"Managed evolution is the use of a new product, process, or service to spawn an even newer product, process or service. Its motto is each successful new product is the stepping stone to the next one."

- Peter Drucker

The world of business and industry has seen more changes in the last one decade than in the preceding few.

In response to this dramatic upheaval, TI made a paradigm-changing transformation.

The Company transformed its men, machines, markets and mindset with the objective to achieve an enduring competitiveness across all business cycles, across all geographies and across all its products.

At TI, the secret of this strengthening competitiveness narrows down to a discipline that can be encapsulated in two words.

Managed evolution

From the perception of a 'bicycles Company' to an 'engineering and auto application Company' as well

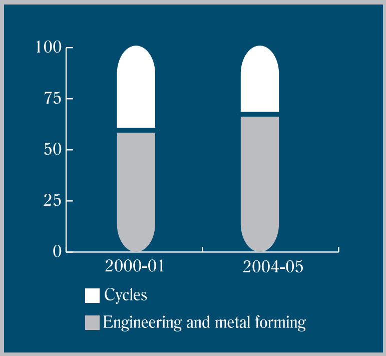
Over the last few years, TI has successfully transformed its longstanding business profile because it was as advisable as it was imperative.

The cycle-focused Company of yesterday has evolved largely into an auto-engineering product organisation of today.

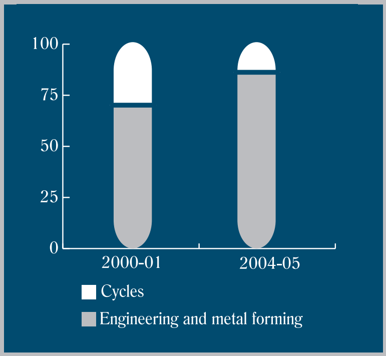
TI has successfully evolved its balanced portfolio, comprising high-growth areas such as engineering and metal forming, with an aggressive focus on auto applications along with a steady outlook on its bicycle business.

This is reflected in the sustainable growth of organisational revenues and profits:

Contribution to revenue (%)



Contribution to profit (%)



This portfolio evolution provides TI with a stronger opportunity to sustain growth and enhance shareholder value.

From product output to value-added product mix as well

Over the last few years, TI's focus has evolved from how much more it can produce to how much more value it can add.

As a value-dedicated organisation, TI does not focus only on maximising output; it is dedicated to a stronger product mix as well, migrating from low to value-added products across all its businesses.

For instance, in its Engineering business, the Company has gradually evolved its focus from general engineering applications to higher value auto engineering applications, from ERW tubes to value-added CDW tubes. In 2002-03, CDW tubes accounted for 31 percent of the Company's domestic tubes revenue; today these products contribute 51 percent. Even within the ERW tubes segment, the Company is gradually exiting low value ERW tubes and focusing on value-added high-end ERW tubes.

Similarly, there is an increasing focus on high margin special grades of strips for automotive applications. As a result, the production of specials increased from 22 percent in 2002-03 to almost 35 percent of the total strips production in 2004-05.

In doorframes, the Company extended its product portfolio beyond the Maruti 800 and Hyundai models and is now the sole supplier to Maruti Omni, and General Motors Tavera models. In chains, the Company has evolved its product mix towards automotive and industrial applications. It has also extended its portfolio to fine blanked products and is now moving into value-added hydroformed products.

A focus on enhancing value over merely increasing production has helped the Company strengthen its presence in high value models in the cycles segment. As a result, the contribution of specials has been maintained consistently above 60 percent of the total sales derived from this segment. At the same time, a close study of changing consumer preferences has enabled the Company to accelerate the development of new ideas, features and models with new models now contributing almost 36 percent of the Company's total cycles sales.

From a manufacturing-centric to customer-centric existence as well

Over the last few years, TI's focus has evolved from a one-stop approach to a dispersed business presence in order to facilitate a quicker response to customer needs and capture a higher portion of the value chain.

In recognition of the divergent demand for value-added and cost-effective products, the Company altered the way it managed its Cycles business: from an integrated manufacturer, it outsourced a large proportion of its components requirement to quality conscious vendors in proximity to its plants.

This helped liberate the Company's resources to focus on core and value-added competencies: the design and development of new and improved models, marketing and brand management.

Similarly, in the Engineering business, to meet the stringent just-in-time delivery demands and lower inventory cost priorities of the automobile majors, the Company strategically enhanced capabilities across its plants to suit its customers. As a result, some of the product lines, which were hitherto restricted to a few plants, have now been introduced in others, leading to quicker delivery.

In the customer-centric Metal Forming businesses, the Company has always been able to successfully meet the quality specifications and delivery requirements of its customers.

It reinforced this competitive strength with progressive investments in new technology and equipment with the objective to increase manufacturing capabilities. Besides, it implemented TPM across its divisions to enhance its productivity and asset utilisation.

From an Indian Company to a global presence as well

While servicing the growing needs of India, TI has extended its presence across a number of geographies.

Even as the Company expanded its presence within India, it recognised that an increasing presence in the global economy is a must to its sustainable growth.

Today, the Company's precision tubes are exported to South East Asian countries, Europe and North America.

Similarly, TI identified a large opportunity in the global market for chains and strengthened its global focus. Today, the Company aims to be a world-class global player in chains with applications in the power transmission and conveyor system industries. In line with this strategic focus, the Company strengthened the global benchmarking of its systems, technologies and services.

Relevantly, TI leveraged its deep organisational resources to expand its international presence across all its businesses. As a result, the Company's exports increased from Rs. 54.29 cr in 2000-01 to Rs. 190.41 cr in 2004-05. Export revenues increased from 4.98 percent of the turnover in 2000-01 to 12.18 percent in 2004-05.

From transformation in business to transformation in people as well

In TI, people skills have evolved from the generalised to the specialised in line with the specific requirements of the Company's various businesses.

In view of this, the Company embarked on the following initiatives to upgrade skill sets:

- It inducted professionals with competencies that plugged hitherto non-existing skill sets.
- It focused on the recruitment of technical professionals capable of innovating products that are non-competing but complementary to its existing portfolio.
- It extended from manufacturing-centric to customer-centric people skills, reinforcing its training in line with customer requirements.

Over the last few years, as business needs became increasingly focused, the Company reoriented its people skills in line with changing requirements.

In view of this, the Cycles business with an engineering perspective evolved a consumer durable outlook, driven by new product development, marketing and brand management. Correspondingly, TI changed its people focus to market and brand-driven skill sets.

When the Company developed its vision to emerge as a global player in the tubes and chains businesses, it reoriented its training requirements to focus on skills required for new markets and reinforced this with behavioural training, focusing on customer interactions.

In its quality and delivery-driven doorframes business, TI identified four levels of required skills and evolved its training accordingly.

As a result of consistent improvement in employee satisfaction levels, TI is now an organisation where every person is geared towards a higher level of performance.

From manufacturing efficiency to financial efficiency as well

In TI, there is an emphasis on not just aligning its manufacturing or marketing in line with global standards but also the quality of its balance sheet in line with some of the most progressive organisations.

This has been reflected in the following strengths:

- Sustained growth in sales and profits at a CAGR of 9.44 percent and 25.47 percent respectively over the last five years.
- A steady improvement in working capital turnover ratio from 4.81 in 2000-01 to 7.24 in 2004-05.
- Higher returns on capital employed at 20.02 percent compared to 12.55 percent in 2000-01; increase in RONW from 9.75 percent in 2000-01 to 21.99 percent, growing at a CAGR of 12.38 percent and 22.54 percent respectively.
- Decline in average borrowing cost from 10.50 percent in 2000-01 to 6.82 percent in 2004-05.

The strength of the Company's balance sheet and the confidence of the shareholders in the Company are reflected in the fact that the Company's market capitalisation crossed Rs.1000 cr for the first time in its history in 2004-05.

> "The Company's transformation has been derived through a prudent leverage of organisational knowledge, experience and skills..."

M A Alagappan
Chairman

Dear Shareholders

Managed evolution at TI is the over-riding strategy by which TI has rewritten its script from being an ordinary organisation to a high-performance organisation in the recent years that leverages product and people performance for sustainable growth.

Over the last half-decade, this transformation has been derived through a prudent leverage of organisational knowledge, experience and skills to capitalise on the opportunities presented by a rapidly changing external environment.

The engineering and metal-forming businesses have the opportunity to become growth engines of TI for a number of reasons. India's passenger car market is growing at a CAGR of 10 percent over the past four years while exports have been growing at a CAGR of 68 percent during the period. The country's two-wheeler industry is one of the largest in the world with an estimated size of 5.4 million units a year. India's auto component exports emerged as one of its most celebrated industry success stories, evolving into a high technology, quality conscious business with low costs. This enabled it to emerge as an outsourcing hub for global original equipment manufacturers and automotive suppliers.

In Cycles business, the challange is to transform the organisation to suit the ever changing customer profile and priorities.

To succeed in this dynamic environment, TI recognised that transformation in its knowledge-based, skill-intensive and customer-oriented businesses need to begin from progressive people practices. In view of this, TI is investing in required skill sets through continuous training in competitive industry environments. This will be reinforced through prudent identification of non-existing skill sets and relevant recruitment.

TI of today is transforming into an organisation possessing skilled engineering competencies, efficient processes and internationally benchmarked quality systems to capitalise on the emerging opportunities. It is a Company where each individual is aligned to deliver a superior performance, thereby enhancing individual and organisational value.

To sustain this culture of managed and positive evolution, the TI of tomorrow will have to be a leader in each of its business segments in India; will have to explore the acquisition of facilities abroad; and will have to work with the objective of deriving at least 25 percent of its turnover from exports to brand-enhancing customers.

These initiatives will manage the Company's next stage of evolution from an Indian into a global organisation.

Yours sincerely,

M A Alagappan

"Over the last few years, TI significantly strengthened its product mix, improved its service and enhanced quality performance..."

Dear Shareholders

At TI, the financial year of 2004-05 was another successful one with revenues increasing from Rs. 1257 cr in 2003-04 to Rs. 1563 cr and profit after tax from Rs. 82 cr in 2003-04 to Rs. 99 cr. TI also merged TIDC, a profitable subsidiary with itself, a win-win proposition that will leverage the cash richness of TI with the existing profitability of TIDC.

The above success was not a one-off improvement. From a more holistic perspective, the Company's revenues and profits grew at a CAGR of 9.44 percent and 25.47 percent respectively over the last five years, vindicating its agenda in transforming itself into a high performance organisation.

At TI, the sustained improvement in performance was derived from two major reasons. Over the last few years, TI significantly strengthened its product mix from commodity to value-added specialty products. It also significantly improved its service in line with its enhanced product commitment, resulting in a comprehensively superior customer experience. This service addressed the enhanced quality and on-time delivery requirements of Indian and global customers.

I am pleased to state that this re-organisation translated into attractive financials and stronger terms of trade across competitive businesses, enabling us to realise the increase in input cost from our customers.

As a forward-looking organisation, TI strengthened its supply chain, reflected in a prudent decline in its debtors' cycle across all the businesses. We are now extending the rigour to a tighter inventory management. The inflationary raw material prices, in an environment of limited availability, made the exercise of managing raw material and finished goods inventory increasingly challenging.

Overall, the Company leveraged a buoyant industry environment across its engineering and metal forming businesses, resulting in an enhanced market share.

In a competitive bicycles segment marked by stagnant growth, the Company made a paradigm shift in its approach: from fighting for market share to enlarging the market in recognition of the need for the entire bicycles industry. This will enable the industry to compete effectively with alternative products for a higher position in an individual's purchase priority. Internally, the Company made sweeping changes in its business approach, which include enhanced profitability of its distributors and vendors, a shift in perspective from conventional marketing of bicycles as a mode of transportation to a product with an aspiration potential.

TI, as an efficiency-focused organisation, entered into a long-term remuneration settlement with its workers across its businesses. This has translated into enhanced capabilities and productivity across its plants. TI has also extended TPM from its Engineering business to the Chains business and within six months of implementation, demonstrated a dramatic improvement.

Today, TI is adequately armed to emerge as a leader in the competitive and demanding auto ancillary industry. The various initiatives will further strengthen its position in the domestic and global markets, leading to enhanced value for its shareholders.

Yours sincerely,

Adhiraj Sarin

Adhiraj Sarin

Corporate Profile

Tube Investments of India Limited is the flagship Company of Rs. 6250 cr. Murugappa Group. It manufactures precision steel tubes and strips, car doorframes, automotive and industrial chains and bicycles.

The Company has 13 manufacturing/assembly units spread across the country. These units are ably supported by marketing offices that act as interface between customer requirements and production team. The Company's shares are listed on the National, Mumbai and Chennai stock exchanges within India and GDRs on the Luxembourg Stock Exchange.

The Company's product segments are – Engineering, Metal Formed Products and Cycles.

- TI is the market leader in precision tubes with 61 percent market share by virtue of its quality and application engineering capabilities.
- TI is the market leader in roll formed car doorframes with 57 percent market share by virtue of its cost efficiency, association with key auto majors and roll forming capabilities.
- TI is a leading player in automotive chain with 35 percent market share by virtue of its quality, cost and delivery and association with two wheeler majors.
- TI is a leading player in bicycle segment with 30 percent market share by virtue of its brand equity, product development capability and proximity to the markets.

The Company reported a turnover of Rs. 1563.39 cr and profit after tax of Rs. 98.55 cr in 2004-05.

The Company also has an interest in the services sector through its investments in Cholamandalam Investment and Finance Company Ltd. and Cholamandalam MS General Insurance Co. Ltd.

Highlights, 2004-05

Corporate

- Amalgamation of TIDC India Limited with TI with effect from 1st April 2004.
- 57 percent increase in profit before tax to Rs. 126.18 cr (without taking into account a non-recurring income of Rs. 24.76 cr in the previous year).
- Market capitalisation cross Rs.1000 cr.

Engineering

- Sale of value added tubes grew by 15 percent and constitute 51 percent of total domestic tube volume.
- Value of special grade strips grew by 30 percent and constitutes 35 percent of total strip volume.
- Exports grew by 33.3 percent from Rs. 87.36 cr to Rs. 116.45 cr.

Metal Formed Products

- Supply of doorframes for Tavera model of General Motors stabilises.
- Marked improvement in quality and PPM levels in doorframe manufacturing.
- Exports of chains grew by 33 percent from Rs. 53.1 cr in 2003-04 to Rs. 70.5 cr.

