# DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors have pleasure in presenting the twenty-sixth Annual Report and the audited accounts of the Company for the year ended 31st March 2018.

## 1. COMPANY PERFORMANCE

The Company continued to grow ahead of the industry for the third year in succession, registering sales of 33.67 lakh two-wheelers in 2017-18, growing by 17.8% over last year. Sale of motorcycles increased by 25.8% and scooters by 30.4%. Three-wheeler sales of the Company increased by 42.5% in 2017-18. Sale of spare parts grew by 16.6%.

The Company continues to lead the customer satisfaction in products and services, and bagged top honors at the J.D. Power 2018 India Two-Wheeler Initial Quality Study (2WIQS), Automotive Product Execution & Layout (APEAL) study and Two-Wheeler Customer Service Index (2WCSI). The Company has been top ranked in JD Power 2WCSI since its inaugural study in 2016.

The revenue for the year ended 31st March 2018 are not comparable with the previous year consequent to introduction of GST effective 1st July 2017. For comparison, the total revenue of the Company excluding excise duty increased from Rs. 12,309 Cr in the previous year to Rs.15,274 Cr in the current year. Profit before tax increased from Rs. 699 Cr in the previous year to Rs.879 Cr in the current year. Similarly, Profit after tax increased from Rs. 558 Cr in the previous year to Rs.663 Cr in 2017-18.

## 2. FINANCIAL HIGHLIGHTS

| Details | Year Ended 31-03-2018 | Year Ended 31-03-2017 |
|---|---|---|
| **SALES** | | |
| **Quantitative** | | (Numbers in Lakhs) |
| Motorcycles | 13.55 | 10.77 |
| Mopeds | 8.77 | 9.11 |
| Scooters | 11.35 | 8.70 |
| Three-wheelers | 0.99 | 0.69 |
| **Total vehicles sold** | **34.66** | **29.27** |
| **Financials** | | (Rupees in Crores) |
| **REVENUE** | | |
| Motorcycles | 6075.88 | 4628.13 |
| Mopeds | 2149.74 | 2069.74 |
| Scooters | 4338.29 | 3337.84 |
| Three-wheelers | 856.18 | 647.96 |
| Spares & Accessories and raw materials | 1547.97 | 1327.59 |
| Other Operating Income | 161.60 | 124.05 |
| Other Income | 144.78 | 173.37 |
| **Revenue excluding excise duty** | **15274.44** | **12308.68** |
| Excise Duty | # 343.22 | 1054.75 |
| **Revenue including excise duty** | 15617.66 | 13363.43 |

| Details | Year Ended 31-03-2018 | Year Ended 31-03-2017 |
|---|---|---|
| | | (Rupees in Crores) |
| EBITDA | 1273.99 | 1030.44 |
| Less: | | |
| Finance Charges & Interest (Gross) | 56.62 | 43.95 |
| Depreciation | 338.73 | 287.81 |
| Profit before tax | 878.64 | 698.68 |
| Provision for tax | 216.05 | 140.60 |
| **Profit after tax** | **662.59** | **558.08** |

# Includes Excise Duty upto June 2017.

## 3. DIVIDEND

The Board of Directors of the Company (the Board) at their meeting held on 1st November 2017, declared a first interim dividend of Rs.2/- per share (200%) for the year 2017-18 absorbing a sum of Rs. 114.36 Cr including dividend distribution tax. The same was paid to the shareholders on 14th November 2017.

The Board at its meeting held on 26th February 2018 declared a second interim dividend of Rs. 1.30 per share (130%) for the year 2017-18 absorbing a sum of Rs.73.27 Cr including dividend distribution tax. The same was paid to the shareholders on 12th March 2018.

Thus, the total amount of both dividends for the year ended 31st March 2018 aggregated to Rs. 3.30 per share (330%) on 47,50,87,114 equity shares of Re.1/- each absorbing Rs.187.63 Cr including dividend distribution tax, since the Company has set-off its dividend distribution tax payable under Section 115-O(1A) of the Income Tax Act, 1961 to the extent available against the dividend distribution tax paid by one of its subsidiary company on its dividend declared.

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

## 4. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### INDUSTRY STRUCTURE AND DEVELOPMENTS

**Two-wheeler**

In the domestic market, two-wheeler industry sales grew from 176 lakh units in 2016-17 to 202 lakh units in 2017-18, registering a growth of 15% over last year. The first half of the year saw a growth of 10% led by re-stocking required due to BSIII to BSIV transition. The second half grew by 20% over the same period of 2016-17 which was affected by demonetization.

Scooter as a category continued to gain category share in total two-wheeler industry. Scooters grew at 20% (from 56 lakh units to 67 lakh units) led by urban demand and the category share increased from 32% in 2016-17 to 33% in year 2017-18.

The motorcycle category grew at 14% (126 lakh units). Within motorcycles, continued traction in urban demand enabled the premium segment to grow by 11% (from 17.1 lakh units in 2016-17 to 18.9 lakh units in 2017-18). Commuting segment also grew by 15% (from 84 lakh units in 2016-17 to 97 lakh units in 2017-18) compared to a flat growth in past 5 years. This trend change in commuter segment was triggered by revival of rural demand.

Crude oil prices recovered steadily during 2017-18 and drove economic recovery in the international markets. Currencies stabilized and foreign exchange availability improved in affected countries of Africa, leading to recovery of the exports industry in 2017-18 from a low base in 2016-17. Bangladesh, Mexico, Argentina, Philippines and West Africa saw an increase in demand. Consequently, exports of two-wheeler from India grew by 20% during 2017-18.

