Board's Report & Management Discussion and Analysis

Dear Shareholders,

The Directors take pleasure in presenting the 10th Annual Report together with the audited financial statements of the Company for the year ended 31st March 2018.

1. **Business Environment**

With growth in the Gross Domestic Product (GDP) averaging 7.5% between 2014-15 and 2016-17, India can be rated as among the best performing economies in the world. Although growth is expected to decline to 6.7% in 2017-18, bringing the four year average to 7.3%, the broad story of India's GDP growth to be significantly higher than most economies of the world remains intact. It is all the more creditable that this growth has been achieved in a milieu of lower inflation, improved current account balance and notable reduction in the fiscal deficit to GDP ratio.

In addition to the introduction of Goods & Services Tax (GST), the year also witnessed noteworthy steps being taken towards resolving the problems associated with Non-Performing Assets (NPAs) of banks, further liberalization of Foreign Direct Investment (FDI) etc., thereby strengthening the reform momentum. After remaining in the negative territory for a couple of years, growth of exports rebounded into the positive zone during 2016-17 and further strengthened in 2017-18. There was an augmentation in the foreign exchange reserves of the country, which closed at an all-time high of US$414 billion. As with any major reform, implementation of the GST is fraught with issues that businesses are still grappling with so as to familiarize themselves with the nuances of the new legislation. The months just before and after GST implementation saw a slowdown in business activity which had a dampening impact on the economy as businesses were assessing the impact of the legislation before taking major business decisions. Government played a very active role in clarifying many vexed and contentious issues, simplifying and relaxing many of the compliance processes due to which business activity has steadily picked up now.

Globally, economic activity continued to firm up during the year. The global output is estimated to have grown by 3.7% in 2017, 0.5% higher than in 2016. Global growth forecasts for 2018 and 2019 have been projected at 3.9%, reflective of the increased growth momentum and the expected impact of the recently approved U.S. tax policy changes to cut corporate income-tax rates.

However, the system of rules and regulations that governed world trade for the last several decades is under serious threat. Perhaps the clearest threat to world trade comes from the US Administration which decided to impose tariffs of 25% on steel articles and 10% on aluminium products imported from all countries except Canada and Mexico ostensibly to protect the local industry. At the very least, this shift is likely to mean a substantial change in the way international trade is organised.

The recent developments suggest the danger of an all-out trade war between countries.

In an eventful year that followed the demonetisation and ban on sale and registration of BS (Bharat Stage)-III vehicles in the previous year, the Indian automobile sector managed to grow 14% during 2017-18. In the four wheeler segment, passenger vehicle and commercial vehicle sale volumes were up by 8% and 20%. In the two wheeler segment, scooters grew by 20% and motor cycles grew by 14%.

2. **Standalone Financial Highlights** ₹ in Cr.

Particulars	2017-18	2016-17
Sale of Products - Gross	**4409.98**	**4207.77**
Excise Duty on Sales	(74.57)	(282.63)
Sale of Products - Net	**4335.41**	**3925.14**
Profit Before Exceptional Items and Tax	**217.94**	**201.50**
Provision for Impairment on Investments	(25.25)	-
Profit Before Tax	**192.69**	**201.50**
Tax Expense	(56.23)	(42.55)
Profit After Tax	**136.46**	**158.95**

3. **Performance Overview**

During 2017-18, the Company achieved a net turnover of ₹4,335 Cr., growing 10% over the previous year's ₹3,925 Cr. The Profit before Depreciation, Interest, Exceptional Items and Tax was at ₹403 Cr. as against ₹395 Cr. in the previous year. The Profit before Tax and Exceptional Items was at ₹218 Cr. as against ₹202 Cr. in the previous year, a growth of 8%.

On account of various market factors, changes in future project potential and accumulated losses, the Company has recognised during the year an impairment loss of ₹25.25 Cr. in the Statement of Profit and Loss in respect of investment made in joint ventures.

The Cycles and Accessories segment recorded revenue, net of excise duty of ₹1,303 Cr as compared to ₹1,343 Cr. during 2016-17, a de-growth of 3%, since the Cycles market was sluggish. The operating profit before interest and tax stood at ₹0.33 Cr. as compared to ₹36 Cr. during the previous year. The lower profit was mainly due to the mix between Institutional and Trade sales and costs incurred towards closure of the Nashik Plant with the objective of achieving cost efficiency and consolidation of overall capacity at two locations viz., Ambattur (Chennai) and Rajpura (Punjab).

The Engineering segment registered revenue, net of excise duty of ₹2,317 Cr. as compared to ₹1,866 Cr. during the previous year, a growth of 24%. The operating profit before interest and tax stood at ₹175 Cr. as compared to ₹146 Cr. during 2016-17, registering a growth of 20%. The increase in exports and stabilisation of the Large Diameter Tube manufacturing facility contributed to the increase in profits of the segment.

The Metal Formed Products segment recorded revenues, net of excise duty of ₹1,157 Cr. as compared to ₹1,038 Cr. during the previous year, a growth of 11%. The operating profit before interest and tax stood at ₹102 Cr. as compared to ₹88 Cr. during the previous year, a growth of 16%.

4. Business Review – Standalone

4.1. Cycles and Components

TI's Presence

The Cycles and Components segment of the Company comprises bicycles of the Standard and Special variety including alloy bikes & specialty performance bikes, cycling accessories, bicycle components sold as spares and home fitness equipment.