Cycles

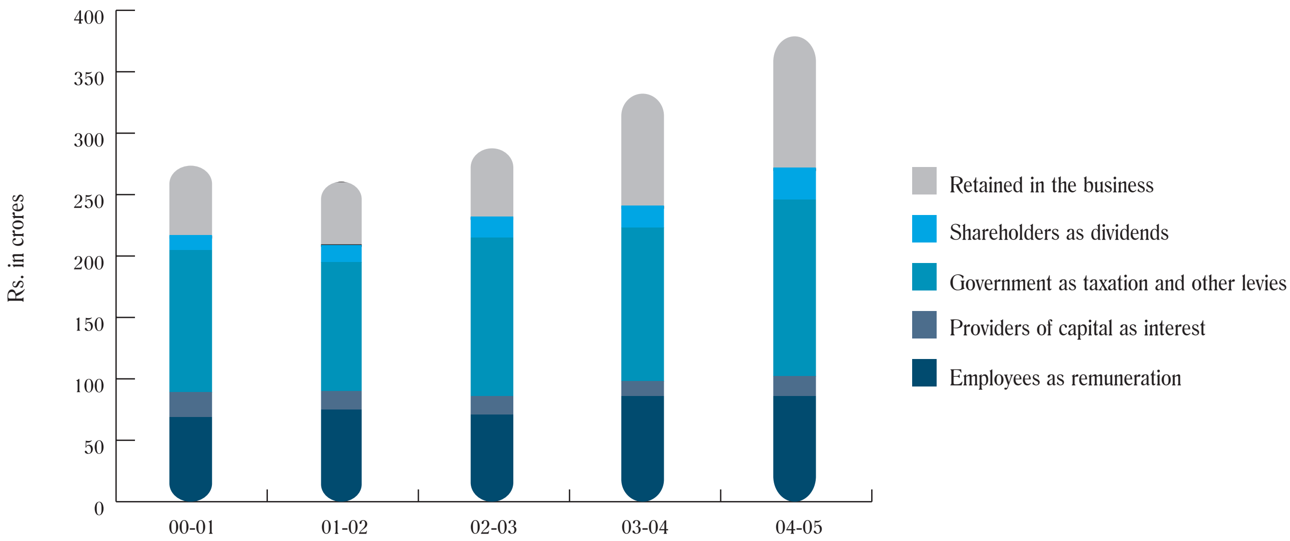
- Launch of 32 new models; income from new products accounting for 36 per cent of turnover.
- Increase in the revenue from Specials as a proportion of the total volume from 58 percent in 2003-04 to 63 percent in 2004-05.

Value Added

Rs. in crores

	2000-01	2001-02	2002-03	2003-04	2004-05
Turnover	1090.02	1074.47	1197.13	1257.34	1563.39
Other Income (Including non recurring item)	12.91	5.74	15.48	51.74	18.17
Total Income	1102.93	1080.21	1212.61	1309.08	1581.56
Less : Cost of Materials & Services Brought in	829.75	820.46	925.23	975.28	1202.40
Value added	273.18	259.75	287.38	333.80	379.16

DISTRIBUTION OF VALUE ADDED	SHARE	2000-01	SHARE	2001-02	SHARE	2002-03	SHARE	2003-04	SHARE	2004-05
To Employees as remuneration	25%	68.63	29%	75.03	25%	71.00	26%	86.15	23%	86.27
To Providers of capital as interest	7%	19.59	6%	15.39	5%	15.20	4%	12.49	4%	16.06
To Government as taxation & other levies	43%	116.47	40%	105.25	45%	129.25	38%	125.44	38%	144.10
To Shareholders as dividends	5%	12.31	5%	13.54	6%	16.63	5%	18.47	7%	25.87
Retained in the business										
Depreciation	12%	33.59	11%	27.81	10%	28.17	9%	29.60	10%	37.81
Profit	8%	22.59	9%	22.73	9%	27.13	18%	61.65	18%	69.05
		273.18		259.75		287.38		333.80		379.16



10 Year Financials

Rs. in crores

	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
OPERATING RESULTS										
Sales (Including Excise Duty)	601.67	600.05	607.93	677.35	979.93	1,090.02	1,074.47	1,197.13	1,257.34	1,563.39
Profit before Depreciation, Interest & Tax	71.09	64.53	60.21	65.69	92.80	104.09	98.53	105.82	147.39	180.05
Profit before Interest & Tax	57.83	48.37	40.52	43.46	63.22	70.50	70.72	77.65	117.79	142.24
Profit before tax (PBT)	32.26	24.11	17.44	21.50	41.34	50.91	55.34	62.45	105.30	126.18
Profit after Tax (PAT)	27.96	21.45	16.01	21.08	32.84	36.16	36.27	45.89	82.49	98.55
Dividends	6.31	6.16	4.92	6.16	9.85	12.31	13.54	16.63	18.47	25.87
Dividend Tax	-	0.62	0.49	0.65	1.08	1.26	–	2.13	2.37	3.63
Retained Profits	21.65	14.67	10.60	14.27	21.91	22.59	22.73	27.13	61.65	69.05
SOURCES AND APPLICATION OF FUNDS										
SOURCES OF FUNDS :										
Share Capital	24.62	24.62	24.62	24.62	24.62	24.62	24.62	18.47	18.47	36.95
Reserves & Surplus	294.06	308.54	318.96	318.59	340.33	362.75	347.01	315.18	376.83	411.24
Net Worth	318.68	333.16	343.58	343.21	364.95	387.37	371.63	333.65	395.30	448.19
Debt	114.50	150.98	145.09	137.73	181.16	174.27	174.25	262.20	215.64	229.66
Deferred Tax Liability (Net)	-	-	-	-	-	-	35.82	31.98	31.79	32.71
Funds Employed	433.18	484.14	488.67	480.94	546.11	561.64	581.70	627.83	642.73	710.56
APPLICATION OF FUNDS :										
Gross Fixed Assets	209.35	259.12	310.55	368.30	391.68	419.06	418.72	406.08	432.30	564.89
Depreciation	75.46	85.88	102.64	124.06	139.02	164.41	175.46	180.75	206.65	281.82
Net Fixed Assets	133.89	173.24	207.91	244.24	252.66	254.65	243.26	225.33	225.65	283.07
Capital Work-In-Progress	52.27	60.34	35.38	5.01	6.68	9.85	2.14	2.93	13.66	21.81
Investments	123.06	91.11	83.16	52.68	66.21	58.58	97.13	174.55	204.17	189.71
Gross Current Assets	263.12	278.00	283.83	288.18	393.48	392.41	412.17	449.78	440.77	525.55
Current liabilities & Provisions	139.31	118.55	122.97	118.20	178.76	165.67	205.96	256.46	262.95	309.58
Net Current Assets	123.81	159.45	160.86	169.98	214.72	226.74	206.21	193.32	177.82	215.97
Deferred Revenue Expenditure	0.14	-	1.36	9.03	5.85	11.82	32.96	31.70	21.43	-
Net Assets Employed	433.18	484.14	488.67	480.94	546.11	561.64	581.70	627.83	642.73	710.56
RATIOS :										
ROCE (%) #	13.35	9.99	8.29	9.04	11.58	12.55	12.16	12.37	18.33	20.02
PBT TO SALES (%)	5.36	4.02	2.87	3.17	4.22	4.67	5.15	5.22	8.37	8.07
Return on Networth (%) (+)	8.94	6.55	4.75	6.41	9.27	9.75	10.71	15.20	22.06	21.99
Earnings Per Share (Rs.)	14.09	8.71	6.50	8.56	13.34	14.69	14.73	19.46	22.32	26.67
Dividend Per Share (Rs.)	3.20	2.50	2.00	2.50	4.00	5.00	5.50	9.00	10.00	7.00
Book Value Per Share (Rs.)	157.63	133.05	136.80	133.64	143.83	150.58	137.55	163.46	202.39	121.28
Debt Equity Ratio (%) @ (+)	36.60	46.08	43.07	41.85	51.15	47.00	51.45	86.83	57.68	51.24
Fixed Assets Turnover (times)	4.49	3.46	2.92	2.77	3.88	4.28	4.42	5.31	5.57	5.52
Net working capital turnover (times)	4.86	3.76	3.78	3.98	4.56	4.81	5.21	6.19	7.07	7.24

Return on capital employed (ROCE) is profit before interest and taxation divided by the capital employed as at the end of the year.

@ Debt-equity ratio is total debt as a percentage of shareholders' funds.

(+) Ratios have been computed after adjusting for revaluation reserve and deferred revenue expenditure.

Directors' profile

Mr. M A ALAGAPPAN, Chairman
Mr. M A Alagappan (61 years) is a commerce graduate and has undergone a course in Management Studies in the University of Aston in Birmingham, UK. He joined the Board in October1999. He is currently the Chairman of the Company. He is on the Board of various companies including Cholamandalam Investment & Finance Company Limited, Cholamandalam MS General Insurance Company Limited and International Flavours & Fragrances India Limited.

Mr. ADHIRAJ SARIN, Managing Director
Mr. Adhiraj Sarin (52 years) holds Bachelors degree in Technology from IIT, Kanpur. He joined the Board in August 2002.

Mr. AMAL GANGULI, Non-Executive Director
Mr. Amal Ganguli (65 years) is a Fellow of The Institute of Chartered Accountants of England & Wales and The Institute of Chartered Accountants of India. He joined the Board in June 2003. He was formerly Chairman and Senior Partner, PriceWaterhouse Coopers, India. He is on the Board of various companies including Maruti Udyog Limited, Flextronics Software Systems Ltd and Gillette India Ltd.

Dr. D JAYAVARTHANAVELU, Non-Executive Director
Dr. D Jayavarthanavelu (64 years) is a graduate in Engineering. He also holds B.S. Textiles from Philadelphia College of Textiles and Science, USA. He joined the Board in August 1997. He is currently Chairman and Managing Director of Lakshmi Machine Works Limited. He is also on the Board of various companies including Lakshmi Electrical Control Systems Limited and Lakshmi Mills Limited.

Mr. M M MURUGAPPAN, Non-Executive Director
Mr. M M Murugappan (49 years) holds a Bachelors degree in Chemical Engineering. He is also a Master of Science in Chemical Engineering from the University of Michigan, USA. He joined the Board in March 2002. He is currently Chairman of Carborundum Universal Limited. He is also on the Board of various companies including Mahindra & Mahindra Limited and Wendt India Limited.

Mr. PRADEEP MALLICK, Non-Executive Director
Pradeep Mallick (62 years) holds Bachelors degree in Engineering from IIT, Madras and a diploma in Business Management (UK). He is a Fellow of the Institution of Electrical Engineers, London. He joined the Board in June 2003. He was formerly Managing Director of Wartsila India Limited. He is on the Board of various companies including Blue Star Limited and Avaya GlobalConnect Limited.

Mr. RAM V TYAGARAJAN, Non-Executive Director
Ram V Tyagarajan (54 years) is a Chemical Engineer. He also holds a Masters degree from the Sloan School of Management, Massachusetts, USA. He joined the Board in August 1997. He is presently Chairman and Managing Director of Thiru Arooran Sugars Limited and Shree Ambika Sugars Limited. He is on the Board of various companies including Terra Energy Limited and Shreevastava Industries Limited.

Mr. S SANDILYA, Non-Executive Director
Mr. S Sandilya (57 years) holds Masters degree from Indian Institute of Management, Ahmedabad. He joined the Board in January, 2005. He is presently Group Chairman and Chief Executive, Eicher Group.

Mr. R SRINIVASAN, Non-Executive Director
Mr. R Srinivasan (63 years) is a Graduate in Mechanical Engineering. He joined the Board in June 2004. He was formerly Managing Director of Widia India Limited. He is on the Board of various companies including Sundaram Fastners Limited and Cholamandalam MS General Insurance Company Limited.

Mr. TAPAN MITRA, Non-Executive Director
Mr. Tapan Mitra (65 years) is a Fellow of Institute of Chartered Accountants of India and holds a Masters degree in Business Administration from the University of Geneva. He joined the Board in October 2000. He is currently Member of West Bengal State Planning Board. He is also on the Board of Thermax Limited and Essel Propack Limited.

Corporate Information

BOARD OF DIRECTORS	M A Alagappan, Chairman Adhiraj Sarin, Managing Director Amal Ganguli D Jayavarthanavelu M M Murugappan Pradeep Mallick Ram V Tyagarajan S Sandilya R Srinivasan Tapan Mitra
COMPANY SECRETARY	S Suresh
REGISTERED OFFICE	**'DARE House'** 234, N S C Bose Road, Chennai 600 001
PLANTS	**Cycles Division:** TI Cycles of India, Ambattur, Chennai TI Cycles of India, Nashik TI Cycles of India, NOIDA TI Cycles of India, Durgapur **Engineering Division:** Tube Products of India, Avadi, Chennai Tube Products of India, Shirwal, Satara District Tube Products of India, Mohali **Metal Formed Products Division:** TIDC India, Ambattur, Chennai TIDC India, Kazipally, Hyderabad TI Metal Forming, Nemilicherry, Chennai TI Metal Forming, Bawal TI Metal Forming, Halol
AUDITORS	**FRASER & ROSS** Chartered Accountants
BANKERS	Bank of America Bank of Baroda Standard Chartered Bank State Bank of India The Hongkong & Shanghai Banking Corporation Limited

Management Discussion And Analysis

OVERVIEW

Over the last five years, the Company's business has undergone significant realignment. Its engagement with the automotive sector has grown many fold in tune with the dynamics of the Indian macro economic environment. To keep pace, the Company embarked upon structured programmes to develop keener customer focus, a leaner organization, speedier information and technology flows; as well as programs to reduce cost and expand capacities. Above all, the Company invested significantly in enriching, empowering and motivating its human resources.

In 2004-05, the payback on these investments of time and money has become increasingly evident. Year on year, sales revenue increased 24 percent, Operating Profit before tax was up 57 percent, productivity per shift (a composite of labour and machine efficiency) shot-up, fixed costs were pushed down; and in at least one of its product lines, the Company proved itself globally competitive. 30 percent of the Company's revenues came out of new products.

Over the years, the Company has acquired specialised technical skills and metallurgical knowledge for manufacture of precision tubes and metal formed products that caters to the quality sensitive auto component industry. This enables the Company to enjoy sizable share in its addressable market.

The Company's business consists of three broad segments viz., Engineering, Metal Formed Products and Cycles. In 2004-05, the first two, being closely linked to the high growth automotive sector, enabled the Company to weather the continuing decline in demand for Cycles.

Each of the segments is discussed below:

ENGINEERING

The Business

Engineering business basically involves two types of products - welded precision tubes and strips. The market size of the welded precision tubes in India is estimated to be around 3.25 lakh tonnes per annum. Cold Drawn Welded (CDW) and Electric Resistant Welded (ERW) are the two primary precision tubes - both find busiest application in automotive industry. There are four major players in the market. TI is the pioneer and leader. Attracted by the growth of what prima facie looks like a profitable market, several new entrants are joining the supply side with aggressive price postures. However, the big players on the demand side are characterised by very demanding quality and delivery imperatives.

Strips comprise of narrow (below 350 mm) and wide (350 mm to 1000 mm) width categories. The user industries are automobile, bearings, cycles, galvanising drums and barrels, fine blanking, stamping, chains and general engineering. The size of our addressable market is estimated to be around 12 lakh tonnes per annum. The industry is marked by the presence of about 10 players, each with regional focus. TI has dominant share in Southern India.

Availability of raw materials i.e. special grades of steel is a concern. As also, there are frequent price escalations by suppliers, which customers take time to compensate.

Operations 2004-05

Year on year, the turnover of the Engineering business increased 15 percent to Rs. 755.38 cr in 2004-05 contributing 52 percent of the total revenues of the Company. Profit before interest and tax increased 71 percent to Rs. 91.66 cr.