**Three-wheeler**

Overall three-wheeler small passenger industry (3 plus 1 segment) grew by 39% in 2017-18 (from 4.58 lakh units in 2016-17 to 6.35 lakh units in 2017-18). Domestic industry grew by 41% and exports from India grew by 37% over 2016-17. Growth in domestic passenger market was largely driven by significant growth in Maharashtra State due to opening of permits. Export market growth was a result of market recovery in Nigeria and Egypt and expansion of some new markets.

## BUSINESS OUTLOOK AND OVERVIEW

Economic activity is expected to improve in 2018-19, benefitting from improved macro-economic environment in both domestic and global markets.

In India, focus on agriculture and rural development rolled out in the recent union budget, supported by possibility of a normal monsoon, is expected to positively influence demand from rural markets. Improving credit growth supported by bank re-capitalization, along with continued government focus on infrastructure is expected to drive growth.

Crude prices have been rising over last one year and this trend is expected to continue in 2018. On one hand, this trend will continue to aid export market growth, however on the other hand, rising commodity prices will put cost pressures in the year 2018-19.

Consequently, the growth in two-wheeler industry during 2018-19 is expected to be around 8-10% over 2017-18.

**New Product Launches and Initiatives**

The Company has a strategic partnership with BMW Motorrad to develop and manufacture sub-500cc bikes both for domestic and global markets. The Company manufactured and supplied 26,471 units of G 310 R and G 310 GS in the year 2017-18 for BMW Motorrad Company.

During the year 2017-18, the following new products and variants were launched.

**TVS Apache RR 310:**

TVS Apache RR 310 marks a significant step in Company's history - TVS forays into super-premium motorcycles with this launch.

Inspired by 35 years of TVS Racing, TVS Apache RR 310 combines superior performance & riding dynamics with a fully faired sporty design.

The motorcycle gets a 312cc, single cylinder, 4V, liquid cooled, 6-speed engine that delivers a top speed of 160 kmph and acceleration from 0-60 kmph in just 2.9 seconds. TVS Apache RR 310 comes with an all-new, race origin, light-weight trellis-frame chassis for enhanced stiffness in straights and flex for dynamic cornering capability, that result in best-in-class riding dynamics.

The product created an instant excitement and garnered acceptance among the racing enthusiasts.

**TVS Apache RTR 160 4V:**

The Apache RTR 160 4V is the latest addition to the Apache portfolio, it's not a sports bike, it's a Race Machine. This machine is born out of the six-time Indian National Motorcycle Championship (INMRC) winning motorcycle – (Group B) RTR 165. Every feature on the Apache is honed on the race track to deliver the best in racing performance. The TVS Apache RTR 160 4V is available in both Carburettor and Electronic Fuel Injection (EFI) variants, with the latter christened as TVS Apache RTR 160 Fi 4V. Staying true to its racing pedigree, the TVS Apache RTR 160 4V has the powerful 160cc engine, enabling the best performance in its class and best-in-class power-to-weight ratio. The motorcycle does 0-60 kmph in 4.8 seconds(EFI) and 4.73 seconds (Carburettor).

**TVS NTORQ 125:**

Designed for Gen-Z, TVS NTORQ 125 provides revolutionary riding experience with cutting edge style, performance and technology. Based on TVS racing pedigree, TVS NTORQ comes with a 125cc, 3V CVTi-Rev engine. The first ever Bluetooth connected scooter with

TVS Smart Xonnect, TVS NTORQ is equipped with caller ID, Navigation assist and app-enabled technology.

Stealth Aircraft-inspired design and 30 industry-first features make TVS NTORQ a one of its kind product in the segment.

The product has garnered raving reviews and aims to gain mindshare among the youth of today.

**TVS Jupiter Classic:**

Since its inception, Jupiter brand has represented novelty. Launched in 2013, the scooter has now reached the 2.3 million mark in sales. The ability to develop tailor-made scooters for customers is the inspiration behind the creation of TVS Jupiter & its variants. The new Jupiter Classic edition is an embodiment of style. It comes loaded with a host of unique features such as ‘Classic-Edition’ Decals, elegant Full Chrome Mirrors, a classy Chrome Pillion Handle and a choice of exclusive colours - Sunlit Ivory and Autumn Brown. Thoughtfully designed features like a Smart USB Charger, stylish windshield, Classy backrest, Side Stand Indicator and a comfortable Dual Tone Seat ensure a great riding experience.

All this and more makes the ‘Classic-Edition’ a true example of brand Jupiter’s philosophy, ‘Zyada ka Fayda’, offering more than 15 features and benefits for the Indian commuter.

**TVS XL100 HD:**

XL100 Heavy Duty vehicle aims to be a partner of the customer in his success by providing more utility, power and ruggedness through more pick up, “Duragrip” tyre and heavy duty wheel assembly.

The superior quality of the Company’s products and services is well established again in the recent JD Power Study 2018.

It is a significant feat for the Company that in the JD Power APEAL study 2018, its products have been ranked No. 1 in all the product categories the Company participated in. TVS Jupiter in scooter segment, TVS Apache RTR 180 in motorcycle premium segment and TVS Star City Plus in motorcycle economy segment holds the top position.

The Company retained the No.1 position in the CSI study 2018 by JD Power for third year in a row.

**Domestic Sales**

The Company achieved sales of 28.7 lakh units of two-wheelers in the domestic market. With these sales, the Company registered a growth of 15.5% in the year 2017-18 over last year.

In motorcycles, the Company achieved sales of 9.2 lakh units and registered a growth of 18.6% over 2016-17. TVS Apache accelerated its growth trend with 35% growth over last year. New TVS Apache RR 310 was received very well in the market and is contributing well to the Apache brand.

In scooters, the Company achieved sales of 11.0 lakh units and registered a growth of 33% over 2016-17. TVS Jupiter maintained the momentum with a 32% growth over last year. The growth was largely supported by the special “Classic Edition” which also helped in bringing a premium image to the product. Launch of TVS NTORQ 125 is expected to bring a new segment of customers.