Industry Scenario

Bicycles fall under two distinct categories - Standards and Specials. While Standard cycles are largely used for commuting, especially in small towns & rural areas, Specials cycles cater to recreational usage, where the product is used for fun, fitness and leisure activities. As per the industry estimates, bicycle industry volumes grew by 5% during 2017-18. While orders from the Government Schemes witnessed a growth of 30% over previous year, trade volumes witnessed a decline of around 10% during the year. The year 2017-18 was a very challenging one for the bicycle industry with the Standards segment registering a drop of 21% over previous year in trade. On the other hand, due to increasing aspirations, higher purchasing power, international exposure to usage patterns and growing fitness consciousness, the use of high-end special bicycles continued to receive impetus, contributing to the continued steady growth of sale volumes year-on-year.

Nearly 80% of the country's requirements are met by four major players. The smaller regional players and imports constitute the balance. The Company enjoys a share of over one-fourth of the total organised market with a much higher share in the premium segment.

Review of Performance

The segment sold over 37.6 lakh bicycles during the year, which was however lower by 4.9% when compared with 2016-17. The thrust on Specials segment was driven by a concerted effort to enhance consumer experience through exclusive retail outlets under the brand "Track & Trail". 48 new Track & Trail outlets were opened in 2017-18 and many more migrated from the older format, taking the total of exclusive "Track & Trail" outlets to 227. The segment also made a strong entry into e-commerce with a presence in well-known e-commerce portals like Flipkart and Amazon apart from its own e-commerce portal, www.trackandtrail.in.

In 2017-18, 67 new model bicycles were launched and 60 old models were refreshed, contributing to 41% of the turnover from such new products and refreshes. Multiple innovations were introduced for the first time in the industry, notable among them being the Anti-Slip Chain and a range of ergonomic handlebars. One of the marquee models Brut+ received the best design award in the Automotive category for 2017-18 from the Confederation of Indian Industry (CII).

On the consumer outreach front, a large scale school contact programme was conducted across the States of Maharashtra, Uttar Pradesh and Karnataka, reaching about 2.7 lac children. The objective of the programme was to get children (in the age group of 8-14 years) excited about cycling, while teaching them road safety, basics of cycling and self-defence for girls. Through the year, the bicycle brands of the segment were consistently active on the digital medium. Mach City, a brand which helps urban adults rediscover cycling, was awarded the Best Social Media brand by Social Samosa, a leading online platform for analysis and research relating to social media.

As the Company has started ramping up its production in 2017-18 in the newly commissioned state-of-the-art bicycle manufacturing plant at Rajpura (Punjab), which has an installed capacity of 2,50,000 bicycles per month, the segment has closed down the Nashik facility to derive cost efficiencies through consolidation of overall capacities.

4.2. Engineering

TI's Presence

The Engineering Segment of the Company consists of cold rolled steel strips and precision steel tubes viz., Cold Drawn Welded tubes (CDW) and Electric Resistance Welded tubes (ERW). These products primarily cater to the needs of the automotive, boiler, bicycle, general engineering and process industries. The Company is further engaged in the manufacture of large diameter welded tubes mainly for non-auto application. In the past, such products were largely imported.

Industry Scenario

During 2017-18, the overall automotive industry growth was at 15%. The passenger vehicle, commercial vehicle and two-wheeler segments registered growth of 5%, 10% and 16% respectively over the last fiscal. In the two wheeler segment, the sale volumes in scooters grew by 20%, while motorcycles grew by 16%.

In Cold Rolled Steel Strips, in a market which is dominated by integrated steel manufacturers, the Company continued to be a 'niche player' by focussing on special grades catering to varied applications in different sizes and grades.

Review of Performance

The Engineering segment continued on the growth path on the back of growth in the domestic auto industry and in exports by taking good advantage of the capabilities, regional plants and distribution network of the segment.

During the year, volumes of the tubes business grew 18%, while the cold rolled steel strips business grew 11%. The Large Diameter Tube manufacturing plant, which caters to the requirements of the power, infrastructure, off-highway and general engineering segments further stabilized during the year. Plans have been drawn up for optimum utilisation of this facility and improvement in the market share.

During the year under review, the segment registered revenue net of excise duty of ₹2,317 Cr. as compared to ₹1,866 Cr. during the previous year. The operating profit before interest and tax stood at ₹175 Cr. as compared to ₹146 Cr. during 2016-17, registering a strong growth of 20%.

Increase in volumes in the domestic market, modernisation of facility and further enhancement in efficiencies were the key business emphasis areas aiding improved profitability during 2017-18.

The US Department of Commerce had initiated an investigation on the imports of cold-drawn steel mechanical tubes from India and some other countries in response to a complaint of dumping from the local manufacturers. Based on frivolous grounds, the US Department of Commerce has determined a Countervailing Duty (CVD) of 42.60% and an Anti-dumping Duty (AD) of 5.87% on the Company's export of cold-drawn tubes to the US market. Taking into account the 25% tariff imposed under Section 232 of the US Trade Expansion Act, 1962, the total tariff works out to 73.5%, making the export of cold-drawn tubes to the US unviable. The CVD and AD will be revised based on the first review by the US Department of Commerce scheduled some time in May 2019.

4.3. Metal Formed Products

TI's presence

Automotive & industrial chains, fine blanked products, stamped products, roll-formed car doorframes and cold rolled formed sections for railway wagons and passenger coaches constitute the Metal Formed Products segment.

Industry scenario

During 2017-18, the two wheeler segment grew 16% driven by scooter growth of 20% and the passenger vehicles segment by 5%. The segment is one of the major players manufacturing roller chains and fine blanked parts for the automotive industry in India. The replacement market for chains and sprockets continued to register a good growth due to the increasing two wheeler population. The domestic demand for industrial chains has grown moderately.