Earlier investments of time and money in tube capacity expansion, in enrichment of product mix and in reduction of working capital, have started yielding results. Apart from introduction of line balancing and modern testing equipment, special efforts were made to improve capabilities across different manufacturing locations. As a result, some of the product lines, which were hitherto restricted to a few units, were introduced in others. The quality bar was raised in all units. These steps should make operations more nimble, improve yields and contribute to de-risking the business. In 2004-05, introduction of new and improved processes resulted in measurable cost and quality gains. During the year, focus was on productivity improvement of all equipment. That singly contributed to the increase in output over last year. The business has initiated investment in dedicated production lines for select product categories. These should further enhance productivity and ensure more consistent quality.

As a result of these efforts, the business was able to achieve higher than market growth in select product segments, where it is considered to be a leader. By continuously monitoring customer satisfaction levels, the business was able to swiftly respond to changing needs and retain market leadership.

In tubes export, the business achieved 75 percent growth in value terms, mainly on account of increased penetration of the North American market. However, appreciation of the Rupee against US$ and escalating steel prices cut into margins. The capacity of the EOU plant was increased by more than 50 percent to 14,400 tonnes. Plans are ready to further grow that capacity.

The Shirwal plant and the Avadi EOU unit received TS 16949 certification in line with the requirement of global auto OEMs. The main plant at Avadi has been awarded ISO 14001 certification, which had already been earned by the plants at Mohali and the EOU.

In strips, the business exited from lower-end “commodity” segments and thrust forward with clear focus on speciality products. During the year, a breakthrough came in the shape of supply of value added products to China.

The outlook for the Engineering division is robust as both domestic and global demand pulsates with growth signals. The focus is on achieving superior customer satisfaction through consistent quality, rigorous adherence to delivery commitments and new product development.

As mentioned above, major concerns are the timely procurement of right quality steel, volatility of its price and the time lag in getting the customer to recognize the new input price.

METAL FORMED PRODUCTS

The Business

Metal forming is a multi faceted industry in which each facet has its own approach to metal forming. Our business is engaged in three types of metal forming viz., stamping (chains), cold roll-forming (car doorframes) and blanking.

In Chains, there are two distinct product segments viz., automotive and industrial (including agricultural) chains. In automotive chains, the Company is just-in-time (JIT) supplier to the major motor cycle OEMs. Automotive chains are also marketed in the replacement market through a dealer network across the country. The industrial class chains cater to the needs of various industries like cement, fertiliser, steel, sugar, elevator and power transmission related industries. In India, there are two major players in chains. Though export of chains from India is competitive in terms of quality, costs have to be further driven down. Currently, India has a low share of the international market.

In Roll-forming, the business primarily manufactures model-specific car doorframes for major national brands. While the doorframes for cars are made mostly by a pressing process, some car manufacturers consider roll forming route as a superior quality and cost option. Involving both aesthetics and safety, roll formed doorframes are subjected exacting quality standards. There are only two major players in India making roll formed car doorframes.

In Fine Blanking, the business manufactures sprockets and other power transmission related products primarily to supplement the chains business. Fine blanking is a growing business, especially with increasing supplies to automotive industry. There are three major players catering to the industry requirements.

As tier-I supplier to OEMs, the Metal Forming Business is directly associated with the prospects of the automotive industry. Emergence of India as a global sourcing destination augurs well for the industry. Rising living standards, broadening and deepening of the consuming middle class coupled with availability of cheaper finance, contributed to significant upward movement in demand for personal vehicles - both two and four-wheelers. This trend is expected to continue in the foreseeable future.

In this business too, availability of right quality & grades of steel and price volatility pose major challenges. The unique feature of this business is that the products are generally model-specific and hence the fortunes are directly related to the success of that particular model.

Operations 2004-05

The turnover of the Metal Formed Products business was Rs. 253.47 cr or about 17.5 percent of total Company revenues. Profit before interest and tax was Rs. 39.47 cr.

Demand was firm in automotive chains, both from OEMs and the dealer network. In industrial chains, off-take was healthy on the heels of flourishing customer industries like cement, fertilizer, steel etc. The export of chains grew 34 percent over the previous year. Efforts are on to develop new products to address newer export markets.

In doorframes, the drop in volumes of 800cc model of Maruti was more than off set by increased off-take by Hyundai (both Santro and Accent) and Maruti for its Omni, thereby recording an increase in turnover. The Halol plant has commenced supply of doorframes to General Motors India.

In fine blanking, the business focus is on new product development for different customer segments, apart from supplementing industrial and automotive chains. The Company has plans to acquire new capabilities in metal forming, chiefly to serve the auto component industry.

Being a tier-I supplier, the focus in this business is on new product development in close association with OEMs. This is a key imperative, which in turn depends very much upon maintaining and upgrading customer relationship.

CYCLES

The Business

India is the second largest maker of bicycles in the world. Around 9 million bicycles (valued at Rs.1500 cr) are produced each year. Ludhiana has been the prime source of components for the cycle industry in India. Recently, vendor bases have come up in other parts of the country thereby diluting the geographical risk.

Cycles can be classified into two segments – standards and specials. There are four major players in the industry. With changing economic environment, the market for standard bicycles has become highly price sensitive allowing small players to take aggressive price postures. The specials category bicycles are more differentiated by design and finds markets in kids, students and youth, for fitness and leisure.

The bicycle industry in India has witnessed a continuous downward trend in demand over the last three years. In 2004-05, there was 7 percent drop in volume over the previous year. Increased urbanisation, improved public transport systems, increased affordability of motorised vehicles and limited road-space for bicycles (there is complete absence of “cycles only” lanes even in the most congested and polluted cities) are said to be some of the causes for the downturn. However, the bicycle is still the first vehicle for most children and there is growing use of bicycles as health and leisure products.

Operations 2004-05

The Business continues to be the second largest player in the industry achieving a turnover of Rs. 482.40 cr, 33 percent of the total sales of the Company. Profit before interest and tax declined to Rs. 20.52 cr in 2004-05 reflecting lower sales volume.

Faced with shrinking demand, the business strategised to clamp down on working capital, right through the value chain. This reduced exposure to market and brought down stock levels with dealers by linking supply to actual sales. True, these moves reduced volume of primary off-take. But an invaluable asset was created through inculcation of rigour in the dealer network, through better quality of dealers to represent the business and simultaneously by ensuring better service to dealers and end customers. Introduction of new and attractive models and focus on institutional sales during the year helped the business improve its position in the market.

Rising input costs impelled price increases across all product segments of the business. Encouraged by the lower costs achieved by the business model used in its NOIDA plant, the Cycle business has initiated doubling of capacity in that plant. Exports of bicycles did not take off as expected due to resistance in the African market.

Apart from development of new models, the business has embarked on a number of initiatives to increase volume and profitability. These include focused cost reduction initiatives and measurable improvement in quality to make it a differentiator. New initiatives have also been launched targeting the spares and health segments.

Being fully conscious of the importance of dealer profitability as well as vendor profitability, the business made concerted efforts to track and improve the same. Apart from helping them to upgrade their internal processes, the business worked closely with vendors to strengthen their sourcing of materials. Much effort has also gone into working in concert with the rest of the cycle industry to grow the demand.

RISK MANAGEMENT

Risk management refers to the formal process whereby risks associated with the Company's businesses are managed precisely and transparently. The Company believes that risk management strengthens the process of decision making, planning and implementation. The Company also believes that risk management enhances the probability of success of investments, of strategy and policy implementation and of other entrepreneurial initiatives. Naturally, there are constraints of time, efficiency and cost. A well established risk management programme provides the launch platform for path breaking into new ventures and directions including development of new products, thereby allowing the harvesting of maximum gains from prevailing risk scenarios, while steering clear of pitfalls.

Perception risk

An adverse perception about the Company in the minds of the investors could translate into under-valuation reflected in lower than justified P/E ratios. This affects the Company's capacity to reward its shareholders and to raise resources at the most competitive rates.

Established in 1949 as a bicycle manufacturer, the Company has transformed itself into top drawn engineering company, catering predominantly to the needs of automotive industry. This is evidenced by the fact that in 2004-05, the Engineering and Metal Forming Businesses of the Company contributed about 70 percent of TI's turnover and 86 percent of its operating PBIT. The highly dynamic automotive sector alone accounted for 49 percent of Company's turnover.

Despite the above, the Company is yet to achieve a P/E associated with well-run engineering and auto component companies. Over a period of time, the Company expects to firmly establish its image as an engineering/auto component company through transparent financial reporting, regular interactions with analysts, press releases and other communications.

Raw material risk

Non-availability of base raw material and/ or volatility of its price could adversely affect operations and profitability.

Steel - including some very special grades of steel - is the basic raw material for all the businesses of the Company. Despite India being one of the major producers of steel, availability of special grades of steel has become a concern. Spurt in global steel demand has led to a sellers market in which the Indian steel makers appear to be reluctant to manufacture special grades of steel. Quality is also a victim of prevailing market condition. And there is no respite to price increase. The Company has been able to mitigate this risk to some extent as it is perceived to be a preferred customer by major steel producers by virtue of its professionalism, high quality processes and integrity. The Company has been trying to build long term understanding with national and international steel manufacturers. To some extent it has been successful. The Company is conscious of the importance of ensuring continuous supply of right quality steel at competitive price. Towards this end, the Company has put in place a strategy and monitoring mechanism, which gives it confidence in facing this challenge.

As regards the price of steel, the Company has been mitigating its effect by continuously developing more value added products to its portfolio. Such products generally gain speedier cost compensation from customers. The Company has instituted stiff cost control systems and transparent arrangement with the customers for sharing cost data.

Industry risk

The various industries relevant to the Company may decline or may even cease to exist.

The industries relevant to the Company are automotives, boilers, general engineering products and bicycles. The Company's dependence on the automotive component industry is significant. That industry is on an upswing, which according to informed opinion will continue particularly because India is expected to develop as a global auto-component outsourcing hub. The bicycle industry is witnessing sluggish demand which the Company, along with other industry players, is countering by energetic efforts to popularise cycling and to improve cycling habits. Apart from these steps, the Company has strategies in place to focus on new growth areas around cycles viz., spares and the health segment.

Product obsolescence risk

Product obsolescence could adversely affect the revenue stream and profitability, more so, in case of an excessive dependence on a single product line.

In its Engineering business, the Company manufactures ERW and CDW tubes for various industries including automobile, boiler and general engineering. In view of its value addition, the focus is on CDW tubes with specific applications in automobile components. The Company's R&D department continuously tracks emerging products and technologies and helps the business make timely investment in new process technologies. The Company also lays strong emphasis on development and introduction of new products by its businesses. In Engineering business, the focus is on development of product for new applications. In Metal Formed Products business, the focus is on developing non-doorframe products and fine blanked products other than sprockets. In Cycles, the focus is on introduction of new features and designs.

Model-specific risk

Failure of a model or lack of acceptance of the model in the market place would adversely affect the revenue and profitability.

In Engineering and the Chains businesses, this risk is spread over several models/products and failure of a specific model is unlikely to significantly affect revenue / profitability. In the doorframe business, this risk is greater since the business is model dependant. The Company is therefore diversifying its roll-forming capabilities to other segments and several models of different car manufacturers. e.g. recent addition of General Motors India to the customer list.

In case of Cycles, the Company is a pioneer in introducing new models in the market. And that is true today. All operating policies like procurement, provisioning, inventory etc are kept in line with the requirement of serving new models. The Company recognises the need for introducing a number of models at regular intervals to maintain the attraction of its product portfolio.

Vendor dependence risk

Failure of the critical vendor to supply in time or required quality would impact the operations and hurt the image and market share.

Barring procurement of steel, the Engineering business and Metal Formed Products business are not dependant on any group of large/critical vendors.

In the Cycle business, the Company has consciously embarked on an outsourced model with different sets of dedicated vendors for its plant at Nashik, NOIDA and Chennai. The Company has a vendor management system that involves close interaction with and monitoring of the operations of its vendors. To instil greater confidence in them, the Company has started tracking profitability of vendors. For instance, the Company proactively helps vendors to procure raw materials and negotiate better prices. As regards quality, the Company has strict and transparent quality control measures which tracks the source of raw material for manufacture of components by the vendors in order to ensure consistent quality.

Geography risk

Excessive dependence on income from a specific geography may be a risk, especially if the economic, business and trading condition in that geographical area are soft.

The Company has a large customer base and its revenue stream is well spread across all the regions of India. The Company is also spreading its manufacturing locations across the regions. In order to further dilute this risk, the Company is strategically focusing on increasing exports. The contribution of exports to overall revenues has increased from 7 percent in 2003-04 to 12 percent in 2004-05; from Rs. 89 cr to Rs. 190 cr.

Credit risk

The concentration of credit in a particular region or to a handful of customers and the inability of the Company to control its receivables could affect the management of its debtors.

The Company has a large customer base of reputable organisations. The Company reduces risk through just-in-time (JIT) supplies and tight credit monitoring. It has improved its customer quality by weeding out customers and dealers with poor payment record.

In the Cycles business, the dealer network is large and distributed across all regions with an average receivable of around 66 days, which reportedly is one of the best in the industry. These dealers are selected on the basis of their financial strength and ability to remit funds on time. Besides, the Company has rationalised the dimensions of risk through controlled deliveries to dealers in line with secondary sales.

Internal control risk

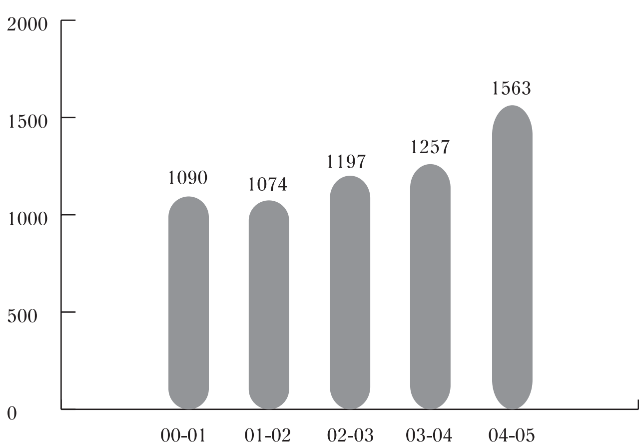
The Company's growth and profitability could be adversely affected if internal processes and controls are not in place.

The Company is conscious of the importance of internal processes and controls. Its operating policies are distilled from the experience of nearly five decades. Operating manuals are regularly updated. A uniform delegation of authority and standardised procedures across all manufacturing locations and regions is in place. The Company possesses a robust business planning and review mechanism. The Company has adequate internal control systems considering the nature of business, size and geographical spread. These systems are regularly reviewed and improved. The Company also has an internal audit system with a clear focus on assuring the adequacy of such systems. Taking a positive view of the new requirements under the listing agreement on reporting upon internal controls, the Company proposes to review its internal control systems on a "zero base".