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

**Exports sales – two-wheeler and three-wheeler**

The Company’s two-wheeler exports in the year 2017-18 were at 4.9 lakh units and witnessed an improvement with a growth of 33.7% over 2016-17.

The Company’s three-wheeler exports in the year 2017-18 were at 0.8 lakh units and recorded a 44.4% growth over 2016-17.

**Implementation of Goods and Services Tax Act (GST)**

Effective 1st July 2017, the Company has successfully & seamlessly transitioned to new GST regime. The Company also supported dealers & suppliers to change over without any disruption in their respective businesses. The Company has passed on the benefits arising out of GST changeover to its customers.

**Opportunities and Threats**

Proposed thrust in rural India, efficient implementation of various Government schemes such as minimum support price of 1.5 times of the production cost and improved rural economy will aid improvement of two-wheeler penetration.

Growing middle class, aspirational life style, need for mobility and increased penetration levels will continue to trigger growth of two-wheeler industry. Impetus from 7th pay commission and payment of related arrears are further expected to boost the two-wheeler industry.

Alternate energy based mobility vehicles and solutions have gained traction in the year. Rising pollution levels in Indian cities and target to become energy independent are the major factors for such a push towards greener mobility.

The Company is committed to support this initiative by developing suitable technology and business solutions. Strong presence of the Company in all segments of two-wheeler industry, planned new launches and expanded network of dealers will help the Company to consolidate its gain further and grow ahead of the Industry in the coming years.

## RISKS AND CONCERNS

Good monsoon and stable policy environment are essential for growth in domestic two-wheeler demand. The sustained momentum in scooters and motorcycles and success of planned launches is vital to achieve business objectives.

International factors such as geo-political scenarios and rising crude oil prices are being continuously monitored for both risks and opportunities.

Recent rise in commodity prices and intensifying competition with pricing led marketing actions remain a concern for bottom-line. The Company will initiate various cost reduction measures to mitigate this risk.

The Company is also investing in greener emerging technologies towards the future consumer preference shifts.

## RISK MANAGEMENT

The Board has established a robust Risk Management framework to identify, monitor and minimize risks as well as to identify business opportunities.

Risk evaluation and management is an ongoing process. As a process, risks associated with the business are identified and prioritized based on the Company's overall risk appetite, strategy, severity and probability of occurrence.

The risk function is looked after by a team under CEO of the Company. Process owners are identified for each risk and metrics are developed for continuous monitoring and minimization of risk.

The Board is satisfied that there are adequate systems and procedures in place to identify, assess, monitor and manage risks. The Company has constituted a separate Risk Management Committee on 16th May 2018 for overseeing all the risks that the Organization faces such as strategic, financial, marketing, IT, legal, regulatory, reputational and other risks and recommends suitable action. Risk mitigation policy has already been approved by the Board.

## OPERATIONS REVIEW

### Total Quality Management (TQM)

TQM continues to be the backbone of the Company's approach for sustainable growth through customer satisfaction. Continuous monitoring of performance measures and immediate actions to address such identified gaps have strengthened the process across the Company.

This year, primary focus was on problem solving for recurrence prevention through systemic root-cause analysis. The Company has enhanced its executives and managers' problem-solving competency by certifying 111 of them in Green belt and Black belt in the current year. On the whole, 518 employees are now Green belt and Black belt certified. All employees have been involved towards achieving business goals. Significant contributions from the highly committed workmen through suggestion schemes and Quality Control Circle (QCC) projects have yielded significant results in achieving Quality Cost Delivery (QCD) targets and eliminating unsafe incidents.

### Cost Management

The Company continues to focus on all elements of cost. Raw materials, components and conversion cost constitute major element of material cost. Focus on employee productivity and effectiveness of communication helps to reduce fixed cost of the Company.

Process improvement, waste elimination and productivity improvements across the supply chain will continue to receive greater attention. The Company will pursue process innovation, value engineering and alternate sourcing to reduce material cost during this year.

### Research & Development (R&D)

The continued pursuit of engineering excellence, best-in-class quality and technology development by the Company's Research and Development (R&D) team has resulted in delivery of highly appealing new products during the year, namely, Apache RR 310, TVS NTORQ 125 and TVS Apache RTR 160 4V.

The team is continuously working on many advanced engine technologies to improve fuel efficiency, performance and to meet future emission norms for international and domestic markets. The team is working towards timely readiness of the Company's product portfolio compliant with BSVI emission norms. It continues to work on hybrid technology, which has reached a mature state and advanced brake systems technology for improved safety.

The R&D team continues their efforts in developing cutting-edge technologies that are relevant for the near and long term future requirements of the Company's business plans. These developments 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 110 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. In the last year, the Company's racing team had 93% winning positions in the events that it participated. TVS Racing has won 14 out of 16 National championships.

### Information Technology (IT)

The Company enhanced the customer engagement through mobile apps and digitizing customer touch points at dealerships. The Company also launched TVS NTORQ app with the first-of-its-kind connected scooter launched in February 2018.

The Company continues to implement several projects to improve its efficiency, transparency and process control across supply chain from dealer to supplier. Various initiatives on industry 4.0 are being adopted for improving quality and waste elimination.

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

The Company is ISO 27001:2013 certified for all its manufacturing units and sales offices. Business continuity plan for major business and design applications have been implemented and tested. The Company is apprised of Capability Maturity Model (CMM) level 3 for its IT development process.

## 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 statues.

### 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 an Independent Valuer 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 was conferred with "Environmental Leadership Award" from Government of Himachal Pradesh in recognition of Company's outstanding contribution towards environment protection, conservation and sustainable development. The Company also published its first Sustainability Report in accordance with CORE Reporting principles of the GRI G4 Guideline in public domain. Company's manufacturing plants are certified under revised ISO 14001: 2015 standards.