With international car majors continuing to invest in the country and increasingly using India as an export base, many component manufacturers have the opportunity to cater to the global needs of automobile manufacturers and their Tier 1 suppliers. Within the railway segment, the freight sub-segment is yet to show any sign of a major revival. The passenger coach segment witnessed huge growth as the Ministry of Railways is focussing on passenger safety by initiating conversion of all old type coaches into stainless steel. This segment has achieved

41% growth over previous year, supplying to various customers.

Review of Performance

Sale of automotive chains and industrial chains grew by 18% and 8% respectively when compared to 2016-17 in volume terms. The Company continued to expand its presence in the aftermarket segment benefiting from the two-wheeler population growth. Fine blanked components volumes grew by 29% primarily through new parts developed for the four wheeler segment. Though exports volume registered a growth of 5% over 2016-17, the challenges faced continued due to the difficult demand conditions in Europe.

Doorframe sale volumes were higher at 6% during 2017-18 due to higher sales on select models with two of the renowned auto majors. The focus is on generating more business from the auto OEMs, leveraging the Tier-1 position with specific emphasis on roll form products and other tubular parts used in passenger cars. In addition, growing the casings vertical with efforts spread across sectors catering to new customers for both four wheeler and two wheeler auto electrical manufacturers, strengthening the current position in respect of coach parts, expanding the customer base and foraying into agri-rotovators blades and other farm implements are some of the opportunities that will be looked into closely to sustain the drive towards growth.

During the year, the doorframe operations at Halol which catered exclusively to the requirements of a major auto MNC for one of its car models was suspended and the fixed assets moved to other locations due to the said auto MNC discontinuing the said car model.

The chains business segment will continue its core business processes to handle both volume fluctuations and change in the product mix to meet customers' demand. The replacement market continues to provide opportunities for growth notwithstanding good competition and the business expects to strengthen on the sales structure, deepen its coverage and launch new products for new categories.

During the year under review, the segment recorded revenue net of excise duty of ₹1,157 Cr. as compared to ₹1,038 Cr. during the previous year, a growth of 11%. The operating profit before interest and tax stood at ₹102 Cr. as compared to ₹88 Cr. during the previous year, a growth of 16%.

5. Dividend

The Board of Directors has recommended a Dividend of ₹0.50 (fifty paise) per share on equity share of face value of ₹1 each for the financial year ended 31st March, 2018. Together with the interim dividend of ₹1.25 per share, paid on 28th February, 2018, the total dividend for the year works out to ₹1.75 per share on equity share of face value of ₹1 each. The final dividend, if approved by shareholders, will be paid on or after 17th August, 2018.

The policy on Dividend Distribution as approved by the Board is uploaded and available on the following link on the Company's website, http://www.tiindia.com/article/values/601. The Policy also forms part of this Annual Report for the information of shareholders as Annexure-A.

6. Share Capital

The paid up Equity Share Capital as on 31st March 2018 was ₹18.75 Cr.

7. Finance

Cash and Cash Equivalents as at 31st March 2018 were ₹19.25 Cr. The Company continues to focus on judicious management of its working capital. Receivables, inventories and other working capital parameters were kept under strict check through continuous monitoring.

7.1. Non-Convertible Debentures

During the year, Non-Convertible Debentures (NCDs) aggregating ₹125 Cr. were redeemed and NCDs for ₹100 Cr. were issued. As on 31st March 2018, NCDs aggregating ₹450 Cr. were outstanding.

7.2. Deposits

The Company has not accepted any fixed deposits under Chapter V of the Companies Act, 2013 and as such no amount of principal and interest were outstanding as on 31st March 2018.

7.3. Particulars of Loans, Guarantees or Investments

During the year, the Company has not given any loans or guarantees under the provisions of Section 186 of the Companies Act, 2013. The Company made the following investments:

- Subscribed to 40,00,000 Equity Shares of ₹10 each of TI Tsubamex Private Ltd, for an aggregate amount of ₹4 Cr;
- Subscribed to 37,50,000 Equity Shares of ₹10 each of TI Absolute Concepts Private Ltd., for an aggregate amount of ₹3.75 Cr.;
- Acquired by way of purchase 40,00,000 Equity Shares of Sri Lankan Rupees (SLR) 10 each of Great Cycles (Private) Ltd., for an aggregate consideration of ₹16.98 Cr.
- Acquired by way of purchase 40,00,000 Equity Shares of SLR 10 each of Creative Cycles (Private) Ltd., for an aggregate consideration of ₹6.47 Cr.

8. Consolidated Financial Highlights

₹ in Cr.

Particulars	2017-18	2016-17
Revenue from Operation	**5116.28**	**4820.20**
Profit Before Exceptional items and Tax	**230.17**	**228.55**
Exceptional items	(3.26)	-
Profit Before Tax and Exceptional Items	**226.91**	**228.55**
Tax Expense	(58.32)	(46.75)
Profit for the year before Minority Interest and share of profit from Associate	**168.59**	**181.80**
Share of loss from Associate	(13.08)	(7.45)
Net Profit for the Year	**155.51**	**174.35**

9. Business Review – Subsidiaries and Joint Ventures

9.1. Shanthi Gears Ltd (SGL)

SGL, a subsidiary of the Company, recorded revenue net of excise duty of ₹214 Cr. in 2017-18 against ₹184 Cr. in the previous year. Profit before tax was ₹33 Cr. (previous year: ₹29 Cr.). During the year, SGL renewed its focus on re-establishing itself in the market and gaining new customers.

SGL continued to look at enlarging its market presence, create a robust channel, enhance its process capabilities and launch new products to meet the growing expectations of customers.