FINANCIAL REVIEW 2004-05

Sales

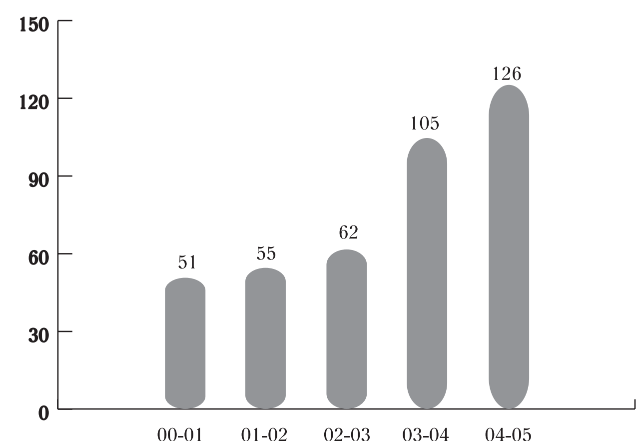
Sales (including excise duty) of the Company was Rs.1563 cr, a growth of 24 percent over the previous year. Strong performance of the Engineering business and amalgamation of TIDC India Ltd. (TIDC) were the principal contributors to growth. The following graphic captures sales growth over the last five years. The CAGR is 9.44 percent.



Sales including excise (Rs. cr)

Profits

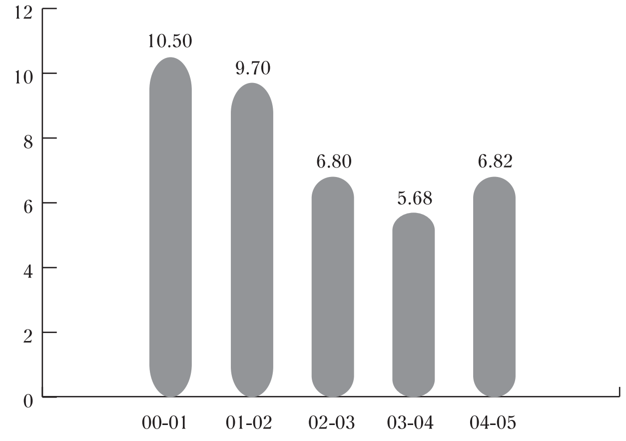
Again, the prescient shift in the product mix of the Engineering business and the amalgamation of TIDC propelled profit before tax (PBT) to Rs. 126 cr, an increase of 20 percent over previous year. On a like-to-like basis, after eliminating the non-recurring income of Rs. 24.76 cr in 2003-04, the PBT shows a growth of 57 percent. Over the last five years, the CAGR of PBT is 25.47 percent.



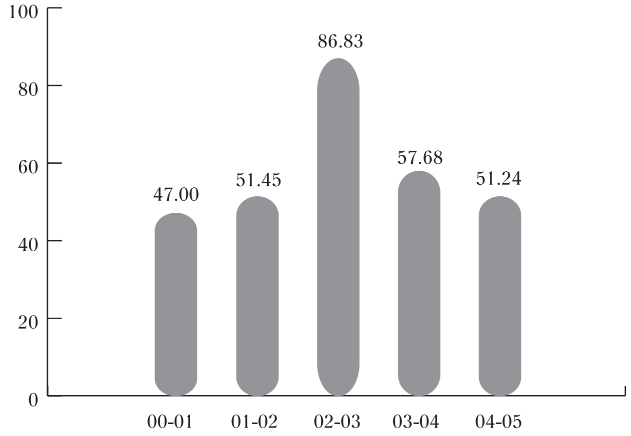
Profit before tax (Rs. cr)

Borrowings and Finance Charges

The finance charges for the year was Rs.16.06 cr. Total Debt: equity ratio is 0.51:1 and Long Term Debt is only 0.15:1 of total capital employed. The following graphic of average borrowing cost over the last five years shows that the Company's cost of borrowed funds have been below bank Prime lending rate.



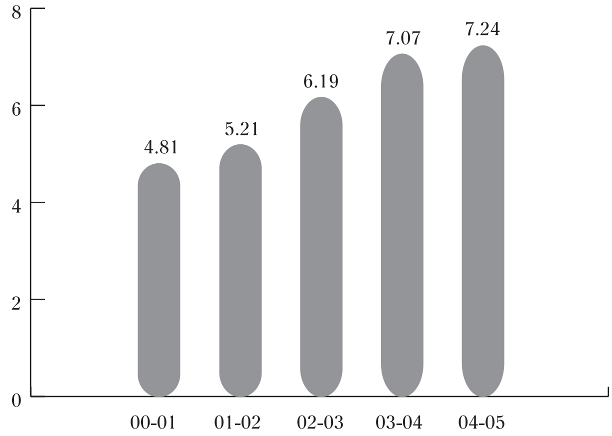
Average borrowing cost (%)



Debt-equity ratio (%)

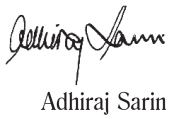
Working capital turns

The energetic pursuit of getting more out of working capital is reflected in the improvement of working capital turns. This has been a continuous effort, the effect of which , for the last five years, is plotted below:



Net working capital turnover (times)

On behalf of the Board



Chennai
29th April, 2005

Adhiraj Sarin
Managing Director

Shareholders Information

REGISTERED OFFICE
'DARE HOUSE', 234 NSC Bose Road, Chennai 600 001

ANNUAL GENERAL MEETING

Day	:	Friday
Date	:	29th July, 2005
Time	:	4.00 p.m.
Venue	:	T T K Auditorium, The Music Academy, T T K Road, Royapettah, Chennai 600 014

TENTATIVE FINANCIAL CALENDAR
Annual General Meeting – 29th July, 2005.

Financial reporting for the first quarter ending June 30, 2005 – 29th July, 2005.

Financial reporting for the second quarter ending September 30, 2005 – 27th October, 2005.

Financial reporting for the third quarter ending December 31, 2005 – Last week of January, 2006.

Financial reporting for the year ending March 31, 2006 - April / May 2006.

BOOK CLOSURE FOR DIVIDEND
Friday, the 15th July, 2005 to Friday, the 29th July, 2005 (both days inclusive).

DIVIDEND
The Board of Directors has recommended the payment of a dividend of 70 percent (Rs. 7 per equity share). The dividend on equity shares will be paid to those members whose names appear in the Register of Members as on 29th July, 2005 and the same will be paid on or before 5th August, 2005.

In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership as per details furnished by the depositories for this purpose.

LISTING ON STOCK EXCHANGES AND STOCK CODE
EQUITY SHARES
National Stock Exchange - TUBEINVEST

The Stock Exchange, Mumbai – 504973

Madras Stock Exchange – TIN

GLOBAL DEPOSITORY RECEIPTS
Luxembourg Stock Exchange

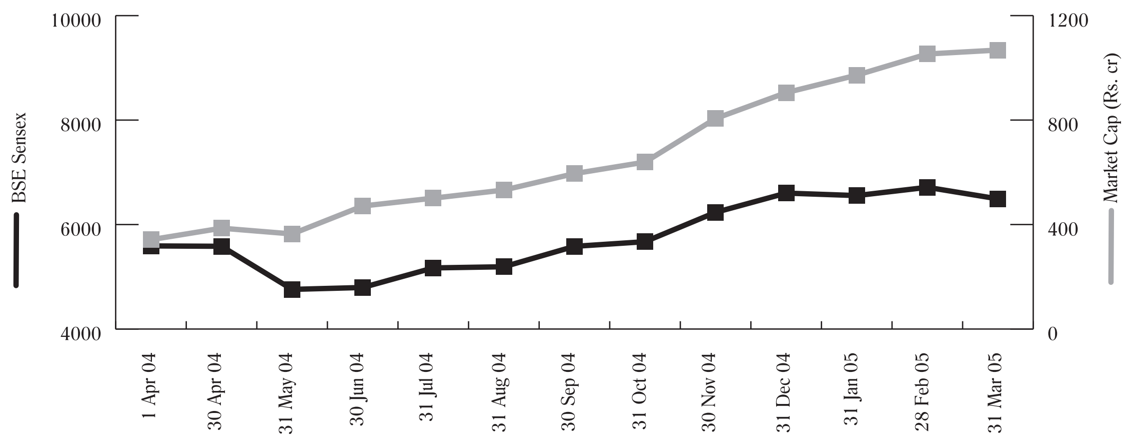
Listing fee for the year ended 31st March, 2005 has been paid to all the stock exchanges.

MARKET PRICE DATA AND COMPARISON

High and Low during each month in last financial year

	National Stock Exchange		Mumbai Stock Exchange	
Month	HIGH Rs. P	LOW Rs. P	HIGH Rs. P	LOW Rs. P
Apr-04	253.00	182.00	225.00	185.00
May-04	220.00	174.00	221.00	180.00
Jun-04	277.00	191.00	275.85	190.00
Jul-04	303.00	251.10	295.00	251.00
Aug-04	290.90	136.50	295.00	135.10
Sep-04	179.50	137.00	179.90	137.00
Oct-04	180.00	153.00	180.00	152.00
Nov-04	239.80	165.00	240.00	169.05
Dec-04	258.90	208.05	257.00	206.00
Jan-05	269.90	224.00	268.35	227.00
Feb-05	315.00	257.00	315.00	259.50
Mar-05	313.35	275.05	320.00	274.00

TI MARKET CAPITALISATION VS. BSE SENSEX



REGISTRAR AND SHARE TRANSFER AGENTS

Karvy Computershare Private Ltd
"Karvy House" 46, Avenue 4, Street No.1
Banjara Hills, Hyderabad 500 034.
mailmanager@karvy.com
Phone Nos.040-23312454 / 23320251/751
Fax : 040-23311968

SHARE TRANSFER AND INVESTOR SERVICE SYSTEM

A committee of the Board constituted for this purpose approves share transfers in the physical form on fortnightly basis. The Board has also authorised Chairman / Managing Director to approve the transfers / transmissions.

SHAREHOLDING PATTERN AS ON 31ST MARCH, 2005

	Category	No of shares held	% of shareholding
A	Promoter's Holding	1,57,71,528	42.68
B	Non-Promoter Holding		
1	Institutional Investors		
a)	Mutual Funds and UTI	60,39,574	16.34
b)	Banks, Financial Institutions, Insurance Companies	2,61,215	0.71
c)	Foreign Institutional Investors	11,08,272	3.00
2	Others		
a)	Private Corporate Bodies	32,62,014	8.83
b)	Indian Public	67,35,885	18.23
c)	NRI / OCB	1,32,330	0.36
d)	Bank of New York (GDR holders' Depository)	36,45,182	9.85
Grand Total		**3,69,56,000**	**100.00**

DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH, 2005

Category	No of holders	% to total	No of shares	% to Total
1 - 500	11,677	82.08	19,42,240	5.25
501 - 1000	1,561	10.97	10,99,449	2.97
1001 - 2000	479	3.37	6,83,253	1.85
2001 - 3000	157	1.10	3,93,213	1.06
3001 - 4000	88	0.62	3,15,963	0.86
4001 - 5000	39	0.27	1,77,568	0.48
5001 - 10000	84	0.59	6,11,348	1.65
above 10,000	141	1.00	3,17,32,966	85.88
Total	**14,226**	**100**	**3,69,56,000**	**100.00**

NOMINATION FACILITY

The shareholders may avail of the nomination facility under Section 109A of the Companies Act, 1956. The nomination form (Form 2B) along with instructions will be provided to the members on request. In case the members wish to avail of this facility, they are requested to write to the company's registrar M/s Karvy Computershare Pvt Ltd.

DEMATERIALISATION OF SHARES

The shares of the Company are compulsorily traded in dematerialised form. The code number allotted by National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd to Tube Investments of India Ltd is ISIN INE 149A01017.

GDR DETAILS

As at 31st March, 2005, 36,45,182 GDRs were outstanding representing an equal number of underlying equity shares.

MEANS OF COMMUNICATION

The quarterly results are being published in the leading national English newspapers (The New Indian Express, The Economic Times and Business Standard) and in one vernacular (Tamil) newspaper (Dinamani). The quarterly results are also available on the Company's website www.tiindia.com

The Company's website also displays official press releases, shareholding pattern and presentations made to the analysts and brokers.

GENERAL BODY MEETING

Last three annual general meetings

The date, time and venue of the last three annual general meetings are given below:

Year	Date	Time	Venue
2001-02	24.7.2002	4.00 p.m.	T T K Auditorium, Music Academy, T T K Road, Royapaeetah, Chennai 600 014.
2002-03	28.7.2003	4.00 p.m.	Same as above.
2003-04	29.7.2004	4.00 p.m.	Same as above.

LIST OF PROMOTERS BELONGING TO THE MURUGAPPA GROUP

1. EID Parry (India) Ltd., and its subsidiaries
2. Godavari Fertilisers & Chemicals Ltd.
3. Parry Engineering and Exports Ltd.
4. Parry Agro Industries Ltd.
5. Parry Nutraceuticals Ltd.
6. New Ambadi Estates Pvt Ltd. and its subsidiaries
7. Ambadi Enterprises Ltd. and its subsidiaries
8. Carborundum Universal Ltd. and its subsidiaries
9. Cholamandalam Investment and Finance Company Ltd. and its subsidiaries
10. The Coromandel Engineering Company Ltd. and its subsidiaries
11. AMM Arunachalam & Sons P Ltd.
12. AMM Vellayan Sons P Ltd.
13. MM Muthiah Sons P Ltd.
14. Murugappa & Sons
15. Kadamane Estates Company
16. AMM Foundation
17. AMM Medical Foundation
18. AMM Educational Foundation
19. MM Muthiah Research Foundation
20. AR Lakshmi Achi Trust
21. Presmet Pvt Ltd.
22. TII Shareholding Trust
23. M V Murugappan and family
24. M V Subbiah and family
25. M A Alagappan and family
26. A Vellayan and family
27. M M Murugappan and family
28. M M Venkatachalam and family
29. A Venkatachalam and family
30. S Vellayan and family
31. Arun Alagappan and family
32. M A M Arunachalam and family
33. Any company / entity promoted by any of the above

Family for this purpose includes the spouse, dependent children and parents.