Reducing environment footprint is the prime focus of the Company. Hosur and Mysuru plants have achieved Zero-Liquid Discharge (ZLD) by recycling and reusing of treated trade effluent. Following conservation measures have been adopted towards water conservation viz., water accounting, waterless urinals, dish washer in canteen and fully automatic vehicle wash system. The Company is continuously increasing the share of renewable energy. It was 64% during 2017-18 compared to 29% during 2016-17. These initiatives helped the Company to reduce its Carbon foot print.

Hazardous wastes viz., paint sludge and chemical sludge are co-generated in cement factory and onsite storage of hazardous waste in secured landfill is nil. Towards abatement of Volatile Organic Compounds (VOC), Regenerative Thermal Oxidizer (RTO) has been commissioned in Hosur & Mysuru plants.

The measurement of ambient VOC is made online to Care Air Centre of Tamil Nadu Pollution Control Board. Direct in-situ measurement of key parameters like pH; Chemical Oxygen Demand (COD); Biological Oxygen Demand (BOD); Total Suspended Solids (TSS) were introduced in Sewage Treatment Plant, Hosur.

Towards digitization initiative, forms and returns under applicable Environmental Acts and Rules were made online.

The Company has successfully completed 2nd surveillance audit in 4th re-certification audit process of Occupational Health & Safety System through implementation of BS OHSAS18001:2007 standard in Hosur & Mysuru plants. During the year, as a part of continual improvement in safety, around 751 proactive hazard control measures have been implemented across Hosur, Mysuru and Nalagarh Plants. The Plant Safety Rating System (PSRS) score improved from 195 to 211 and all plants have sustained "Gold" status. The Company has achieved a reduction of 53% in frequency rate of accidents & 98% in severity rate of accidents. 13 lakh man-hours have been completed with "zero injury" during plant expansion civil construction activities at Hosur site last year. Towards building a sustainable safety culture, periodical safety trainings have been organized and 15746 employees were covered. Also as a part of "Buckle up & Strap up" – Road Safety campaign, around 300 test riders & drivers were trained on road safety.

## HUMAN RESOURCE DEVELOPMENT (HRD)

Constituents of Human Resource Development framework followed by the Company include Workforce planning, Employee Engagement, Performance & Compensation Management, Learning and Development, Career & Succession Planning and Organization Development. Towards sustenance and delivering improved results, these constituents have a structured approach, policies and standard operating procedures which are reviewed and updated periodically.

Current and future skill-based competency development are planned and executed through both in-house programs and globally acclaimed programs, continuing education, challenging project assignments and job rotations.

The Company continues to maintain its record of good industrial relations without any interruption in work. As on 31st March 2018, the Company had 5,184 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, amongst others, 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, 2013, 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 2018, the applicable Accounting Standards had been followed along with proper explanation relating to material departures, if any;

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, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv. that the Directors had prepared the annual accounts for the financial year ended 31st March 2018 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 are 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), established in 1996 with the vision of building self-reliant rural community.

Over 22 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/ programmes, falling within the CSR activities specified under the Act, 2013, 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, 2013 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 / programmes 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 the average net profits of the Company, made during the three immediately preceding financial years, towards CSR spending for the financial year 2017-18 amounting to Rs.10.98 Cr:

| S.No | Name of the Institution | Amount spent (Rs. in Cr) |
|---|---|---|
| 1. | Srinivasan Services Trust (SST) | 7.08 |
| 2. | Sri Sathya Sai Central Trust | 3.00 |
| 3. | National Institute of Mental Health & Neuro Sciences (NIMHANS) | 0.65 |
| 4. | Voluntary Health Services | 0.25 |
| | Total | 10.98 |

Presently, SST is working in 5,000 villages spread across Tamil Nadu, Karnataka, Maharashtra, Himachal Pradesh and Andhra Pradesh covering about 30,92,281 population and 7,19,890 families. Its major focus areas economic development, health care, quality education, environment and infrastructure.

Of the 5,000 villages, 3772 villages (23,60,138 population and 5,46,806 families) have been funded by the Company during the year.

Achievements in 3,772 villages are:

*Economic development:*

- 3,81,801 families living in these villages have a monthly income of Rs.15,000/- and above. They have financial security.
- 3,846 Farmer groups have been formed with 53,323 Members.
- Improved agriculture practices enabled 2,31,059 Farmers, owning 2,51,393 hectares, have increased the yields higher than the state average by 15%.
- 2,24,805 families earn more than Rs 3,500/- per month through livestock.

*Women empowerment:*

- Formed 9,692 Self Help Groups. These groups have 1,43,821 women as Members.
- Of the 1,43,821 Members, 1,40,480 Members are in income generation activities. They earn a minimum income of Rs. 3000/- per month.

*Health care:*

- 76,945 children in the age group below 5 are not malnourished.
- 4,52,930 women are freed from anaemia.
- 4,04,589 households made access to toilet facilities.
- The morbidity percentage reduced from 9% to 5%.
- Enrolment in anganwadis increased from 86% to 100% and attendance is 99%.
- 1,688 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.
- Number of percentage of slow learners reduced in schools from 29% to 11%.
- Out of 1,764 schools, 1,299 schools are now model schools.
- 1,14,273 illiterate women out of 1,53,493 have been made literates.

*Environment and Infrastructure:*

- 3,45,140 households disposed solid waste through individual and common compost pits. 91 tons of vermi compost generated per month from wastes.
- Sewage water from 3,48,604 households disposed through soak pits, kitchen gardens and drain.
- Safe drinking water is available to 3,343 villages.

Community takes care of their development needs. 11,639 social leaders are active in this effort.