9.2. Financière C10 SAS (FC10)

FC10, the Company's wholly-owned subsidiary in France, recorded a consolidated revenue of Euro 33 Mn in 2017 (previous year: Euro 30 Mn). The profit/loss before tax for the year was Euro 0.14 Mn (previous year: loss before tax Euro 0.19 Mn). The consolidated results of FC10 include results of its subsidiaries viz., Sedis SAS (France), Sedis GmbH (Germany) and Sedis Co Ltd (UK).

9.3. TI Tsubamex Private Limited (TTPL)

TTPL is a joint venture of the Company with M/s. Tsubamex Company Limited, Japan to engage in the business of design and engineering of sheet metal dies and fixtures and providing related services The Company presently holds 78.3% of TTPL's equity capital.

During the course of 2017-18, TTPL successfully completed and delivered varied projects for different auto OEMs and their Tier 1 suppliers. The highlight was delivery of skin panel dies for an auto major's new project. The company was able to attract, recruit and train tool & die engineers from reputed polytechnics such as Nettur Technical Training Foundation (NTTF) and Murugappa Polytechnic. This paved the way for reducing dependence on high cost contract shop floor personnel. Efforts are in progress to reduce the fixed costs further.

The joint venture partner is providing continuous support by way of assigning specific experts to work alongside TTPL's employees and impart specific skills in die assembly and die finishing.

TTPL recorded a revenue net of excise duty of ₹25.72 Cr. for 2017-18 and recorded a loss before tax of ₹6.98 Cr. (previous year: ₹5.81 Cr.).

9.4. Great Cycles (Private) Limited (GCPL)

GCPL is the Company's subsidiary in Sri Lanka acquired in March 2018. The Company presently holds 80% of GCPL's equity capital.

9.5. Creative Cycles (Private) Limited (CCPL)

CCPL is the Company's subsidiary in Sri Lanka acquired in March 2018. The Company presently holds 80% of CCPL's equity capital.

9.6. TI Absolute Concepts Private Limited (TIACPL)

TIACPL is the joint venture between the Company and M/s. Absolute Speciality Foods Chennai Private Limited with regard to the operation of bicycle theme based restaurants under the concept of 'Ciclo Café'.

During the year under review, the Company had invested in the aggregate ₹3.75 Cr. in the equity share capital of TIACPL, with the joint venture partner also making an equal contribution as envisaged under the Joint Venture Agreement. The Company presently holds 50% of TIACPL's equity capital.

Ciclo Cafes operated by TIACPL are functioning at Kotturpuram (Chennai), Hyderabad and Bengaluru.

TIACPL achieved a turnover of ₹11 Cr. for 2017-18 and recorded a loss before tax of ₹16 Cr.

The Statement containing salient features of the financial statements of the Company's Subsidiaries / Associate Companies / Joint Ventures is attached as Annexure-B. The Consolidated Financial Statements of the Company and its subsidiaries, prepared in accordance with the Indian Accounting Standards, form part of the Annual Report.

Further, consequent to the demerger sanctioned by the National Company Law Tribunal, Chennai vide its Order dated 17th July, 2017 and effective 1st April, 2016 viz., the Appointed Date under the Scheme of Arrangement

(Demerger), Cholamandalam Investment and Finance Company Limited ceased to be an Associate of the Company, Cholamandalam MS General Insurance Company Limited ceased to be subsidiary of the Company and Cholamandalam MS Risk Services Limited ceased to be the Joint Venture of the Company.

10. Financial Review

10.1. Profits & Profitability

The Profit before Tax and Exceptional Items registered a growth of 8%, through continued control on costs, better operating efficiencies, stabilisation of Large Diameter Tube manufacturing Plant and reduction of interest costs. On certain occasions, the Company was not able to fully recover the increase in cost from its customers.

All the business segments of the Company maintained their focus on servicing customers, improving efficiencies, controlling working capital and reducing resources employed in the business.

10.2. Capital Expenditure

The Company's Large Diameter Tube manufacturing Plant got stabilized during the current year. The Company continues to invest in facilities with a view to servicing its customers in a more timely and efficient manner, modernising its assets and aims to be the best in class. The Company continues to assess the trends emerging in the industry and the changing requirements of its customers and invest appropriately for the long-term. The Company completed the construction of a new plant in Rajpura, Punjab to manufacture precision tubes. The installation of major equipment has been completed and trial production is underway. The Company is also investing further in fine blanking area to meet the growing customer demand.

10.3. Interest Cost

The Company's average cost of borrowing reduced to 7% p.a., since interest cost for the year was lower due to the lower quantum of borrowings and lower interest rates.

10.4. Internal Control Systems

Internal Control Systems in the organisation are looked at as the key to its effective functioning. The Company believes that internal control is one of the key pillars of governance which provides freedom to the management within a framework of appropriate checks and balances. Given the nature of business and size of operations, the Company has designed and instituted a robust Internal Control System that comprises well-defined organisation structure, roles and responsibilities, documented policies and procedures, to prevent business risks through a framework of internal controls and processes. These controls ensure:

a) Recording of transactions are accurate, complete and properly authorised;

b) Adherence to Accounting Standards, compliance to applicable Statutes, Company policies and procedures and timely preparation of financial statements;

c) Effective usage of resources and safeguarding of assets;

d) Prevention and detection of frauds/errors;

e) Efficient conduct of operations.

