015.

Criteria for performance evaluation, disclosures on the remuneration of directors, criteria of making payments to

non-executive directors have been disclosed as part of Corporate Governance Report attached herewith.

Variation in the terms of remuneration payable to CMD and JMD

The board, on the recommendation of NRC, at its meeting held on 3rd May 2016, reviewed the remuneration payable to CMD after taking into consideration, the time spent and contribution to the growth of the Company including his active involvement in all spheres of affairs and leading the Company's management in achieving sales and profits and felt that, CMD can be compensated by way of monthly remuneration and allied perquisites along with the profit related commission, from the financial year 2016-17 effective 1st April 2016, within the overall limits prescribed under Section 197 of the Act.

The board also reviewed the remuneration payable to JMD after taking into consideration his active involvement in all spheres of management and exploring business opportunities both in India and abroad and felt that, JMD can be compensated by way of enhanced profit related commission.

Such modification in the terms of remuneration will amount to variation of remuneration payable to them within the overall limit permissible under Sections 197 and 198 read with Schedule V to the Act and placed before the members for their approval by way of ordinary resolutions in the ensuing AGM.

NRC has recommended the modifications in the terms of remuneration payable to both CMD and JMD, to the board subject to approval of the shareholders.

Evaluation of the board, committees and directors

In terms of Section 134 of the Act and the Corporate Governance requirements as prescribed under SEBI (LODR) Regulations 2015, the board reviewed and evaluated its own performance from the perspectives of Company's performance, strategy and implementation, risk management and corporate ethics, based on the evaluation criteria laid down by the NRC.

Board

The board discussed and assessed its own composition, size, mix of skills and experience, its meeting sequence, effectiveness of discussion, decision making, follow up action, quality of information and the performance and reporting by the Committees viz., Audit Committee, NRC, Stakeholders Relationship Committee (SRC) and Corporate Social Responsibility Committee (CSR).

The board upon evaluation concluded that it is well balanced in terms of diversity of experience encompassing all the

activities of the Company. The Company endeavours to have a diverse board representing a range of experience at policy-making levels in business and technology, and in areas that are relevant to the Company's global activities.

The board also noted that corporate responsibility, ethics and compliance are taken seriously, and there is a good balance between the core values of the Company and the interests of stakeholders. The board is satisfied with the Company's performance in all fronts viz., new product development, operations, sales and marketing, finance management, international business, employee relations and compliance with statutory / regulatory requirements and finally concluded that the board operates effectively and is closely aligned to the culture of the business.

Directors

The performance of individual directors including all Independent directors is assessed against a range of criteria such as contribution to the development of business strategy and performance of the Company, understanding the major risks affecting the Company, clear direction to the management and contribution to the board cohesion. The performance evaluation has been done by the entire board of directors, except the director concerned being evaluated.

The board noted that all directors have understood the opportunities and risks to the Company's strategy and are supportive of the direction articulated by the management team towards consistent improvement.

Committees

The performance of each committee was evaluated by the board after seeking inputs from its members on the basis of the criteria such as matters assessed against terms of reference, time spent by the committees in considering matters, quality of information received, work of each committee, overall effectiveness and decision making and compliance with the corporate governance requirements and concluded that all the committees continued to function effectively, with full participation by all its members and the members of executive management of the Company.

The board reviewed each committee's terms of reference to ensure that the Company's existing practices remain appropriate. Recommendations from each committee are considered and approved by the board prior to implementation.

Number of board meetings held

The number of board meetings held during the financial year 2015-16 are provided as part of Corporate Governance Report prepared in terms of the SEBI (LODR) Regulations 2015.

10.AUDITORS

Statutory Auditors

The Company at its twenty second AGM held on 14th July 2014 appointed M/s V Sankar Aiyar & Co., Chartered Accountants, Mumbai, having Firm Registration No. 109208W allotted by The Institute of Chartered Accountants of India, as statutory auditors of the Company to hold office, for four consecutive years in the first term of five consecutive years, from the conclusion of the said AGM, subject to ratification at every AGM, at such remuneration in addition to all applicable taxes, out of pocket expenses, travelling and other expenses as may be mutually agreed between the board and the Auditors.

It is therefore proposed to continue them as statutory auditors for the fourth year in the first term of five consecutive years, from the conclusion of this AGM, subject to ratification by the members at the AGM.

The Company has obtained necessary certificate under Section 141 of the Act conveying their eligibility for being statutory auditors of the Company for the year 2016-17.

The Auditors' Reports for the financial year 2015-16 does not contain any qualification, reservation or adverse remarks and the same is attached with the annual financial statements.

Secretarial Auditors

As per Section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, the Company is required to appoint a Secretarial Auditor for auditing secretarial and related records of the Company.

As required by Section 204 of the Act, the Secretarial Audit Report for the year 2015-16 given by M/s S Krishnamurthy & Co., Company Secretaries, Chennai for auditing the secretarial and related records is attached to this report. The Secretarial Audit Report does not contain any qualification, reservation or other remarks.