As required under Section 135 of the Act, 2013 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 2017-18 are given by way of Annexure-IV attached to this Report.

## 7. PERFORMANCE OF SUBSIDIARIES & ASSOCIATE

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

**Subsidiaries**

1. Sundaram Auto Components Limited, Chennai
2. TVS Housing Limited, Chennai
3. TVS Motor Services Limited, Chennai
4. TVS Credit Services Limited, Chennai
5. TVS Two-wheeler Mall Private Limited, Chennai
6. TVS Micro Finance Private Limited, Chennai
7. Harita ARC Private Limited, Chennai
8. Harita Collection Services Private Limited, Chennai
9. TVS Commodity Financial Solutions Private Limited, Chennai
10. TVS Housing Finance Private Limited, Chennai
11. TVS Motor Company (Europe) B.V., Amsterdam
12. TVS Motor (Singapore) Pte. Limited, Singapore
13. PT TVS Motor Company Indonesia, Jakarta
14. Sundaram Holding USA Inc, Delaware, USA
15. Green Hills Land Holding LLC, South Carolina, USA
16. Components Equipment Leasing LLC, South Carolina, USA
17. Sundaram-Clayton (USA) LLC, South Carolina, USA (Formerly known as Workspace Projects LLC)
18. Premier Land Holding LLC, South Carolina, USA

**Associate**

- Emerald Haven Realty Limited, Chennai and its subsidiaries.

### SUBSIDIARIES

***Sundaram Auto Components Limited (SACL)***

Sales of SACL grew 20% from Rs.480.9 Cr in the previous year to Rs.575.7 Cr in the year 2017-18. Increase in business from the Company, Autoliv and Daimler were the key growth drivers.

SACL also entered into the area of component manufacturing of two-wheeler electric vehicle through orders obtained from Ather Energy and also cleared major customer audits for Ather energy, MACE (for supplies to Maruti Suzuki), Gruppo Antolin, Rane TRW and PSA Citroen.

SACL earned a Profit Before Tax of Rs.24.52 Cr during the year 2017-18 as against Rs. 34.94 Cr including exceptional items of Rs. 9.84 Cr in the previous year.

SACL at its meeting held on 2nd March 2018, declared an interim dividend of Rs.1.45 per share (14.5%), on 3,59,25,000 equity shares of Rs.10/- each fully paid up, absorbing a sum of Rs. 6.27 Cr including dividend distribution tax, for the year ended 31st March 2018.

Equity Share Capital of SACL as on 31st March 2018 increased to Rs.35.92 Cr from Rs.14.55 Cr in the previous year.

During the year, SACL allotted 2,13,70,000 equity shares of Rs.10 each at a premium of Rs.70 per share to the Company, on rights basis, in multiple tranches.

SACL proposes to demerge its automobile trading division alongwith its relevant assets and liabilities to TVS Motor Services Limited (TVS MS).

Accordingly, the Board of SACL approved a Scheme of Demerger at its meeting held on 26th April 2018. Since both SACL and TVS MS are wholly owned subsidiaries of the Company, shares issued by TVS MS, based on the valuation of the demerging division, to the Company (TVS Motor Company Limited). For the transfer of the automobile trading division from SACL to TVS MS in accordance with the Scheme of Demerger, will not change the status of both subsidiaries.

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

During the year, TVS Housing Limited has earned a profit of Rs. 0.05 Cr on disposal of existing land bank.

EHRL through one of its subsidiary is developing 18 acres of land in Kolapakkam, Chennai. The 1st phase consists of 352 apartments and 34 villas and the construction of the same has been completed. 72% of the apartments and 65% of the villas have been sold. Constructions of the other phases have commenced.

EHRL has also entered into a platform deal with a private equity investor, to invest in new projects. Out of the platform deal 9.5 acres of land has been acquired near Porur in Chennai. The building plan approval process for the land is in progress and the company expects to launch the project in first half of 2018-19.

EHRL through its another subsidiary has invested in a 2 acre land parcel in Radial Road, Chennai and the project to construct 279 apartments has been launched. During the year, EHRL has also acquired 6.5 acre parcel of land in OMR, Chennai.

During the year, EHRL earned a Profit Before Tax of Rs.6.56 Cr as against Rs. 5.36 Cr in the previous year on a consolidated basis.

***PT. TVS Motor Company Indonesia (PT TVSM)***

The industry for the year 2017-18 witnessed growth of 5% over 2016-17, after 3 years of decline. While bebek segment and motorcycle segment suffered decline of 5% and 7% respectively, matic segment grew by 8%.

For PT TVSM, the total two-wheeler sales increased from 26,756 vehicles in 2016-17 to 37,096 vehicles in 2017-18 fuelled by exports.

PT TVSM recorded an EBITDA loss of 3.72 Mn USD in 2017-18 compared to 3.15 Mn USD in 2016-17.

***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.

During the year under review, Mr Rajesh Narasimhan, Director of the Company was appointed as the Chief Executive Officer of TVS Motor (Singapore) Pte Limited effective 1st January 2018.

***TVS Motor Services Limited (TVS MS)***

During the year under review, the Company acquired the entire equity share capital of TVS MS on 7th September 2017.

In terms of Section 2(87) of the Act, 2013, by this acquisition of entire equity shares of TVS MS, TVS Credit Services Limited (TVS CS) & its subsidiaries, also became subsidiaries of the Company, as mentioned below:

1. TVS Credit Services Limited
2. TVS Two Wheeler Mall Private Limited
3. TVS Micro Finance Private Limited
4. Harita ARC Private Limited
5. Harita Collection Services Private Limited
6. TVS Commodity Financial Solutions Private Limited
7. TVS Housing Finance Private Limited

TVS MS is the investment SPV of the Company, for funding TVS CS. The Company acquired Non-Cumulative Redeemable Preference shares (Preference Shares) of TVS MS held by Sundaram – Clayton Limited (SCL) and Lucas-TVS Limited (Lucas-TVS) on 18th December 2017 and thereby holds 100% of the Preference Share Capital of TVS MS.