To ensure efficient Internal Control Systems, the Company has a well-established, independent and multi-disciplinary in-house Internal Audit function that carries out periodic audits across locations and functions. The scope and authority of the Internal Audit function is derived from the Internal Audit charter duly approved by the management. The Internal Audit function reviews compliance vis-à-vis the established design of the internal control, as also the efficiency and effectiveness of operations. Internal Audit function is responsible for providing, assurance on compliance with operating systems, internal policies and legal requirements, as well as, suggesting improvements to systems and processes.

The summary of the Internal Audit findings and status of implementation of action plans for risk mitigation, are submitted to the Audit Committee every quarter for review, and concerns if any, are reported to the Board. This process ensures robustness of Internal Control System and compliance with laws and regulations including resource utilization and system efficacy.

Revenue and capital expenditures are governed by approved budgets and the levels are defined by a delegation of authority mechanism. Review of capital expenditure is undertaken with reference to benefits expected in line with the policy for the same.

Investment decisions are subject to formal detailed evaluation and approved by the relevant authority as defined in the delegation of authority mechanism. The Audit Committee reviews the plan for internal audit, significant internal audit observations and functioning of the Company's Internal Audit department on a periodic basis.

10.5. Internal Financial Control Systems with reference to the Financial Statements

The Company has complied with the specific requirements of the Companies Act, 2013 which call for establishment and implementation of an Internal Financial Control framework that supports compliance with requirements of the Act in relation to the Directors' Responsibility Statement.

The Company's business processes are enabled by an Enterprise-wide Resource Platform (ERP) as its core IT system. The operating management is not only responsible for revenue and profitability, but also for maintaining financial discipline and accountability. The systems and processes are continuously improved by adopting best in class processes, automation and implementing latest Information Technology tools.

The Company has a formal system of internal financial control to ensure the reliability of financial and operational information, and regulatory and statutory compliances. The Company's business processes are enabled by the ERP for monitoring and reporting processes resulting in financial discipline and accountability.

11. Enterprise Risk Analysis and Management

The Company has an established risk assessment and minimization framework. This framework provides a mechanism to identify the risk, evaluation of likelihood of happening and consequences. It also provides for assessment of options to mitigate the risk and develop appropriate risk management plans. There are normal constraints of time, efficiency and cost.

The Risk Management Committee of the Board of Directors reviews the risk mitigation plans periodically to monitor the key risks of the Company and evaluate the management of such risks for effective mitigation.

During the year under review, the Risk Management Committee met twice viz., on 6th November, 2017 and 13th February, 2018 and reviewed the risks and mitigation plans of the SBUs of the Company.

Some of the risks associated with the businesses and the related mitigation plans are discussed hereunder. The risks given below are not exhaustive and the evaluation of risk is based on management's perception.

11.1. Bicycles and Components

Risk	Why considered as Risk	Mitigation Plan/Counter Measure
Product Obsolescence Risk	• Availability of alternatives • Increased affordability for motorised vehicles • Shrinking road space for cycling	• Higher variety, especially of premium bikes • Products based on customer need • "Cycling" as a concept beyond commuting – leisure, fitness, fun and recreation
Sourcing Risk	• Dependence on vendor base • Consistent quality and supplies • 25% of vendors located in residential area	• Continuous upgrading of vendor capability • Relationship building • Imports from quality sources • Reconfigure & relocate vendor base
Competition Risk	• Competition from domestic suppliers • Imports	• Enhancing the Brand awareness • Introducing new models with a healthy innovation funnel • Consistent quality and timely delivery • Enhancing price competitiveness
Volume & Profitability Risk	• Rapid decline in Standards segment • Low price competition in Specials segment • Growth in Premium segment not sufficient to offset the overall drop in volume • Higher fixed cost related to volume	• Drive growth in Premium cycles segment • Build capability to compete in Specials segment at various price points • Cost reduction measures to enhance profitability
Technology Risk	• Lack of capacity and capability to handle large scale shift to alloy bikes	• Capability building for manufacture and assembly of alloy bikes • Establishing reliable source for high-end bikes

11.2. Engineering

Risk	Why considered as Risk	Mitigation Plan/Counter Measure
User Industry Concentration Risk	• Significant exposure to auto sector • Time lag in pass through of input cost changes	• New products/applications to existing customers • Introduction of new products catering to non-auto users • Leverage application engineering skills for tubular solutions • Drive operational efficiencies vigorously • Cost reduction through operational excellence initiatives
Technology Obsolescence Risk	• Cheaper alternatives for auto applications affecting revenue streams	• Imbibing new and relevant technologies • Equipment upgradations
Raw Material Risk	• Volatility in steel price • Inconsistency in quality • High inventory holding	• Alliance with steel producers • Global sourcing • Strategic sourcing • Rationalization and standardization of grades • Move to products with higher value addition
Competition Risk	• Competition from integrated steel mills • New entrants with financial strength • Imports	• Consistent quality and timely delivery • Import substitution, development of new grades • Product range of offering leveraging all businesses of the Company • Innovate on products, process and applications • Leveraging metallurgy skills
Export related risks	• Increased trade protectionism and import tariff • Global competition • Need for higher capability	• Identification of new export markets and customers • Capability building • Enhanced domestic sales