PLANT LOCATIONS:

TI Cycles of India
Post Bag No.5
Ambattur, Chennai 600 053.
Tel: (044) – 5209 3434
Fax: (044) – 5209 3345

TI Cycles of India
A-32, Phase II Extn, Hoisery Complex
Opp. NEPZ Dadri Road,
Gautam Budh Nagar, NOIDA 201 305
Tel : (0120) – 2462201 / 203

Tube Products of India
Avadi, Chennai 600 054
Tel: (044) – 2638 4040
Fax : (044) – 2638 4051

Tube Products of India
Shirwal Post, Khandala Taluk
Satara Dist., Maharashtra 412 801
Tel : (02169) – 244080
Fax: (02169) – 244087

TI Cycles of India
Plot No. E – 8, MIDC
Malegaon, Sinnar
Nashik Dist 422 103
Tel: (02551) - 230472
Fax No.(02551) - 230183

TI Cycles of India
Jadavendrapanja Avenue
Durgapur 713 211
West Bengal
Tel : (0343) 255 3522 / 255 3988

Tube Products of India - EOU
Avadi, Chennai 600 054
Tel: (044) – 2638 3244
Fax : (044) – 2638 3110

Tube Products of India
A-16 & 17, Industrial Focal Point
Phase VI, SAS Nagar
Mohali, Punjab 160 051
Tel : (0172) – 2675651, 2670231
Fax : (0172) 2679375

TI Metal Forming
Chennai – Tiruvallur High Road
Tiruninravur RS PO
Pin Code 602 024
Tel (044)2639 0194, 2639 0437
2639 0504
Fax : (044) 2639 0634

TI Metal Forming
Plot No.501 – B & C
Halol Industrial Area / Estate
Block No. 32 & 34, Village Dunia
Tk Halol, Dist Pachmahals, Baroda
Tel : (02676) - 224647
Fax : (02676) - 224035

TIDC India
Ambattur
Chennai 600 053
Tel: (040) 5223 5555
Fax: (040) 5223 5406

TI Metal Forming
Bawal Plant
Plot Nos. 302 – 329,
Bawal Investate
Riwari District,
Haryana 123 501
Tel : (01284) –260707, 260708
Fax : (01284) - 260426

TIDC India
Kazipally Village
Jinnaram Madnal
Medak Dist – Pin 502 319
Tel : (08458) 277240
Fax:: (08458) 277241

COMPLIANCE OFFICER

Mr. S Suresh
Company Secretary
Tube Investments of India Limited
DARE House
234, N S C Bose Road, Chennai 600 001
sureshs@tii.murugappa.com
Phone : (044) – 25306711
Fax : (044) -52110404

CONTACT ADDRESS

For all matters relating to Annual Report:
Company Secretary
Tube Investments of India Ltd
'DARE House'
234, N S C Bose Road
Chennai 600 001
e-mail : sureshs@tii.murugappa.com
Tel : (044) – 2530 6711
Fax: (044) – 5211 0404

For all matters relating to investor services:
Karvy Computershare Pvt Ltd
"Karvy House"
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Report on
Corporate Governance

Your Company believes that the fundamental objective of corporate governance is enhancement of long-term shareholder value, while keeping in view the interests of all stakeholders. Your Company's corporate governance practices emanate from its commitment towards discipline, willingness, transparency and fairness. Key elements in corporate governance are timely disclosure, establishment of internal controls and high standard of accounting fidelity, product and service quality.

Your Company also believes that the growth in shareholder value, as reflected in the financial performance of the Company, was possible because of the good practices followed over the years.

BOARD OF DIRECTORS

The key to good corporate governance is the Board of Directors, which leads and controls the business. The Board provides leadership, strategic guidance and objective judgement on the affairs of the Company. While doing so, the Board recognises the interest of all stakeholders. It comprises excellent, professionally acclaimed non-executive Directors, who understand their role of addressing issues put forward by the management and impartially discharging their fiduciary responsibilities towards the shareholders. Your Company's commitment to good governance practices allows the Board to effectively perform these functions. The role of the Chairman in ensuring good corporate governance is crucial. The Chairman ensures that timely and relevant information is made available to enable all Directors to contribute during meetings and discussions.

Thus, the effectiveness of the Board is strengthened by its structure and procedures followed.

The Board consists of 10 members with knowledge and experience in different fields viz., engineering, manufacturing, finance and business management. The Chairman and Mr. M M Murugappan belong to the promoter group and Mr. Adhiraj Sarin is the Managing Director. The remaining Directors are independent non-executive Directors.

The Board, in order to be effective, has constituted an Audit Committee, Remuneration and Nomination Committee and an Investors' Grievance Committee.

Your Company has a well-established practice with regard to deciding the dates of meetings in advance and issues and matters to be placed before the Board. The dates of the Board meeting for the entire calendar year are decided before the beginning of the year in consultation with members on their availability. The effectiveness of the Board is also attributable to the willingness of your Directors to allocate time and contribute effectively at all meetings.

Apart from the statutory requirements, the role of the Board includes providing a strategic direction, business planning, periodic review of operations and considering proposals for diversification, de-risking, investment, divestment and business reorganisation. The Board has complete access to all information available within the Company. Apart from the above, the information periodically placed before the Board includes status of statutory compliance, proceedings / minutes of all committee meetings, significant development(s) in human resources / industrial relation(s) and major capital expenditure. Besides, a memorandum is placed before the Board periodically on the information required to be made available to the Board as per the corporate governance norms.

Your Company's values and beliefs are well articulated and disseminated across all levels. In view of the requirement under the corporate governance norms, a 'code of conduct' for the Directors and senior management has been adopted recently. The Directors and senior management personnel are required to affirm their compliance to the code of conduct annually.

There were 6 meetings of the Board during the financial year 2004 – 05. The dates of the Board meetings, details of attendance and the number of directorships / committee memberships held by them as on 31st March, 2005 are provided in the Table 1 of the annexure to this report.

AUDIT COMMITTEE

The audit committee plays an important role in ensuring good governance through proper reporting of financial performance and establishment and review of internal control procedures.

The Company has an independent audit committee. The committee consisted of 4 members, all being non-executive directors, with 3 of them being independent. Mr. Tapan Mitra, an independent Director, is the Chairman of the audit committee. All the members of the committee have excellent financial and accounting knowledge.

The role of the audit committee, in brief, is to review financial statements, internal controls, accounting policies and internal audit. The quarterly financial results are placed before the audit committee for its review, suggestions and recommendation(s) before taking the same to the Board. The committee discusses the audit plan with statutory auditors. The internal audit plans are placed before the committee for its review. The observations of internal auditors on operations of the various business units of the Company are presented to the committee periodically for its guidance. The committee also provides guidance on compliance with accounting standards and accounting policies. The statutory and internal auditors attend the audit committee meetings. The committee also tracks the implementation of its guidelines / suggestions through review of action taken reports.

The committee met 7 times during the year ended 31st March, 2005. The composition of the audit committee and the attendance of each member at these meetings are given in Table 2 of the annexure to this report.

REMUNERATION TO DIRECTORS

The success of the organisation in achieving good performance and good governing practice depends on its ability to attract quality individuals as executive and non-executive directors.

The compensation to the Managing Director comprises a fixed component and a performance incentive by way of commission. The compensation is determined, based on levels of responsibility and scales prevailing in the industry. The commission is also determined based on certain pre-agreed performance parameters. The Managing Director is not paid sitting fees for any board / committee meetings attended by him. The terms of employment provide for termination of service by either party upon giving three months notice.

The compensation to the non-executive directors takes the form of commission on profits. Though the shareholders have approved payment of commission up to 1 percent of the net profits of the Company for each year calculated as per the provisions of Companies Act, 1956, the actual commission paid to the Directors is restricted to a fixed sum. The sum is reviewed periodically taking into consideration various factors such as performance of the Company, time spent by the Directors for attending to the affairs and business of the Company and the extent of responsibilities cast on the Directors under various laws and other relevant factors. Further, the aggregate commission paid to all non-executive directors is well within the limit of 1 per cent of the net profits as approved by the shareholders. The non-executive directors are also paid sitting fees as permitted by government regulations for all board and committee meetings attended by them.

The role of the remuneration and nomination committee is to recommend to the Board the appointment / reappointment of the executive / non-executive Directors. The committee has also been vested with the authority to determine the periodic increments in salary and annual incentive of the executive directors. The increments and commission of executive directors are determined on the basis of a balanced score card with its four components viz., company financials, company scorecard, strategic business unit score card and personal objectives being given appropriate weightage.

The members elect one amongst themselves as Chairman for each meeting. The committee met 3 times during the year ended 31st March, 2005. The composition of committee and the attendance of each member at these meetings are given in Table 3 of the annexure to this report.

The details of remuneration paid / provided for the year ended 31st March, 2005 to the Managing Director is given in Table 4 of the annexure to this report. The details of remuneration paid / provided to non-executive directors are given in Table 5 of the annexure to this report.

SUBSIDIARY COMPANY

Cholamandalam MS General Insurance Company Ltd (CMSGICL) is the only subsidiary of the Company. Mr. R Srinivasan, an independent Director, is also on the Board of CMSGICL. The Managing Director of CMSGICL presents the financial and operating performance to the Board of the Company for its review annually.

DISSEMINATION OF INFORMATION

Your Company is conscious of the importance of timely and proper dissemination of adequate information. A press release is given along with the publication of the quarterly / annual results explaining the business environment and performance. This is being provided to enable the investing community to understand the financial results in a better and more meaningful manner. The press release includes non-financial aspects such as development of new products, change in market share, price movement of raw materials and generally the business condition. The quarterly and audited financial results are normally published in Business Standard, The Economic Times, The New Indian Express and Dinamani. Press releases are given to all the important dailies. The financial results, press releases, shareholding pattern and the presentations made to the Analysts and Brokers are posted on the Company's website i.e., www.tiindia.com. The Company's commitment to transparency is reflected in the information-rich annual report, investors meets, periodic press releases and updation of the website.

INVESTORS' SERVICE

Your Company promptly attends to investors' queries or grievances. In order to provide timely services, the power to approve transfer of shares has been delegated by the Board to the shares and debentures committee. The Board has also authorised the Chairman / Managing Director to approve the transfers / transmissions. Share transfer requests are processed within 15 days from the date of receipt. Karvy Computershare Private Limited, Hyderabad is the Company's share transfer agent and depository registrar.

The shareholders / investors grievance committee was constituted to specifically focus on investor service levels. This Committee has prescribed norms for attending to the investors' services and these norms are being reviewed periodically.

Mr. M M Murugappan, a non-executive Director is the Chairman of the shareholders / investors' grievance committee. The members of the committee are in regular and close communication with each other and attend to the investors' complaints / grievance periodically. The Committee met twice during the year ended 31st March, 2005. The composition of the Committee and their attendance at the above meetings are given in the Table 6 of the annexure to this report.

The Company received 77 queries / grievances during the year ended 31st March, 2005 and all of them were resolved to the satisfaction of the investors. There were no queries to be replied / sorted out as at 31st March, 2005. There were no transfers pending as at 31st March, 2005.

RESOLUTIONS PASSED BY POSTAL BALLOT

In September, 2004, two special resolutions viz., (a) amendment to the Object clause of the Memorandum of Association and (b) issue of further shares to the shareholders of erstwhile TIDC India Limited, were passed by postal ballot.

Mr. R Sridharan, practicing Company Secretary conducted the postal ballot as per the procedure laid down in Section 192A, read with the Companies (Passing of Resolutions by Postal Ballot) Rules, 2001.

The details of the result for the above were as follows:

Amendment to the object clause of the Memorandum of Association

Number of valid votes	1,05,15,553 votes
Number of votes in favour	1,05,08,663 votes
Number of votes against	6890 votes

Issue of further shares to erstwhile TIDC shareholders

Number of valid votes	1,05,15,553 votes
Number of votes in favour	1,05,13,931 votes
Number of votes against	1622 votes

The above resolutions were duly passed by the shareholders with requisite majority through postal ballot.

COMPLIANCE

Clause 49 of the listing agreement relating to the corporate governance norms has been revised by the Securities Exchange Board of India (SEBI) through a circular dated 29th October, 2004. The Company has complied with all the mandatory requirements of corporate governance norms required to be complied during the financial year. The Company has also complied with many of the new mandatory requirements as stated above. As regards the other requirements, the Company has taken necessary steps to comply with the same and expects to do so within the time limits specified by SEBI in this regard.

As regards non-mandatory requirements, the Company has a Remuneration and Nomination committee as detailed earlier. A half-yearly newsletter from the Managing Director highlighting the significant achievements during the six months was sent to all the shareholders of the Company enclosing the financial results for the half-year ended 30th September, 2004.

DISCLOSURES

Related party transactions during the year have been disclosed as a part of the accounts as required under AS 18 issued by the Institute of Chartered Accountants of India.

There have been no instances of non-compliance by the Company or penalty or strictures imposed on the Company by the stock exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A management discussion and analysis report highlighting individual businesses has been included in the annual report.

GENERAL SHAREHOLDERS INFORMATION

A separate section has been annexed to the annual report furnishing various details viz., last three annual general meetings, AGM time and venue, share price movement, distribution of shareholding, location of factories, means of communication etc.

On behalf of the Board

Chennai
29th April, 2005

M A Alagappan
Chairman

(A) BOARD MEETING DATES AND ATTENDANCE

The Board of Directors met six times during the financial year 2004-05. The dates of the Board meetings were 9th June, 2004, 29th July, 2004, 24th August, 2004, 29th October, 2004, 27th January, 2005 and 26th March, 2005.

The attendance of each Director at the meetings, the last annual general meeting and number of other directorships / committee memberships held by them as on 31st March, 2005 are as follows:

TABLE 1

Sl. No	Name of Director	Board meetings attended (no of meetings held)	Number of Directorships (a) (out of which as Chairman)	No of committee memberships(b) (out of which as Chairman)	Attendance at last AGM	No. of shares held as on 31st March, 2005
1.	Mr. M A Alagappan	6 (6)	11(2)	6(3)	Present	3,05,244
2.	Mr. Adhiraj Sarin	6 (6)	3	1	Present	6,140
3.	Mr. Amal Ganguli	5 (6)	9	9(3)	Present	400
4.	Dr. D Jayavarthanavelu	3 (6)	9(8)	2	Present	400
5.	Mr. M M Murugappan	4 (6)	11(4)	4(1)	Present	2,93,146
6.	Mr. M Narasimham (c)	1	NA	NA	Not Present	-
7.	Mr. Pradeep Mallick	6 (6)	5	7(3)	Present	-
8.	Mr. Ram V Tyagarajan	5 (6)	5(2)	3(1)	Not Present	-
9.	Mr. R Srinivasan (d)	6 (6)	11(1)	5(3)	Present	-
10.	Mr. Tapan Mitra	6 (6)	2	2	Present	-
11.	Mr. S Sandilya (e)	2	5(4)	2	Not Applicable	-

(a) Excludes foreign companies, private limited companies, alternate directorship and companies registered under Section 25 of the Companies Act, 1956.

(b) Includes only membership in Audit and Investors' Grievance Committee.

(c) Mr. M Narasimham resigned at the annual general meeting held on 29th July, 2004.

(d) Mr. R Srinivasan was appointed as Director on 9th June, 2004.

(e) Mr. S Sandilya was appointed as Director on 27th January, 2005.

(B) COMPOSITION OF AUDIT COMMITTEE AND ATTENDANCE

The Committee met seven times during the year ended 31st March, 2005. The composition of the audit committee and the attendance of each member at these meetings are as follows:

TABLE 2

Name of the Member	Number of meetings attended (number of meetings held)
Mr. M M Murugappan	5 (7)
Mr. Pradeep Mallick	7 (7)
Mr. Tapan Mitra	7 (7)
Mr. R Srinivasan (a)	6 (7)

(a) Mr. R Srinivasan was appointed as a member on 9th June, 2004.

(C) COMPOSITION OF R & N COMMITTEE AND ATTENDANCE

The Committee met three times during the year ended 31st March, 2005.The composition of the remuneration and nomination committee and the attendance of each member at these meetings are as follows:

TABLE 3

Name of the Member	Number of meetings attended (Number of meetings held)
Mr. Amal Ganguli	3 (3)
Mr. M Narasimham (a)	1
Mr. Tapan Mitra	3 (3)
Mr. M A Alagappan (b)	NA

(a) Mr. M Narasimham resigned at the annual general meeting held on 29th July, 2004.