The Company settled the consideration to SCL and Lucas-TVS by transferring its holding in equity shares of TVS CS, i.e, 1,35,17,547 equity shares in aggregate, to the said companies, based on the valuation report obtained from an Independent Valuer, for the acquisition of Preference Shares.

TVS MS has filed a Scheme of Arrangement (Scheme) with National Company Law Tribunal (NCLT) for redemption of Preference Shares by transferring its holding in TVS CS.

As per the Scheme, TVS MS will transfer its investment of 13,36,51,475 (Thirteen Crore Thirty Six Lakhs Fifty One Thousand Four Hundred and Seventy Five) equity shares of Rs. 10 (Rupees Ten) each in TVS CS (out of the total investment in 13,47,41,600 equity shares of TVS CS held by TVS MS), to the Company, in proportion of the Preference Shares holding in the total paid-up capital of TVS MS.

On approval of the Scheme, TVS CS, a NBFC company, will become a direct subsidiary of the Company. In this connection, RBI has also issued No Objection letter for change in the shareholding pattern of TVS CS, being a NBFC.

***TVS Credit Services Limited (TVS CS)***

TVS CS is the retail finance arm of the Company for financing two-wheelers. In line with its long term vision of being preferred financier with diversified and profitable portfolio, TVS CS added Consumer Durable & Used Commercial Vehicle Finance portfolios during the year 2017-18.

During the year 2017-18, TVS CS's overall disbursements registered a growth of 22% at Rs. 4,899 Cr as compared to Rs. 4,007 Cr in the previous year. The assets under management stood at Rs. 6,152 Cr as against in single line i.e, Rs. 5,002 Cr during the previous year registering a growth of 23%. Total income during the financial year 2018 increased to Rs. 1340.43 Cr from Rs. 1114.79 Cr during the financial year 2016-17, an increase of 20.2% over the previous year.

The Profit Before Tax for the year has also improved and stood at Rs. 169.88 Cr as against Rs. 135.56 Cr during the previous year with a growth rate of 25%.

The subsidiaries of TVS CS are yet to commence their operations.

***Sundaram Holding USA Inc. (SHUI) & its subsidiaries***

SACL along with the holding company, viz., Sundaram-Clayton Limited has made investment in SHUI, a company established under the applicable provisions of Laws of The United States of America.

SHUI's wholly owned subsidiaries are:

1. Green Hills Land Holding LLC, South Carolina, USA
2. Component Equipment Leasing LLC, South Carolina, USA
3. Sundaram-Clayton USA LLC, South Carolina, USA (Formerly known as Workspace Project LLC)
4. Premier Land Holding LLC, South Carolina, USA

During the year 2017-18, SACL has invested a sum of USD 20,399,250 in the ordinary shares of SHUI and holds 75% of the total capital of SHUI as on 31st March 2018.

SHUI has acquired land in Dorchester County, USA, for its plant, where it will manufacture High Pressure Die Cast and Gravity Cast parts. Construction at site is in progress and commercial production is expected to commence towards the end of the year 2018-19.

The loss after tax for the financial year ended 31st March 2018 was USD 2,278,295 as against USD 939,237 in the previous year ended 31st March 2017 due to pre-production expenses.

## 8. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company are prepared in accordance with the provisions of Section 129 of the Act, 2013 read with the Companies (Accounts) Rules, 2014 and Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (LODR) along with a separate statement containing the salient features of the financial performance of subsidiaries / associates 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 as mentioned in the Notice of AGM.

The consolidated Profit Before Tax of the Company and its subsidiaries & associate amounted to Rs. 931 Cr for the financial year 2017-18 as compared to Rs. 658 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, R Ramakrishnan, C R Dua, 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 Annual General Meeting and 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, 2013 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 to access 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, 2013, all IDs have declared that they met the criteria of independence as provided under Section 149(6) of the Act, 2013.

The detailed terms of appointment of IDs is 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

During the year under review, a separate meeting of IDs was held on 26th February 2018 and all the IDs were present at the Meeting.

Based on the set of questionnaires complete feedback on Non-Independent Directors and details of various activities undertaken by the Company were provided to IDs to facilitate their review / evaluation.

### a) Non-Independent Directors (Non-IDs)

IDs used various criteria and methodology practiced in Industry, prescribed by Nomination and Remuneration Committee (NRC) for evaluation of Non-IDs viz., M/s Venu Srinivasan, Chairman and Managing Director, Sudarshan Venu, Joint Managing Director, H Lakshmanan, Dr. Lakshmi Venu and Rajesh Narasimhan, Directors, Chairman of the Board and Board as a whole.

IDs evaluated the performance of all Non-IDs individually, through a set of questionnaires. They reviewed their interaction during the Board / Committee meetings and strategic inputs given by them to improve the risk management, internal controls and contribution to the Company's growth.

IDs were satisfied fully with the performance of all Non-IDs.

### b) Chairman

The IDs reviewed the performance of Chairman of the Board after taking into account his performance and benchmarked the achievement of the Company with industry under the stewardship of Chairman.

The IDs also placed on record, their appreciation of Chairman's visionary leadership; setting tone, pace and opportunity for positive change and passion for constant improvement and admired the high standards of integrity and probity, quality and adequacy of leadership of Chairman and his versatile performance.

The IDs also endorsed that the Chairman is a very accomplished leader and is exceptionally well informed about the state of economy.

**c) Board**

The IDs also evaluated Board's composition, size, mix of skills and experience, its meeting sequence, effectiveness of discussion, decision making, follow up action, so as to improve governance and enhance personal effectiveness of Directors.