M/s S Krishnamurthy & Co., Company Secretaries, Chennai, was re-appointed as Secretarial Auditors for carrying out the secretarial audit for the financial year 2016-17.

Cost Auditor

As per Section 148 of the Act read with the Companies (Cost Records and Audit) Rules 2014, as amended, the cost audit records maintained by the Company in respect of engine parts, etc., manufactured by the Company specified under Central Excise Tariff Act heading in Table B to Rule 3 of the above Rules, are required to be audited by a Cost Auditor.

In terms of the Companies (Cost Records and Audit) Amendment Rules, 2014, the board, subject to the approval

of the Central Government, has re-appointed Mr A N Raman, Cost Accountant holding certificate of practice No. 5359 allotted by The Institute of Cost Accountants of India, as a Cost Auditor for conducting Cost Audit for the financial year 2016-17.

The Company has also received necessary certificate under Section 141 of the Act from him conveying his eligibility. A sum of Rs.5 lakhs has been fixed by the board as remuneration in addition to reimbursement of all applicable taxes, travelling and out-of-pocket expenses payable to him for the financial year 2016-17 and is also required to be ratified by the members, at the ensuing AGM as per Section 148(3) of the Act.

11.CORPORATE GOVERNANCE

The Company has been practising the principles of good governance over the years and lays strong emphasis on transparency, accountability and integrity.

A separate section on Corporate Governance and a certificate from the statutory auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under SEBI (LODR) Regulations 2015 form part of this Annual Report.

The chairman and managing director and the chief financial officer of the Company have certified to the board on financial statements and other matters in accordance with the Regulation 17 (8) of the SEBI (LODR) Regulations 2015 pertaining to CEO / CFO certification for the financial year ended 31st March 2016.

12.POLICY ON VIGIL MECHANISM

The Company has adopted a Policy on Vigil Mechanism in accordance with the provisions of the Act and Regulation 22 of SEBI (LODR) Regulations 2015, which provides a formal mechanism for all directors, employees and other stakeholders of the Company to report to the management, their genuine concerns or grievances about unethical behaviour, actual or suspected fraud and any violation of the Company's Code of conduct or ethics policy.

The policy also provides a direct access to the Chairperson of the Audit Committee to make protective disclosures to the management about grievances or violation of the Company's Code of conduct.

The policy is disclosed on the Company's website in the following link <http://www.tvsmotor.com/pdf/Whistle-Blower-Policy.pdf>.

13.PUBLIC DEPOSITS

The Company has not accepted any deposit from the public within the meaning of Chapter V of the Act, for the year ended 31st March 2016.

14. STATUTORY STATEMENTS**Information on conservation of energy, technology absorption, foreign exchange etc**

Information on conservation of energy, technology absorption and foreign exchange earnings and outgo are given in Annexure I to this report, in terms of the requirements of Section 134(3)(m) of the Act read with the Companies (Accounts) Rules 2014.

Material changes and commitments

There have been no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of this report.

Significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status of the Company

There are no significant and material orders passed by the Regulators or Courts or Tribunals, which would impact the going concern status of the Company and its future operations.

Annual Return

Extract of Annual Return in the prescribed form is given as Annexure II to this report, in terms of the requirements of Section 134(3)(a) of the Act read with the Companies (Accounts) Rules 2014.

Employee's remuneration

Details of employees receiving the remuneration in excess of the limits prescribed under Section 197 of the Act read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given in Annexure III. In terms of first proviso to Section 136(1) of the Act, the Annual Report, excluding the aforesaid annexure is being sent to the shareholders of the Company. The annexure is available for inspection at the Registered Office of the Company during business hours and any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of the Company.

Comparative analysis of remuneration paid

A comparative analysis of remuneration paid to Directors and employees with the Company's performance is given as Annexure V to this report.

Details of related party transactions

Details of material related party transactions under Section 188 of the Act read with the Companies (Meetings of Board and its Powers) Rules, 2014, are given in Annexure VI to this report in the prescribed form.

Details of loans / guarantees / investments made

The details of loans and guarantees under Section 186 of the Act read with the Companies (Meetings of Board and its Powers) Rules, 2014, for the financial year 2015-16 are given as Annexure VII to this report. On loans granted to the employees, the Company has charged interest as per its remuneration policy, in compliance with Section 186 of the Act.

Please refer note No. X to Notes on accounts for the financial year 2015-16, for details of investments made by the Company.

Other laws

During the year under review, the Company has not received any complaints of sexual harassment from any of the women employees of the Company in terms of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act 2013.

15. ACKNOWLEDGEMENT

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

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

The directors also thank the investors for their continued faith in the Company.

For and on behalf of the Board

Bengaluru
3rd May 2016

VENU SRINIVASAN
Chairman