(b) Mr. M A Alagappan was appointed as a member on 27th January, 2005.

(D) REMUNERATION OF EXECUTIVE DIRECTORS

The details of remuneration paid / provided to the Managing Director is as follows:

TABLE 4

Amount in Rupees

Name of the Director	Salary	Commission(a)	Allowance	Perquisites & Contributions	Total
Mr. Adhiraj Sarin	25,73,430	24,00,000 (b)	23,91,074	19,75,617	93,40,121

(a) Commission will be paid after the adoption of accounts by the shareholders at the annual general meeting.

(b) Provisional and subject to determination by remuneration and nomination committee. The actual commission will be determined by the board / remuneration and nomination committee.

(E) REMUNERATION OF NON-EXECUTIVE DIRECTORS

The details of commission / sitting fees provided / paid to non-executive directors for the year ended 31st March, 2005 are as follows:

TABLE 5 Amount in Rs.

Name of the Director	Commission (a)	Sitting fees	Total
Mr. M A Alagappan	2,00,000	1,45,000	3,45,000
Mr. Amal Ganguli	2,00,000	75,000	2,75,000
Dr. D Jayavarthanavelu	2,00,000	25,000	2,25,000
Mr. M M Murugappan	2,00,000	1,80,000	3,80,000
Mr. M Narasimham	65,753	10,000	75,753
Mr. Pradeep Mallick	2,00,000	1,30,000	3,30,000
Mr. Ram V Tyagarajan	2,00,000	55,000	2,55,000
Mr. S Sandilya	35,068	30,000	65,068
Mr. R Srinivasan	1,62,192	1,25,000	2,87,192
Mr. Tapan Mitra	2,00,000	1,50,000	3,50,000

(a) Provisional and subject to determination by the Board. Commission will be paid after the adoption of accounts by the shareholders at the annual general meeting.

(F) COMPOSITION OF INVESTORS' GRIEVANCE COMMITTEE AND ATTENDANCE

The Committee met twice during the year ended 31st March, 2005. The composition of the shareholders' / investors' grievance committee and their attendance at the above meetings are as follows:

TABLE 6

Name of the Member	Number of meetings attended (Number of meetings held)
Mr. M A Alagappan	1 (2)
Mr. M M Murugappan	2 (2)
Mr. Adhiraj Sarin	2 (2)

On behalf of the Board

Chennai
29th April, 2005

M A Alagappan
Chairman

Certificate to the

Corporate Governance Report

To the Members of Tube Investments of India Ltd

We have examined the compliance of conditions of Corporate Governance by Tube Investments of India Limited, for the year ended on 31st March 2005, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Investors' Grievance Committee.

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

For Fraser & Ross
Chartered Accountants

Geetha Suryanarayan
Partner
Membership No. 29519

Chennai
29th April, 2005

Directors' Report

Dear Shareholders

Your Directors have pleasure in presenting the performance of the Company for the year ended 31st March, 2005. Your Company has achieved a turnover of Rs. 1563.39 cr and a profit before tax of Rs. 126.18 cr. The profit before tax represents an increase of 57 percent over the previous year without taking into account the non-recurring income of Rs. 24.76 cr received in the previous year. Apart from improved performance, the amalgamation of TIDC India Limited with the Company also contributed to the increase in turnover and profits. The profit after tax is Rs. 98.55 cr.

FINANCIAL HIGHLIGHTS

The financial highlights for the year ended 31st March, 2005 are as follows:

Rs. in crores

	2004-05	2003-04
Gross sales including excise duty / income from operations	**1,563.39**	**1,257.34**
Less : Excise duty	112.84	100.26
Net sales including processing charges	1,450.55	1,157.08
Profit before depreciation and interest	**180.05**	**122.63**
Less: Interest Depreciation	16.06 37.81	12.49 29.60
Profit before tax and non-recurring item	**126.18**	**80.54**
Add: Non-recurring item	-	24.76
Profit before tax	**126.18**	**105.30**
Less: Provision for tax	27.63	22.81
Profit after tax	**98.55**	**82.49**
Add: Surplus brought forward Profit transfer on amalgamation Profit available for appropriation	89.91 10.79 199.25	53.26 - 135.75
Less:		
Transfer to general reserve	50.00	25.00
Dividend – Proposed 70% (last year 100%)	25.87	18.47
Tax on dividend distribution	3.63	2.37
Balance carried to balance sheet	119.75	89.91

BONUS SHARES

In pursuance of the approval of the shareholders at the annual general meeting held on 27th July, 2004, the Company allotted 1,84,72,690 bonus shares in the ratio of 1 (one) bonus equity share of Rs.10 for every 1 (one) equity share of Rs.10.

AMALGAMATION

Pursuant to the Scheme of Arrangement sanctioned by the High Court of Madras vide its order dated 30th November, 2004, the whole of the undertaking of TIDC India Limited (TIDC) amalgamated with the Company with effect from 1st April, 2004. Consequently, the shareholders of erstwhile TIDC (other than the Company) were allotted 10,620 shares in the ratio of 4 equity shares of Rs.10 each for every 5 equity shares of Rs.10 each in TIDC.

DIVIDEND

Consequent to the issue of bonus shares and amalgamation, the issued and paid up equity capital stands increased from Rs.18.47 cr to Rs..36.95 cr. Your Directors are happy to recommend a dividend of 70 percent (Rs.7 per equity share of Rs.10 each) for the year on the enhanced capital of Rs.36.95 cr The dividend payout including dividend tax amounts to Rs.29.50 cr (previous year Rs.20.84 cr).

REVIEW OF THE YEAR

India’s GDP growth for the financial year 2004-05 (Apr-Dec) was 6.7 percent. The manufacturing sector grew by an impressive 9.2 percent. Despite volatility in oil prices, inflation is under control and the foreign exchange reserve position is comfortable. The interest rate is expected to move upward after a downward trend for a considerable period.

The impressive growth in the Indian automobile and automobile components sectors, provided a good opportunity for the Engineering and Metal Formed Products businesses. However, the availability of special grades of steel continues to be a cause for concern.

In the Engineering business, the strategic initiatives taken to focus on value added products have started yielding results. Efforts have been made to improve quality and capabilities across all plants, thus enabling better profitability. There was a robust growth in exports of tubes to North America. Customer satisfaction levels are being tracked, and plans to further improve on-time delivery and joint product development with customers have been strengthed. The business has embarked on capacity expansion in tube making to cater to increasing demand in domestic and export markets.

Metal Formed Products include industrial chains, automotive chains and doorframes. The off-take by the OEMs continues to grow. The increase in steel price and the time lag in realisation of the price increase constitute a major challenge in this business. Encouraged by the increase in export of chains, the business is increasing its product range to address global markets. As the chain business caters to demanding customers in the Indian auto market as well as overseas, focused attention remains on on-time-delivery, quality and cost. The chains business received “CII-Exim Bank Award for Business Excellence - 2004” for its strong commitment to excel on its journey towards Business Excellence. In doorframe products, the business was able to meet the increased volume demand from its customers. As a part of the car, which enhances its aesthetics, the doorframe needs to meet high quality standards. The business has been successful in meeting the exacting demands of its customers. Supplies of doorframes to General Motors India from the Halol plant have commenced. There are plans to acquire new competencies in metal forming, in order to enhance product offerings to the automobile and auto component industry segments.

The Indian bicycle industry continues to face declining sales for the third year in succession. The business focussed on reduction in trade credits and improvement in dealer margins. The turnover in this business remained stagnant. Brand strengthening and introduction of new models assumed greater importance. This enabled improved price realisation to offset the rise in input cost. Since the business has adopted the model of outsourced manufacturing, vendors' profitability is being cotinuously monitored. The business has taken several initiatives along with the other players in the industry to encourage cycling for healthy living.

STEEL PROJECT

Your Company has entered into a Memorandum of Understanding with the Government of Orissa for setting up a steel plant with a capacity of 1.2 million tonnes.

VALUE ADDED TAX (VAT)

As a major step towards tax reforms, VAT has been successfully introduced in as many as 21 States in India. The role of the empowered Committee on VAT in bringing about this reform is highly appreciable. There was also commendable cooperation exhibited by various State Governments in ushering in the new tax structure to replace the age old sales tax system. The new VAT structure would have been far more comprehensive had the central sales tax levy also been abolished. The industry has concerns over the few States still remaining outside the new system. With the continuous efforts of the empowered Committee, the industry is hopeful of tax parity across the country. This new tax system is expected to yield full benefits in the long run. Your Company has adapted to the new tax system in the States where VAT has been introduced.

MANAGEMENT DISCUSSION AND ANALYSIS

A Management Discussion and Analysis Report, highlighting individual businesses forms part of the annual report.

DIRECTORS

Messrs. Ram V Tyagarajan, Amal Ganguli and Pradeep Mallick retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

Mr. S Sandilya was appointed as an additional Director with effect from 27th January, 2005. The appointment of Mr. S Sandilya as a Director is being placed before the shareholders for their approval at the ensuing annual general meeting.

CORPORATE GOVERNANCE

Your Company is committed to high standards of corporate governance. A report on corporate governance along with a certificate from the statutory auditors has been included in the annual report.

HUMAN RESOURCES

Your Company continued its efforts in enhancing the performance and productivity of its employees. Your Company enjoys a good understanding and harmonious relationship with its employees and this has resulted in improved all round performance.

The Company successfully achieved a high degree of flexibility and agility in responding to structural changes in its efforts to optimise its human capital to the changing business and market conditions. At the managerial level, high performers and those with high potential were identified through a systematic process. Their training, development and career planning was given a greater thrust during the year.

The Cycles and Metal Formed Products businesses were commended for "Strong Commitment to HR Excellence" by Confederation of Indian Industry.

SAFETY, HEALTH & ENVIRONMENT

Your Company attaches high importance to safety, health and environment (SHE) issues. The SHE policy of the Company sets out parameters to instil ownership and motivation to achieve SHE excellence. SHE audit being an integral part of the business, enabled all the businesses of the Company to show improvement on all parameters over the previous year. The Company's seven plants have been accredited with ISO 14001 – an internationally recognised environmental management system standard that provides a highly effective, globally accepted framework for establishing and continually improving management processes. The remaining plants have embarked on ISO 14001 accreditation efforts.

SOCIAL COMMITMENT

Your Company believes in its responsibility as a good corporate citizen towards society at large, especially to the local community and the less privileged. Each year, your Company contributes a sum out of its profits for these benevolent social causes to AMM Foundation and the Shri. AMM Murugappa Chettiar Research Centre (MCRC).

AMM Foundation is an autonomous, charitable trust known for its community friendly initiatives in the domains of education and healthcare. The Foundation manages one polytechnic, four schools and four hospitals. MCRC is a non-profit research organisation established in 1977 to develop and disseminate technologies for rural applications, which would better the living standards of population in villages.

The Company along with its employees contributed Rs. 50 lakhs towards relief and rehabilitation activities to the victims of Tsunami that devastated the south eastern coast. Apart from this monetary contribution, a task force was formed to visit the affected areas and monitor the rehabilitation activities.

SUBSIDIARY

Cholamandalam MS General Insurance Company Ltd (CMSGICL) has achieved a Gross Written Premium of Rs. 169 cr (previous year Rs. 97 cr) on over 4 lakh policies. CMSGICL achieved good growth in both commercial and retail segments. During the year, the company focussed on improving organisation capabilities by increasing its presence in 16 cities and increasing the number of employees, agents and franchisees. In view of the improved performance, CMSGICL was able to limit its loss to Rs. 3.3 cr as against the loss of Rs. 6.1 cr for the previous year.

AUDITORS

Messrs. Fraser & Ross, Chartered Accountants retire at the ensuing annual general meeting and are eligible for reappointment. Messrs. Fraser & Ross have informed the Company that in the interest of good corporate governance they are not offering themselves for reappointment at the ensuing annual general meeting. The Board wishes to place on record its grateful appreciation of the valuable guidance and professional support provided by Messrs. Fraser & Ross as statutory auditors of the Company since its inception.

The Company has received a special notice from a member proposing the appointment of Messrs. Deloitte, Haskins & Sells, Chartered Accountants as the auditors of the Company in place of Messrs. Fraser & Ross, the retiring auditors. Accordingly, a resolution for their appointment is being placed before the shareholders for approval.

COST AUDITORS

Messrs. D Narayanan and V Kalyanaraman have been appointed as cost auditors for cycles and tubes respectively for the financial year ending 31st March 2006.

ANNEXURES

The other information required to be furnished in the Directors' Report under provisions of Section 217 of the Companies Act, 1956 relating to conservation of energy, technology absorption, foreign exchange earning and outgo, particulars of employees and Directors' Responsibility Statement are annexed and form part of this report.

GENERAL

The Directors thank the customers, vendors, financial institutions, banks and investors for their continued support to your Company's growth. The Directors record their special appreciation to all employees for their efforts towards achieving this performance.

On behalf of the Board

Place: Chennai
Date: 29th April, 2005

M A ALAGAPPAN
CHAIRMAN

Directors' Responsibility Statement

(pursuant to Section 217(2AA) of the Companies Act, 1956)

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that :

- in the preparation of the Profit & Loss Account for the financial year ended 31st March, 2005 and the Balance Sheet as at that date ("financial statements") applicable accounting standards have been followed.
- appropriate accounting policies have been selected and applied consistently and such judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the Company for that period.
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. (To ensure this, the Company has established internal control systems, consistent with its size and nature of operations. In weighing the assurance provided by any such system of internal controls its inherent limitations should be recognized. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems. The Audit Committee meets at regular intervals to review the internal audit function.)
- the financial statements have been prepared on a going concern basis.
- the financial statements have been audited by Messrs. Fraser & Ross, the statutory auditors and their report is appended thereto.

On behalf of the Board

Chennai
29th April, 2005

M A ALAGAPPAN
Chairman

Directors' Report

Information under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 and forming part of Directors' Report.

	Power & Fuel consumption	2004-05	2003-04
1	Electricity		
	(a) Purchased		
	Units (Kwh)	21,761,322	19,597,209
	Total Amount (Rs.)	108,802,743	100,547,091
	Rate/Unit (Rs.)	5.00	5.13
	(b) Own Generation through Diesel Generator		
	Unit (Kwh)	572,511	350,919
	Units per Litre of Diesel Oil (Kwh)	2.50	1.56
	Cost per Unit	10.09	7.34
	(c) Own Generation through Furnace Oil Generator		
	Units (Kwh)	20,715,680	22,377,076
	Units per litre of Furnace oil (Kwh)	4.03	4.07
	Cost Per unit	2.73	2.51
	(d) Own generation through windmills (units)	226,128	1,041,367
2	Furnace Oil		
	Quantity (kilo litres)	5,140	5,492
	Total Amount (Rs.)	56,568,579	56,196,748
	Average Rate / Kilo litre (Rs.)	11,006	10,232
	Consumption per unit of production (Kwh per tonne)		
	A. Strips & Tubes	212	192
	B. Metal Form	703	862

CONSERVATION OF ENERGY

The energy conservation measures implemented during the year include improvement in waste heat recovery in furnaces, optimising energy consumption in cooling towers and DG loads. The Company also undertook installation of heat efficiency system, energy efficient compressors and auto controls in streamlining electrical distribution systems at various manufacturing locations.