The evaluation process focused on Board Dynamics and upon evaluation, IDs concluded that Board is well balanced in terms of diversity of experience with expert in each domain viz., Engineering, Finance, Marketing, Legal, Information Technology, Administration and International Economy. The Company has a Board with wide range of expertise in all aspects of business.

The IDs unanimously evaluated the pre-requisites of the Board viz., formulation of strategy, acquisition & allocation of overall resources, setting up policies, directors' selection process and cohesiveness on key issues and satisfied themselves that they were adequate.

They were satisfied with the Company's performance in all fronts and finally concluded that the Board operates with global best practices.

**d) Quality, Quantity and Timeliness of flow of information between the Company, Management and the Board**

All IDs have expressed their overall satisfaction with the support received from the management and the excellent work done by the management during the year under review and also the relationship between the top management and Board is smooth and seamless.

**Directors appointment / re-appointment**

In terms of the provisions of sub-section (6) read with explanation to Section 152 of the Act, 2013 two-thirds 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 annual general meeting.

Dr. Lakshmi Venu and Mr H Lakshmanan, are liable to retire by rotation, at AGM, and being eligible, offer themselves for re-appointment.

As per the recent amendment to SEBI (LODR) Regulations, with effect from 1st April 2019, the appointment or continuation by a person as a Non-Executive Director who attained the age of 75 years requires a special resolution of the Shareholders.

The tenure of Mr H Lakshmanan, NE-ID of the Company aged 84 years, who is liable to retire by rotation at the ensuing AGM, continues beyond 1st April 2019 upon re-appointment, and hence sought approval of the shareholders through Special Resolution.

Considering his six decades of experience in the Group, the Board recommended his re-appointment to the Shareholders based on the performance evaluation by NRC.

Mr Rajesh Narasimhan was appointed as an Independent Director on 11th August 2017 and ceased as Independent Director effective 31st October 2017, consequent to his proposed appointment as Chief Executive Officer in TVS Motor (Singapore) Pte Limited, a wholly owned subsidiary of the Company.

On 1st November 2017, the Board appointed Mr Rajesh Narasimhan as an Additional Director to hold office upto the date of ensuing AGM and proposed his appointment as a Director, liable to retire by rotation.

The Shareholders have also approved his appointment in the place of profit, as required under Section 188 of the Act, 2013, through Postal Ballot on 21st December 2017.

The Directors have recommended their appointment / re-appointment for the approval of Shareholders. Brief resume of the Directors are furnished in the Notice convening the AGM of the Company.

**Key Managerial Personnel (KMP)**

**Joint Managing Director:**

During the year under review, Mr Sudarshan Venu was re-appointed as the Joint Managing Director of the Company for a further period of five years commencing from 1st February 2018 and the Shareholders have approved the same through Postal Ballot on 21st December 2017.

**Change in Chief Financial Officer:**

During the year under review, Mr S G Murali, retired as Chief Financial Officer of the Company on 25th September 2017 upon reaching superannuation and Mr K Gopala Desikan was appointed as the Chief Financial Officer, effective 1st November 2017, based on the recommendation of the Nomination and Remuneration Committee and Audit & Risk Management Committee.

Mr Venu Srinivasan, Chairman and Managing Director, Mr Sudarshan Venu, Joint Managing Director, Mr K N Radhakrishnan, Chief Executive Officer, Mr K Gopala Desikan, 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, 2013 as on date of this Report.

**Nomination and Remuneration Policy**

The Nomination and Remuneration Committee of Directors (NRC) reviews the composition of the Board to ensure an appropriate mix of abilities, experience and diversity to serve the interests of all Shareholders of the Company.

Nomination and Remuneration Policy was approved by the Board at its meeting held on 23rd September 2014 and amended at the Board meeting held on 16th May 2018 in terms of Section 178 of the Act, 2013. The objective of such policy shall be to attract, retain and motivate executive management and devise remuneration structure to link to Company's strategic long term goals, appropriateness, relevance and risk appetite.

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, whenever the need arises for appointment of Directors / KMP / SMP.

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.

**Remuneration payable to Non-Executive Independent Directors**

The Shareholders, at the 20th AGM of the Company, held on 12th September 2012, approved the remuneration, by way of commission not exceeding 1% of the Net profits, in aggregate, payable to the Non-Executive Independent Directors of the Company (NE-IDs) for every year, for a period of 5 years commencing from 1st April 2013 to 31st March 2018.

NE-IDs devote considerable time in deliberating the operational and other issues of the Company and provide valuable advice in regard to the management of the Company, from time to time, and the Company also derives substantial benefit through their expertise and advice.

In view of the increased involvement and participation by such NE-IDs and having regard to their contribution and involvement in policy issues concerning the Company's operations, the Company, based on the recommendations of NRC and the Board, at the AGM held on 11th August 2017, the Shareholders, by way of a special resolution, have renewed the payment of commission to NE-IDs, on similar terms for each financial year effective 1st April 2018.

**Evaluation of the Independent Directors and Committees of Directors**

In terms of Section 134 of the Act, 2013 and the Corporate Governance requirements as prescribed under SEBI (LODR) Regulations, 2015, the Board reviewed and evaluated Independent Directors and its Committees viz., Audit & Risk Management Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee and Stakeholders' Relationship Committee, based on the evaluation criteria laid down by the NRC.

The Board concurred with the recommendations made by the NRC on the evaluation of Non-IDs based on the views expressed at the IDs' meeting held on 26th February 2018.

Hence, the Board carried out the evaluation of IDs (excluding the ID being evaluated) and the Board appointed Committees through a set of questionnaires.

**Independent Directors**

The performance of all IDs was assessed against a range of criteria such as contribution to the development of business 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 IDs 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**

Board delegates specific mandates to Board constituted Committees, to optimize Directors' skills and talents besides complying with key regulatory aspects.