11.3. Metal Formed Products

Risk	Why considered as Risk	Mitigation Plan/Counter Measure
Product Risk	• Revenues are model specific	• Indigenization of equipment • Pursue options for other business using the same facilities • Model specific investments to be done by OEMs • More rigorous analysis of risks before taking up the project
User Industry Concentration Risk	• Dependence on auto sector • Impact of slow down	• Diversification into non-auto business • Focus on industrial applications • Develop range of power transmission products
Customer Retention Risk	• Availability of alternative source • Disruption in supplies	• Cost competitiveness through Operational Excellence initiatives • Leverage design strength • Leverage proximity to customer • Build technology superiority • Product - plant rationalization
Entry of competition	• Low technology barrier • Impact on profit	• Leverage position with customer as technology leader • Continuous upgrading of technical specifications • Cost reduction • Concentration in focus markets
Entry of internationally established players in domestic market	• Better product range • Tie-up with local player/end user • 'High quality' image	• Enhance product portfolio leveraging acquisition • Leverage leadership and competitive position in industry • Strengthen collaboration with R&D team of customers • Pursue opportunities in systems/ components • Pursue options for collaborating with other multi-national player(s) of repute
Sourcing Risk	• Dependence on a few vendors for certain components	• Vendor relationship building • Enhancing vendor base, both locally as well as overseas • Leveraging strength of combined entity
Pricing risk	• Year-on-Year price reduction expectation • Price recovery due to dependence on a few OEMS	• Utilisation of existing assets, optimal investment assumptions and reduced cost of operations • Value engineering and value analysis in business re-engineering process • Claims from customer for lower volumes

11.4. General

Risk	Why considered as Risk	Mitigation Plan/Counter Measure
Human Resource Risk	• Ability to attract talent, especially people with domain knowledge for new projects • Retention of talent	• Corporate Brand Building • Robust recruitment process • Structured induction and On-the-Job training • Coaching and team building • Individual career and development plan • Effective communication exercises • Continuous engagement with identified talent pool • Deskill operations
Currency Risk	• Foreign currency exposure on exports, imports and borrowings	• Early identification and monitoring of exposures • Hedging of exposures based on risk profile
IT Related Risk	• Confidentiality, integrity and availability	• Access controls • Secure Network Architecture • Infrastructure redundancies & disaster recovery mechanism • Audit of controls
Project Management Risk	• Delay in implementation • Increase in cost • Potential delay in stabilization of production	• Effective project management • Pre-implementation planning • Deployment of adequate resources • Effective monitoring

12. Corporate Social Responsibility (CSR)

The Company, being part of the Murugappa Group, is known for its tradition of philanthropy and community service. The Company's philosophy is to reach out to the community by establishing service-oriented philanthropic institutions in the field of education and healthcare as the core focus areas. The CSR Policy of the Company is available on the Company's website at the following link, http://www.tiindia.com/article/values/467.

As per the provisions of the Companies Act, 2013, while the Company was required to spend ₹1.26 Cr., during the financial year, 2017-18, it has spent ₹1.35 Cr. towards the identified CSR project in the field of education during the year.

The Basic Training Centre (BTC) established as part of the Company's CSR initiative imparts specialized courses in welding and fitting to underprivileged students. Affiliated to the National Council for Vocational Training, Government of India (NCVT), the Centre is considered by the Regional Directorate of Apprentice Training, Chennai (RDAT) as one of the best managed BTCs in the State of Tamilnadu. The Centre has taken it as a mission for creating sustainable livelihood for both economically and socially challenged youth and nurtures them to take up professional trade, helping them to be gainfully employed.

The Annual Report on CSR for 2017-18 is annexed to and forms part of this Report as Annexure-C as well as uploaded in the Company's website at the following link, http://www.tiindia.com/article/csrprojectsprograms/546.

13. Issue and listing of Equity Shares

Pursuant to the Scheme of Arrangement ["the Scheme"], as sanctioned by the Order dated 17th July, 2017 of the National Company Law Tribunal, Chennai, 18,74,90,591 Equity Shares in the Share Capital of the Company, of the face value of ₹1 each, aggregating ₹18,74,90,591 were allotted to the list of persons and as per the entitlement as on the Record Date of 28th August, 2017, as submitted for the purpose by the Registrar & Share Transfer Agent viz., Karvy Computershare Private Limited. Despatch of physical Share Certificates by post/crediting the demat account of the allottees was completed on 19th September, 2017. The Equity Shares of the Company were admitted to listing on the Stock Exchanges viz., BSE Ltd and National Stock Exchange of India Ltd., and commenced trading on the Stock Exchanges with effect from 2nd November, 2017 under the Stock Symbol "TIINDIA" (NSE)/Stock Code 540762 (BSE).

14. Global Depository Receipts Programme

The Company established a Global Depository Receipts ("GDR") Programme by executing a Depository Agreement on 29th January, 2018 with Bank of New York Mellon, New York, USA ("BNYM") pursuant to which BNYM acts as the Depository for the GDRs issued in respect of 42,23,460 (representing 2.25% of the Company's paid up capital) underlying equity shares of the Company allotted pursuant to the Scheme of Arrangement for Demerger between TI Financial Holdings Limited (formerly Tube Investments of India Limited - Demerged Company) and the Company (the Resulting Company).

15. Corporate Governance

The Company is committed to maintaining high standards of corporate governance.

As stated above, with the listing of its equity shares on the Stock Exchanges, the Company became a listed company with effect from 2nd November, 2017. The Company was wholly in compliance with the requirements of the Listing Agreement with the Stock Exchanges as well as the SEBI Listing Regulations.

A report on corporate governance together with a certificate from the Auditors is annexed in accordance with the terms of the SEBI Listing Regulations as Annexure-D and forms part of the Board's Report. The Managing Director and the Chief Financial Officer have submitted a certificate to the Board regarding the financial statements and other matters in terms of Part B of Schedule II [Corporate Governance] of the SEBI Listing Regulations.

The Report further contains details as required to be provided in the Board's Report on the policy on Directors' appointment and remuneration including the criteria, annual evaluation by the Board and Directors, composition and other details of Board committees, implementation of risk management policy, whistle-blower policy/vigil mechanism, dividend policy etc.