RESEARCH AND DEVELOPMENT (R & D)

The Corporate Research & Development function created last year became fully operational with the support of a testing laboratory, prototyping and proving work shop. The centre is working on business driven R&D projects. The R&D initiative was further strengthened by the Company becoming a member of an International Steel Consortium. This consortium is for research work pertaining to advanced high strength steels for automotive applications and has as its members 26 internationally recognised companies in steel, steel processing and automotive industries. A project on development of high strength steel tubes has been taken up by this steel consortium for which the Company is a sponsor.

The outcome of R&D initiatives carried out over the last two years has culminated in identification of new business opportunities to develop value added products for automobiles.

EXPENDITURE ON R & D

Rs. in Crores

Capital Expenditure	3.85
Recurring	1.39
Total	5.24
Total R&D expenditure As a % of total turnover	0.34 %

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

In Metal Formed Products, your Company has been upgrading its manufacturing and product technology by benchmarking its facilities and product performance with leading chain companies in the world. This has resulted in the launch of high performance chains through innovative manufacturing processes. The technology for manufacture of doorframes imported during 1996 and 1998 is yielding benefit to the Company.

In tubes, improvements were made in manufacturing process technology to increase productivity and improve quality. The absorption of technical know-how relating to manufacture of high precision tubes is in progress.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Rs. in Crores

i) Foreign Exchange Earnings (CIF Value)	190.41
ii) Foreign Exchange Outgo	53.82

On behalf of the Board

Chennai
29th April, 2005

M A ALAGAPPAN
CHAIRMAN

Information under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2005

Name	Designation	Gross remuneration (Rs.)	Qualification &Experience (years in brackets)	Date of Commencement of Employment	Age	Last Employer	Last Designation
Balasubramanian K	Chief Financial Officer	2,897,364	B.Sc., ACA (27)	02.09.1991	50	Price Waterhouse Liberia & Ghana	Senior Consultant
Hari G	President -TI Cycles	3,420,035	M.Tech. Fulbright Fellowship in Mgt. (23)	30.09.1996	45	TI Diamond Chain Ltd	Vice President
Muthukumar Thanu	Executive on deputation	3,282,969	M.A.(Social Work) (21)	14.07.2003	47	Bharati Infotel Ltd	Vice President-HR
Shiva Prasad G	President - TPI	3,377,279	B.E. Electrical (34)	26.10.1976	57	Shriram Refrigeration Industries Ltd	Engineer (Maint)
Employed for part of the year							
S Vaidyanathan	Vice President - HR	779,645	B.Sc, PGDPM-IR(30)	15.12.2004	53	Orchid Chemicals Ltd	Vice President-HR

Notes

1. Remuneration includes Salary, Allowances and Taxable Value of Perquisites and Company's Provident, Gratuity & Super Annuation Funds. Payments made under Voluntary Retirement have not been considered being a one time payment.
2. Nature of employment : The above employees were wholetime employees of the Company during the year ended 31st March, 2005 and the nature of their employment was contractual.
3. Conditions of employment provide for termination of service by either party upon giving 3 months notice.
4. None of the above employees is related to the Directors of the Company.
5. No employee of the Company is covered by the provisions of Section 217(2A)(a)(iii).

On behalf of the Board

Chennai
29th April, 2005

M A Alagappan
Chairman

Accounts

Auditors' Report

To the Members of
Tube Investments of India Limited

1. We have audited the attached Balance Sheet of Tube Investments of India Limited as at 31st March 2005 the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in Paragraph 3 above, we report that:

   (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

   (v) On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 as on the said date;

   (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005;

      (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date, and

      (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **FRASER & ROSS**
Chartered Accountants

Geetha Suryanarayanan

Geetha Suryanarayanan
Partner
Membership No.29519

Place: Chennai
Date : 29th April 2005

Annexure to Auditors' Report

Annexure referred to in Paragraph 3 of our report of even date

1. In respect of fixed assets:
   (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

   (b) The fixed assets have been physically verified by the management in accordance with a programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

   (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the company and such disposals has, in our opinion not affected the going concern status of the company.

2. In respect of its inventories:
   (a) As explained to us, inventories were physically verified by the management at reasonable intervals.

   (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.

   (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventory. The discrepancies noticed on physical verification between physical stock and book records were not material.

3. (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

   (b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

5. In respect of contracts or arrangements referred to in Section 301 of the Companies Act, 1956:

   a. According to the information and explanations given to us, the particulars of contracts or arrangements that needed to be entered into the register have been so entered.

   b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rs.5,00,000 in respect of any party during the year, have been made at prices which are prima facie reasonable having regard to prevailing market prices at the relevant time.

6. The Company has not accepted any deposits from the Public during the year.

7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

8. We have broadly reviewed the cost records maintained by the Company for bicycle, power generation and tubes, pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.

9. Statutory and other dues
   (a) According to the information and explanations given to us, the Company has been regular in depositing undisputed statutory dues including Provident Fund, Employee's State Insurance, Income Tax, Sales Tax, Customs Duty, Wealth tax, Service Tax, Excise Duty,

Cess and other material statutory dues with the appropriate authorities during the year.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and Cess were in arrears, as at 31st March 2005 for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, there are no dues of Income Tax, Sales Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and Cess that have not been deposited on account of any dispute except for

i) the income tax dues referred to in Note No1(b) of Schedule 18 and

ii) sales tax dues of Rs.15,518,424 not deposited on account of stay of collection of demand obtained from various appellate authorities.

10. The Company does not have any accumulated losses at the end of the year. The Company has not incurred cash losses during the current and immediately preceding financial year.

11. According to the information and explanations given to us by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks or debenture holders.

12. According to the information and explanations given to us and based on our examination of documents and records, we are of the opinion that no loans or advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.

13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

15. In our opinion and according to the information and explanations given to us the Company has not given any guarantee for loans taken by others from Banks and Financial Institutions during the year.

16. In our opinion, the term loans have been applied for the purpose for which they were raised.

17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, funds raised on short term basis have prima facie, not been used for long term investment.

18. The Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.

19. The Company has not issued any debentures during the year.

20. The Company has not raised any money by public issues during the year.

21. According to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the course of our audit.

For **FRASER & ROSS**
Chartered Accountants

Geetha Suryanarayanan

Geetha Suryanarayanan
Partner
Membership No.29519

Place: Chennai
Date : 29th April 2005

Balance Sheet

Rs. in Crores

As at 31st March,	Schedule	2005		2004	
I. SOURCES OF FUNDS					
1. Shareholders' Funds					
(a) Share Capital	1	36.95		18.47	
(b) Reserves and Surplus	2	411.24		376.83	
			448.19		395.30
2. Loan Funds					
(a) Secured Loans	3	192.19		195.71	
(b) Unsecured Loans	4	37.47		19.93	
			229.66		215.64
3. Deferred Tax Liability (Net)			32.71		31.79
			710.56		**642.73**
II. APPLICATION OF FUNDS					
1. Fixed Assets	5				
Gross Block		564.89		432.30	
Less : Depreciation		281.82		206.65	
(a) Net Block		283.07		225.65	
(b) Capital Work-in-Progress at Cost		21.81		13.66	
			304.88		239.31
2. Investments	6		189.71		204.17
3. Current Assets, Loans and Advances					
(a) Inventories	7	149.80		105.47	
(b) Sundry Debtors	8	295.20		243.03	
(c) Cash and Bank Balances	9	20.14		35.91	
(d) Loans and Advances	10	60.41		56.36	
			525.55		440.77
Less : Current Liabilities and Provisions	11		309.58		262.95
Net Current Assets			**215.97**		**177.82**
4. Deferred Revenue Expenditure	12		–		21.43
			710.56		**642.73**
Significant Accounting Policies	17				
Notes on Accounts	18				

This is the Balance Sheet referred to in our Report of even date

For **Fraser & Ross**
Chartered Accountants

Geetha Suryanarayanan
Partner

On behalf of the Board

M A Alagappan
Chairman

Chennai
29th April, 2005

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

Adhiraj Sarin
Managing Director

Profit and Loss Account

For the year ended 31st March,	Schedule	2005	2004
			Rs. in Crores
Income			
Sales and Processing charges		1563.39	1257.34
Less : Excise duty on sales		112.84	100.26
Net Sales and Processing charges		1450.55	1157.08
Other Income	**13**	18.17	26.98
		1468.72	**1184.06**
Expenditure			
Raw Material Consumed		888.71	727.62
(Accretion)/Decretion to Stock	**14**	(6.50)	4.33
Employee Cost	**15**	86.27	86.15
Other Costs	**16**	320.19	243.33
Depreciation		37.81	29.60
Interest on - Fixed Loan		7.47	4.93
- Others		8.59	7.56
		16.06	12.49
		1342.54	**1103.52**
Profit Before Tax before non recurring item		**126.18**	**80.54**
Non recurring item - Refer note 6 of Schedule 18		–	24.76
Profit Before Tax		**126.18**	**105.30**
Provision for Taxation - Current Tax		37.00	23.00
- Deferred Tax (net)		(9.37)	(0.19)
Profit After Tax		**98.55**	**82.49**
Add : Unappropriated Profit from Previous Year		89.91	53.26
Profit transfer on amalgamation		10.79	–
(Refer Note 3 (iv) of Schedule 18)			
Profit Available for Appropriation		**199.25**	**135.75**
Transfers to :			
General Reserve		50.00	25.00
Dividend Proposed - Final @ 70% (Previous year 100%)		25.87	18.47
Dividend Tax thereon		3.63	2.37
		79.50	45.84
Balance carried over to Balance Sheet		**119.75**	**89.91**
Earnings per Share of Rs. 10/- each (Basic / Diluted) - (in Rs.)		26.67	22.32
(Refer Note 20 of Schedule 18)			
Significant Accounting Policies	**17**		
Notes on Accounts	**18**		

This is the Profit and Loss Account referred to in our Report of even date

For **Fraser & Ross**
Chartered Accountants

Geetha Suryanarayanan
Partner

On behalf of the Board

M A Alagappan
Chairman

Chennai
29th April, 2005

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

Adhiraj Sarin
Managing Director

Cash Flow Statement

Rs. in Crores

For the year ended 31st March,	2005	2004
A. Cash Flow from Operating Activities:		
Net Profit Before Tax	**126.18**	**105.30**
Adjustments for :		
Depreciation	37.81	29.60
Interest and finance charges	16.06	12.49
(Profit) / Loss on sale of assets	(0.96)	(10.16)
Provision for doubtful debts and advances	7.53	2.38
Bad debts written off	–	0.46
(Profit) / Loss on sale of investments	(5.37)	20.40
Provision no longer required for doubtful debts	–	(0.41)
Interest received	(0.24)	(0.94)
Dividend income	(4.02)	(29.12)
Deferred revenue expenditure - payment during the year	–	(2.31)
Deferred revenue expenditure - charge during the year	–	12.58
Operating profit before working capital changes	**176.99**	**140.27**
Adjustments for :		
Trade and other receivables	(26.56)	18.29
Inventories	(28.99)	(8.80)
Trade payables	15.20	6.33
Cash generated from operations	**136.64**	**156.09**
Direct taxes paid	(37.73)	(22.49)
Cash flow from operating activities	**98.91**	**133.60**
B. Cash flow from investing activities:		
Purchase of fixed assets (Including capital work in progress)	(53.93)	(42.29)
Sale of fixed assets	2.46	12.24
Purchase of investments	(34.01)	(53.55)
Sale of investments	12.89	3.82
Dividend received	4.02	29.12
Interest received	0.24	1.56
Net cash used in investing activities	**(68.33)**	**(49.10)**
C. Cash flow from financing activities:		
Borrowings	42.55	82.44
Repayments on borrowings	(52.75)	(129.00)
Dividends paid	(22.41)	(18.75)
Interest paid	(16.00)	(14.42)
Net cash used in financing activities	**(48.61)**	**(79.73)**
Net increase in cash and cash equivalents	**(18.03)**	**4.77**
Cash and cash equivalents at the beginning of the year	**35.91**	**31.14**
Cash and cash equivalents of the amalgamating company at the beginning of the year	**2.26**	**–**
Cash and cash equivalents as at end of the year	**20.14**	**35.91**

This is the Cash Flow Statement referred to in our Report of even date

For **Fraser & Ross**
Chartered Accountants

Geetha Suryanarayanan
Partner

On behalf of the Board

M A Alagappan
Chairman

Chennai
29th April, 2005

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

Adhiraj Sarin
Managing Director

Schedules forming part of Balance Sheet

01 SHARE CAPITAL

Rs. in Crores

As at 31st March,	2005	2004
Authorised		
4,30,00,000 Equity Shares of Rs.10 each	43.00	–
3,40,00,000 Equity Shares of Rs.10 each	–	34.00
Issued, Subscribed and Paid-up		
2,46,23,076 Equity Shares of Rs. 10 each fully paid up	24.62	24.62
Of the above 10,78,910 shares were issued for consideration other than cash and 88,39,102 shares were issued as bonus shares by capitalisation of reserves.		
Less : Shares bought back		
61,50,386 shares of Rs. 10 each have been bought back at a price of Rs. 100 per share from the share holders pursuant to the offer for buy-back of shares.	6.15	6.15
Add :		
a) 1,84,72,690 shares of Rs. 10 each issued pursuant to the Bonus issue by capitalization of reserves	18.47	–
b) 10,620 Shares of Rs. 10 each issued to Share holders of TIDC on account of amalgamation	0.01	–
3,69,56,000 Equity Shares of Rs. 10 each fully paid up	**36.95**	**18.47**

02 RESERVES AND SURPLUS

	31st March, 2004	Additions on Amalgamation (*)	Other Additions	Deductions on Amalgamation	Other Deductions	31st March, 2005
Capital Reserve	0.27	0.15	–	–	0.15	0.27
Securities Premium	139.69	–	–	27.11	18.47	94.11
Capital Redemption Reserve	6.15	–	–	–	–	6.15
Debenture Redemption Reserve	15.41	–	–	–	–	15.41
General Reserve	125.40	–	50.15	–	–	175.55
	286.92	**0.15**	**50.15**	**27.11**	**18.62**	**291.49**
Profit & Loss Account balance	89.91					119.75
Total Reserves	**376.83**					**411.24**

(*) Represent backward area subsidy received from State Industries Promotion Corporation of Tamil nadu Limited (SIPCOT). The watch over period of five years had been completed and a discharge certificate obtained from SIPCOT and as a result this has been transferred to general reserve.

03 SECURED LOANS

As at 31st March,	2005	2004
Non convertible debentures (Privately Placed)		
6.40 % Debentures	20.00	40.00
Loans and advances from		
Banks		
Foreign currency term loans	61.03	61.03
6.25 % Rupee term loan	25.00	–
Cash credit and other borrowings	85.88	94.26
Others	0.28	0.42
	192.19	**195.71**

(1) The company excercised the call option during the year and accordingly Rs. 20 Cr. debentures were redeemed. The balance debentures are redeemable at par in December 2005.