- Audit and Risk Management Committee for overseeing financial Reporting;
- Nomination and Remuneration Committee for selecting and compensating Directors / Employees;
- Stakeholders' Relationship Committee for redressing investors grievances; and
- Corporate Social Responsibility Committee for overseeing CSR initiatives and inclusive growth.

The performance of each Committee was evaluated by the Board after seeking inputs from its Members on the basis of specific terms of reference, its charter, time spent by the Committees in considering key issues, quality of information received, major recommendations / action plans and work of each Committee.

The Board was satisfied with the overall effectiveness and decision making of all Committees. 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.

**Risk Management Committee**

The Company occupied the position as one of the Top 100 listed companies as at 31st March 2018 and accordingly, the Board constituted a separate Risk Management Committee on 16th May 2018 as required under the SEBI (LODR) Regulations, 2015. The details of composition of Committee and its charter is discussed in the Corporate Governance Report attached to this Report.

Details of all other Committees, its charter, functions are provided in the Corporate Governance Report attached to this Report.

**Number of Board meetings held**

The number of Board meetings held during the financial year 2017-18 is provided as part of Corporate Governance Report attached to this Report.

## 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 applicable taxes, out of pocket expenses, travelling and other expenses as may be mutually agreed between the Board of Directors of the Company and the Auditors.

In terms of the above provisions, M/s V. Sankar Aiyar & Co, Chartered Accountants have completed their first term of five consecutive years.

It is therefore proposed to re-appoint them as Statutory Auditors for the second term of five consecutive years from the conclusion of the ensuing AGM till the conclusion of the 31st AGM of the Company.

The Company has obtained necessary certificate under Section 141 of the Act, 2013 conveying their eligibility for being the Statutory Auditors of the Company for the year 2018-19.

The Auditors' Report for the financial year 2017-18 does not contain any qualification, reservation or adverse remark and the same is attached with the annual financial statements.

**Secretarial Auditors**

As required under Section 204 of the Act, 2013 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, 2013, the Secretarial Audit Report for the year 2017-18, of M/s S Krishnamurthy & Co., Company Secretaries, Chennai is attached to this Report. The said Secretarial Audit Report does not contain any qualification, reservation or other remarks.

The Board at its meeting held on 16th May 2018 has re-appointed M/s. S Krishnamurthy & Co., Practising Company Secretaries, Chennai having Registration No.2215 allotted by the Institute of Company Secretaries of India, as Secretarial Auditors for the financial year 2018-19.

**Cost Auditor**

As per Section 148 of the Act, 2013 read with the Companies (Cost Records and Audit) Rules 2014, as amended, the cost audit records maintained by the Company in respect of its engine components manufactured by the Company specified under Customs 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 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 the Cost Auditor for conducting Cost Audit for the financial year 2018-19.

The Company has also received necessary certificate under Section 141 of the Act, 2013 from him conveying his eligibility to act as a Cost Auditor. A sum of Rs.5 lakhs has been fixed by the Board as remuneration in addition to reimbursement of travelling and out-of-pocket expenses and all applicable taxes for the year 2018-19, which is required to be ratified by the Members, at the ensuing AGM as per Section 148(3) of the Act, 2013.

The Company has filed the Cost Audit Report of 2016-17 on 7th September 2017 in XBRL format.

## 11. CORPORATE GOVERNANCE

The Company has been practicing the principles of good corporate 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 Regulation 17(8) of SEBI (LODR) Regulations, 2015 pertaining to CEO/CFO certification for the financial year ended 31st March 2018.

## 12. BUSINESS RESPONSIBILITY REPORT

In terms of Regulation 34 of the SEBI (LODR) Regulations, 2015, the Business Responsibility Report for the year 2017-18 describing the initiatives taken from an environment, social and governance perspective, in the prescribed format is given as Annexure-VIII to this Report.

## 13. POLICY ON VIGIL MECHANISM

The Company has adopted a Policy on Vigil Mechanism in accordance with the provisions of Companies Act, 2013 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 Business Conduct and Ethics.

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

The Board at its meeting held on 16th May 2018 has made an amendment to the Whistle Blower Policy for reporting any allegations of material nature on Directors / Employees within a reasonable time limit from the occurrence of such events.

The Policy is disclosed on the Company's website in the following link https://www.tvsmotor.com/pdf/Whistle-Blower-Policy-2018.pdf.

## 14. PUBLIC DEPOSITS

The Company has not accepted any deposit from the public within the meaning of Section 76 of the Act, 2013, for the year ended 31st March 2018.

## 15. STATUTORY STATEMENTS

**Information on conservation of energy, technology absorption, foreign exchange etc:**

Relevant information is given in Annexure-I to this Report, in terms of the requirements of Section 134(3)(m) of the Act, 2013 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 the Annual Return in prescribed form is given as Annexure-II to this Report, in terms of the requirements of Section 134(3) of the Act, 2013 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, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are annexed as a statement and given in Annexure-III. In terms of first proviso to Section 136(1) of the Act, 2013 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 as mentioned in the Notice of AGM 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 material related party transactions:**

Details of material related party transactions under Section 188 of the Act, 2013 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, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014, for the financial year 2017-18 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, 2013.

Please refer note No. 3 to Notes on accounts for the financial year 2017-18, for details of investments made by the Company.

**Reporting of fraud:**

The Auditors of the Company have not reported any fraud as specified under Section 143(12) of the Act, 2013.

**Other laws:**

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

## 16. ACKNOWLEDGEMENT

The Directors gratefully acknowledge the continued support and co-operation received from the holding Company viz., Sundaram-Clayton Limited. 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 of Directors

Chennai — Venu Srinivasan
16th May 2018 — *Chairman*