16. Business Responsibility Reporting

For the financial year 2017-18, the Company forms part of the top 500 listed entities of the country based on market capitalisation. Accordingly, as required under the SEBI Listing Regulations which mandate the inclusion of a Business Responsibility Report as part of the Annual Report for the top 500 listed entities, the Business Responsibility Report forms part of the Annual Report as Annexure-E.

The Business Responsibility Policy of the Company is displayed in the Company's website at the following link, http://www.tiindia.com/article/values/667.

17. Human Resources

The Company continues to leverage its strength in human capital by attracting the right talent, nurturing & developing, and retaining them to meet the short-term and long-term organization goals. The key HR imperatives were addressed through Organization Structure & Design, building technical & Operational Excellence (OPEX) capabilities, building leadership & talent pool, productivity improvement and employee cost reduction programs, maintaining cordial Industrial Relations and digitizing HR processes.

The Company is successful in attracting talent from outside and during the year close to two hundred people were hired across different levels and functions. Behavioural event and competency based interviewing training for strengthening the talent acquisition process was also initiated during the year.

Senior leaders have been investing lot of time and efforts in identifying and developing succession pipeline for critical positions in the organization. The transition management programmes viz., Ascend & Aspire have been very successful and as part of the programme, implementation of Individual Development Plans (IDPs) for talent pool identified through these programmes is being facilitated. The IDPs are being reviewed regularly and On-the-Job projects, job enlargement/job rotation, mentoring support to the target group are being provided. Coaching & mentoring was done for select talent across the organization with an intent of developing future leaders. Internal employees have been given opportunities to take up higher roles and grow in the system.

Several initiatives have been taken up towards enhancing the technical capability of employees across businesses. Focus was towards building an internal team of Subject Matter Experts (SMEs) in critical areas. Employees were trained in areas like Six Sigma, Value

Stream Mapping (VSM), energy management and welding through in-house training, on-the-job training, certification programs, live projects and mentoring. The SMEs are deployed in improvement projects across businesses. A Technical Training Laboratory has also been established for welding at the Basic Training Centre, Avadi, which is being used to enhance the Metal Inert Gas (MIG) welding skills of employees as well as vendors' employees.

The OPEX programme drives operational efficiency, capability development and employee involvement towards continual improvement. The objective is to achieve the benchmark targets in the eight OPEX verticals.

The total number of permanent employees on the rolls of the Company as on 31st March, 2018 is 3,365.

Industrial relations remained cordial at all the Company's units during the period under review.

The information relating to employees and other particulars required under Section 197 of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment & Remuneration of Managerial Personnel) Rules 2014 will be provided upon request. In terms of Section 136 of the Companies Act, 2013, the Report and Accounts are being sent to the Members, excluding the information on employees, particulars of which are available for inspection by the Members at the Registered Office of the Company during business hours on all working days of the Company up to the date of the forthcoming Annual General Meeting. If any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary in the said regard.

The disclosure with regard to remuneration as required under Section 197 of the Act read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is attached and forms part of this Report as Annexure-F.

18. Prevention of sexual harassment at workplace

The Company has policy on prevention of sexual harassment at workplace in line with the requirement of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. An internal Complaints Committee (ICC) to redress complaints received regarding sexual harassment has been constituted. The policy extends to all employees (permanent, contractual, temporary and trainees). Employees at all levels are being sensitized about the new Policy and the remedies available thereunder. No complaints were received and disposed off during the year under review.

19. Employee Stock Option Scheme

In accordance with the Scheme of Arrangement for Demerger sanctioned by the National Company Law Tribunal, during the year, 3,63,763 Stock Options under the Company's Employee Stock Option Plan (ESOP 2017) were granted to eligible employees at the rate of 1 Stock Option for each Stock Option held and outstanding in the erstwhile Tube Investments of India Limited viz., the Demerged Company under the Scheme.

Further, a grant of 10,86,480 Stock Options and 2,62,200 Stock Options to eligible employees of the Company under the ESOP 2017 with graded vesting periods in respect of each of said grants was also made to eligible employees during the year.

During the year under review, the Company has issued 45,777 equity shares to eligible employees consequent to exercise by them of the stock options vested under the ESOP 2017.

Details in respect of the Company's ESOP 2017 as required under the relevant SEBI Regulations are displayed in the Company's website at the following link, http://www.tiindia.com/article/values/554.

20. Directors' Responsibility Statement

The Board of Directors confirm that the Company has in place a framework of internal financial controls and compliance system, which is monitored and reviewed by the Audit Committee and the Board besides the statutory, internal and secretarial auditors. To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013:

a) that in the preparation of the annual Financial Statements for the year ended 31st March 2018, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

b) that such accounting policies as mentioned in the Notes to the Financial Statements have been selected and applied consistently and judgment and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2018 and of the profit of the Company for the year ended on that date;

c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) that the annual Financial Statements have been prepared on a going concern basis;

e) that proper internal financial controls to be followed by the Company have been laid down and that the financial controls are adequate and were operating effectively; &

f) that proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

21. Auditors

M/s. S R Batliboi & Associates LLP, Chartered Accountants (LLP Identity no.AAB-4295) were appointed as Statutory Auditors at the previous 9th Annual General Meeting held on 6th November, 2017 for a period of five years viz., from the conclusion of the said 9th Annual General Meeting till the conclusion of the 14th Annual General Meeting. In terms of the resolution passed by the Members, the said appointment is subject to ratification by the Members at every Annual General Meeting and their remuneration will be recommended to the Shareholders at the time of taking up such ratification of appointment each year.

Accordingly, the Board recommends the ratification of, and the terms of remuneration payable to, the Statutory Auditors as set out in the resolution contained in the Notice of the ensuing Annual General Meeting.

M/s. S Mahadevan & Co., (firm no.000007), Cost Accountants were appointed as the Cost Auditors of the Company for auditing the cost accounting records maintained by the Company in respect of the applicable products for the financial year, 2018-19. Necessary resolution for ratification of their remuneration in respect of the aforesaid terms of appointment for financial year, 2018-19 forms part of the Notice for the ensuing Annual General Meeting.

22. Related Party Transactions

All related party transactions that were entered into during the financial year under review were on an arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions during the year which may have a potential conflict with the interest of the Company at large. Necessary disclosures as required under the Indian Accounting Standards have been made in the notes to the Financial Statements.

The policy on Related Party Transactions as approved by the Board is uploaded and is available on the following link on the Company's website, http://www.tiindia.com/article/values/476. None of the Directors had any pecuniary relationships or transactions vis-à-vis the Company.

23. Directors

Mr. M M Murugappan will retire by rotation at the ensuing Annual General Meeting under Section 152 of the Companies Act, 2013 ("the Act") and being eligible, he offers himself for re-appointment.

Mr. Ramesh K B Menon was appointed as Additional Director (Non-Executive Director) on 16th November, 2017, liable to retire by rotation and he continues up to the ensuing Annual General Meeting. Necessary resolution proposing the appointment of Mr. Ramesh K B Menon as a Director liable to retire by rotation under Section 152 of the Companies Act, 2013 forms part of the Notice for the ensuing Annual General Meeting.

The Board takes pleasure in recommending the appointment of Mr. M M Murugappan and Mr. Ramesh K B Menon as Directors at the forthcoming Annual General Meeting.

Mr. L Ramkumar, Managing Director of the Company retires at the conclusion of the ensuing Annual General Meeting. The Board places on record its appreciation of the distinguished services rendered by Mr. L Ramkumar during his decade long association, since 2008, with TII as Managing Director before and after its demerger.

Consequent to the retirement of Mr. L Ramkumar as Managing Director at the conclusion of the forthcoming Annual General Meeting, Mr. Vellayan Subbiah assumes charge as Managing Director of the Company.

Mr. S Sandilya's term as Independent Director ends at the conclusion of the ensuing Annual General Meeting. The Board places on record its appreciation of the distinguished services rendered by Mr. S Sandilya during his long association, since January, 2005, as Director of TII, before and after its demerger.

Mr. Hemant M Nerurkar's term as Independent Director ends at the conclusion of the ensuing Annual General Meeting. Mr. Nerurkar has been associated with TII since May, 2014. The Board places on record its appreciation of the distinguished services rendered by Mr. Hemant M Nerurkar during his association as Director of TII, before and after its demerger.

All the Independent Directors of the Company have furnished necessary declaration in terms of Section 149(6) of the Act affirming that they meet the criteria of independence as stipulated thereunder.

24. Declarations/Affirmations

During the year under review:

- the manufacturing business undertaking of the Demerged Company was transferred and vested into the Company pursuant to the Scheme of Arrangement sanctioned by the National Company Law Tribunal, Chennai by its Order dated 17^{th} July, 2017. Consequently, the business of the Company is in the nature of manufacturing business;
- apart from the demerger of the Manufacturing Business Undertaking which has been given effect in the Financial Statements, there were 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 viz., 31^{st} March, 2018 and the date of this Report; &
- there were no significant material orders passed by the regulators or courts or tribunals impacting the Company's going concern status and its operations in future.

25. Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Mr. R Sridharan of Messrs R. Sridharan & Associates, a firm of Company Secretaries in Practice to undertake the Secretarial Audit of the Company. The Report of the Secretarial Audit Report is annexed herewith and forms part of this Report as Annexure-G.

The Company has ensured compliance of the Secretarial Standards issued by the Institute of Company Secretaries of India during the period under review. Accordingly, no qualifications or observations or other remarks have been made by the Secretarial Auditor in his said Report.

26. Annual Return

Extract of the Annual Return is annexed and forms part of this Report as Annexure-H.

27. Key Managerial Personnel

Mr. L Ramkumar, Managing Director, Mr. K Mahendra Kumar, Chief Financial Officer and Mr. S Suresh, Company Secretary are the Key Managerial Personnel (KMPs) of the Company as per Section 203 of the Companies Act, 2013. They were appointed to their respective offices as KMPs with effect from the close of business hours on 1^{st} August, 2017.

Mr. Vellayan Subbiah, Managing Director (Designate) - KMP was appointed with effect from 19^{th} August, 2017.

Mr. L Ramkumar also holds office as the Managing Director (KMP) of TI Tsubamex Private Limited (TTPL), the Company's die manufacturing joint venture with Tsubamex Co. Limited, Japan and also a subsidiary of the Company, on 'nil' remuneration. He was re-appointed as Managing Director (KMP) of TTPL for the period from 1^{st} April, 2018 to 13^{th} August, 2018 (both days inclusive).

28. Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of The Companies (Accounts) Rules, 2014 is annexed herewith and forms part of this Report as Annexure-I.

The Directors thank all Customers, Vendors, Financial Institutions, Banks, State Governments, Joint Venture Partners and Investors for their continued support to your Company's performance and growth. The Directors also wish to place on record their appreciation of the contribution made by all the employees of the Company resulting in the good performance during the year under review.

On behalf of the Board

Chennai
7^{th} May 2018

M M Murugappan
Chairman