Schedules forming part of Balance Sheet

03 SECURED LOANS (Contd.)

(2) Privately placed debentures and term loans are secured by a pari-passu first charge on the immovable (excluding properties situated in the city of Chennai) and movable properties of the Company, excluding current assets of the Company.

(3) Cash credit from banks, which includes foreign currency borrowing of Rs. 35.93 Cr. (Previous year Rs. 78.12 Cr.) is secured by a first charge on inventories and book debts and pari-passu second charge on immovable properties (excluding properties situated in the city of Chennai).

(4) Other term loan is secured by a charge on immovable properties situated in the city of Mohali.

04 UNSECURED LOANS

Rs. in Crores

As at 31st March,	2005	2004
Other Loans & Advances		
– Foreign Currency loan	13.60	0.74
– Sales Tax Deferral	23.87	19.19
	37.47	**19.93**
Repayable within one year	13.60	0.74

05 FIXED ASSETS

	Land (Freehold)	Buildings	Plant & Machinery	Railway Siding	Furniture & Fixtures	Vehicles	31.3.2005	31.3.2004
Gross Block at Cost or Revaluation								
As at 31.3.2004	9.45	62.39	347.51	0.21	7.56	5.18	432.30	406.08
Additions on Amalgamation	0.90	12.64	81.04	–	1.27	0.15	96.00	–
Additions	–	6.70	36.93	–	1.02	1.27	45.92	31.56
Disposals	0.01	0.10	8.07	–	0.08	1.07	9.33	5.34
As at 31.3.2005	**10.34**	**81.63**	**457.41**	**0.21**	**9.77**	**5.53**	**564.89**	**432.30**
Depreciation								
As at 31.3.2004	–	16.56	183.32	0.06	5.38	1.33	206.65	180.75
Additions on Amalgamation	–	3.06	40.81	–	1.10	0.10	45.07	–
Additions	–	2.35	34.02	0.02	0.93	0.49	37.81	29.60
Disposals	–	0.04	7.26	–	0.08	0.33	7.71	3.70
As at 31.3.2005	**–**	**21.93**	**250.89**	**0.08**	**7.33**	**1.59**	**281.82**	**206.65**
Net Block as at 31.3.2005	**10.34**	**59.70**	**206.52**	**0.13**	**2.44**	**3.94**	**283.07**	**225.65**
Net Block as at 31.3.2004	**9.45**	**45.83**	**164.19**	**0.15**	**2.18**	**3.85**	**225.65**	

06 INVESTMENTS

	Nominal Value	Number					Value (Rs. in Crores)				
	(Rs.)/Unit	31.3.04	Additions on Amalgamation	Additions	Deletions	31.3.05	31.3.04	Additions on Amalgamation	Additions	Deletions	31.3.05
Investments - Long Term (At Cost)											
Government of India Securities		–	–	–	–	–	0.09	0.19	–	–	0.28
Trade Investments											
Equity Shares (Fully paid) - Unquoted											
Subsidiary Companies :											
TI Diamond Chain Ltd. @	10	6111640	–	6045	6117685	–	54.62	–	0.06	54.68	–
Cholamandalam MS General Insurance Company Ltd.	10	78750000	–	–	–	78750000	78.75	–	–	–	78.75
Others :											
Murugappa Management Services Ltd.	100	22315	10362	–	–	32677	0.22	0.10	–	–	0.32
TI Cycles of India Co-op Canteen Ltd.	5	50	–	–	–	50	–	–	–	–	–
(Shares-Cost - Rs.250)											
TI Diamond-Miller Co-operative Canteen Ltd.	5	–	20	–	–	20	–	–	–	–	–
Non-Trade Investments											
Preference Shares (Fully paid) - Unquoted											
New Ambadi Estates (P) Ltd.	100	200000	100000	–	–	300000	2.00	1.00	–	–	3.00
Equity Shares (Fully paid) - Unquoted											–
Indo Oceanic Shipping Co. Ltd. (Cost Re. 1)	10	50000	–	–	–	50000	–	–	–	–	–
Bombay Mercantile Co-op. Ltd.	10	500	–	–	–	500	–	–	–	–	–
Parry Engineering & Exports Ltd.	10	127365	–	–	127365	–	0.04	–	–	0.04	–
Cholamandalam Factoring Ltd.	10	6500	–	–	–	6500	0.01	–	–	–	0.01
MEL Systems & Services Ltd.	10	50000	–	–	–	50000	0.05	–	–	–	0.05
Southern Energy Development Corporation Ltd.	10	–	70000	–	–	70000	–	0.07	–	–	0.07
Borg Warner Morse TEC Murugappa Pvt. Ltd.	10	–	3089808	–	–	3089808	–	3.09	–	–	3.09
Acme Chain Co. Ltd.	100	–	630	–	630	–	–	–	–	–	–
Total - Unquoted							**135.78**	**4.45**	**0.06**	**54.72**	**85.57**

@ Cancellation of Shares on amalgamation

06 INVESTMENTS (Contd.)

	Nominal Value	Number					Value (Rs. in Crores)				
	(Rs.)/Unit	31.3.04	Additions on Amalgamation	Additions	Deletions	31.3.05	31.3.04	Additions on Amalgamation	Additions	Deletions	31.3.05
Non-Trade Investments											
Equity Shares (Fully paid) - Quoted											
Carborundum Universal Ltd. #	2	1000	500	–	–	1500	–	–	–	–	–
ICICI Bank Ltd.	10	11250	–	–	–	11250	0.03	–	–	–	0.03
Parrys Confectionery Ltd.	10	131747	106653	–	238400	–	0.88	1.36	–	2.24	–
Kartik Investments Trust Ltd.	10	29240	9600	–	5050	33790	0.03	0.01	–	–	0.04
Cholamandalam Investment & Finance Company Ltd.	10	12294472	81265	6147236	–	18522973	53.87	0.33	33.81	–	88.01
Tube Investments of India Ltd. $	10	–	2030374	–	–	2030374	–	7.37	–	–	7.37
Coromandel Engg Co. Ltd.	10	42919	–	–	–	42919	0.04	–	–	–	0.04
Parry Agro Industries Ltd .	10	181431	–	–	–	181431	1.34	–	–	–	1.34
Mahindra and Mahindra Ltd.	10	1000000	–	–	–	1000000	6.93	–	–	–	6.93
GIC Housing Finance Ltd.,	10	–	48700	–	–	48700	–	0.24	–	–	0.24
LG Balakrishnan & Bros. Ltd. $#	1	–	25960	–	–	25960	–	–	–	–	–
Others											
Units											
GIC Fortune - 94	10	500000	–	–	500000	–	0.50	–	–	0.50	–
Chola Liquid Plan - Growth Option	10	3703043	–	–	3703043	–	4.75	–	–	4.75	–
HDFC Liquid Fund	10	2535	–	–	2535	–	0.01	–	–	0.01	–
UTI Master Gain	10	2300	–	–	–	2300	0.01	–	–	–	0.01
6.75 % Bonds with UTI	100	–	12746	–	–	12746	–	0.13	–	–	0.13
Total - Quoted							**68.39**	**9.44**	**33.81**	**7.50**	**104.14**
Total Long term							**204.17**	**13.89**	**33.87**	**62.22**	**189.71**

	Cost	Market Value
Quoted	104.14	267.34
Unquoted	85.57	
Total	**189.71**	

\# Shares of Rs. 10 each split in to Rs. 2 each

$ Tube Investments of India Ltd., own shares held through a trust. Refer Note 3 of Schedule 18

$# Shares of Rs. 10 each split in to Rs. 1 each and bonus issue 1:1

Schedules forming part of Balance Sheet

07 INVENTORIES (at lower of cost and net realisable value)

Rs. in Crores

As at 31st March,	2005	2004
Raw Materials	84.71	56.47
Work - in - Process	25.25	20.25
Finished Goods	31.23	20.32
Stores and Spare Parts	5.33	5.71
Materials - in - transit	3.27	2.59
Fixed Assets held for sale	0.01	0.13
	149.80	**105.47**

08 SUNDRY DEBTORS (Unsecured)

As at 31st March,	2005	2004
Outstanding for over six months		
Considered good	3.90	5.99
Considered doubtful	7.56	7.41
	11.46	13.40
Others Considered good	291.30	237.04
	302.76	250.44
Less : Provision for doubtful debts	7.56	7.41
	295.20	**243.03**

09 CASH AND BANK BALANCES

As at 31st March,	2005	2004
Cash and Cheques on hand	0.27	0.08
With Scheduled Banks on		
– Current Account	19.36	35.48
– Dividend Account	0.51	0.35
	19.87	35.83
	20.14	**35.91**

10 LOANS AND ADVANCES

Rs. in Crores

As at 31st March,	2005	2004
Advances recoverable in cash or in kind or for value to be received		
Unsecured		
(a) Considered good	27.34	30.56
(b) Considered doubtful	5.81	–
	33.15	30.56
Less : Provision	5.81	–
	27.34	30.56
Due from Subsidiaries		
– TI Diamond Chain Ltd. ($)	–	1.36
– Cholamandalam MS General Insurance Company Ltd. (%)	0.01	0.03
Sundry deposits	8.41	5.32
Balance with Customs and Central Excise authorities	4.69	4.06
Advance Tax paid	151.44	109.52
Less : Provision for Taxation	131.48	94.49
	19.96	15.03
	60.41	56.36
$ Maximum amount due at any time during the year	–	2.37
% Maximum amount due at any time during the year	0.05	0.46

11 CURRENT LIABILITIES AND PROVISIONS

As at 31st March,	2005	2004
Current Liabilities		
Sundry Creditors		
– Due to Small Scale Industrial Units #	14.95	32.08
– Others	171.98	139.71
	186.93	171.79
Interest accrued but not due	1.31	1.25
Other liabilities	90.91	68.10
Due to Directors	0.41	0.61
Unclaimed Dividends	0.51	0.35
Unclaimed Debentures	0.01	0.01
	280.08	**242.11**
Provisions		
Dividend - Proposed - Final	25.87	18.47
Dividend Tax	3.63	2.37
	29.50	20.84
	309.58	**262.95**
# Refer Note 4 of Schedule 18		

Amounts to be credited to Investor Education and Protection Fund towards: Unpaid Dividends, Unpaid Matured Deposits & Unpaid Matured Debentures	NIL	NIL

12 DEFERRED REVENUE EXPENDITURE

	As at 31st March, 2004	Additions on Amalgamation	Adjustment	As at 31st March, 2005
Voluntary Retirement Scheme	21.11	5.68	26.79	–
ERP Expenses	0.32		0.32	–
	21.43	**5.68**	**27.11**	**–**

Per scheme of Arrangement, the deferred revenue expenditure has been adjusted to Securities premium account. Refer Note 3 (vi) of Schedule 18.

Schedules forming part of Profit and Loss Account

13 OTHER INCOME

Rs. in Crores

For the year ended 31st March,	2005	2004
Dividend		
– Trade	2.54	0.15
– Non Trade	1.36	6.96
– Others	0.12	22.01
	4.02	29.12
Interest income *	0.24	0.94
Royalty income	0.66	0.62
Profit / (Loss) on sale of assets (net)	0.96	10.16
Profit / (Loss) on sale of investments (net)		
– Trade	–	2.09
– Others	5.37	(22.49)
	5.37	(20.40)
Exchange fluctuation on loans	(0.20)	3.20
Miscellaneous Income (&)	7.12	3.34
	18.17	**26.98**
* Includes Tax deducted at source - Interest	0.02	0.13
& Includes provision no longer required for diminution in value of investments and doubtful debts written back	–	0.41

14 (ACCRETION) / DECRETION TO STOCK

For the year ended 31st March,	2005	2004
Commencing Stock		
Work-in-Process	20.25	17.58
Finished Stock	20.32	27.32
	40.57	44.90
Taken over on Amalgamation	9.41	–
Closing Stock		
Work-in-Process	25.25	20.25
Finished Stock	31.23	20.32
	56.48	40.57
(Accretion)/Decretion to Stock	**(6.50)**	**4.33**

15 EMPLOYEE COST*

For the year ended 31st March,	2005	2004
Salaries, Wages and Bonus	65.58	49.02
Contribution to Provident and Other Funds #	10.11	20.31
Welfare Expenses	10.58	6.63
Charge under Voluntary Retirement Scheme	–	10.19
	86.27	**86.15**
* Net of recoveries from other companies	0.05	0.05

Includes additional contribution of Rs. 14.04 Cr. in 2003 - 04 to Superannuation Fund towards past services arising from the change over of the superannuation scheme from the defined benefit scheme to defined contribution scheme.

16 OTHER COSTS

Rs. in Crores

For the year ended 31st March,	2005	2004
Consumption of Stores and Spares	62.29	44.96
Freight and Carriage inwards	10.12	8.07
Sub contract charges	16.37	7.71
Power and Fuel	44.82	35.25
Rent	2.82	2.91
Rates and Taxes	16.73	11.38
Insurance	2.45	1.81
Repairs to Buildings	2.13	0.42
Repairs to Machinery	18.91	12.69
Travel and Conveyance	9.80	7.28
Printing, Stationery and Communication	3.97	3.93
Freight, Delivery and Shipping Charges	42.14	42.46
Discounts / Incentives on sales	27.20	21.03
Advertisement and Publicity	22.26	15.02
Bad debts /advances written off	2.62	1.72
Less : Provision released	2.62	1.26
	–	0.46
Provision for doubtful debts	1.72	2.38
Provision for doubtful advances	5.81	–
Auditors' Remuneration	0.15	0.16
Directors' remuneration (Including Managing Director's remuneration)	1.19	1.78
General Manufacturing, Selling & Administrative expenses	29.31	23.63
	320.19	**243.33**
Power and fuel includes Stores consumed	24.02	19.90
Power and fuel is net of Windmill generated power	0.89	0.57
Director's remuneration includes sitting fees	0.09	0.04

17 SIGNIFICANT ACCOUNTING POLICIES

1. The accounts are prepared on accrual basis under the historical cost convention in accordance with Indian Generally Accepted Accounting Principles (GAAP) comprising the mandatory accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956.

2. **Fixed Assets and Depreciation**
   a. All assets are stated at cost (net of CENVAT wherever applicable).
   b. Borrowing costs are capitalised as part of qualifying fixed assets. Other borrowing costs are expensed.
   c. Fixed Assets taken on financial leases, prior to 1st April, 2001, are not capitalised and lease rentals are absorbed in the Profit and Loss Account.
   d. Exchange differences arising out of foreign currency loans utilised for fixed assets are adjusted in the cost of the relevant asset.
   e. Depreciation on assets other than special tools and special purpose machines used in Door Frame projects and Furniture and Fixtures is provided under Straight Line method at the rates specified under Schedule XIV of the Companies Act, 1956. Special tools and special purpose machines used in Door Frame projects are depreciated over four years and Furniture and Fixtures are depreciated over five years, on the basis of the management's evaluation of the useful life of the assets, which results in depreciation being charged at rates higher than those specified under Schedule XIV of the Companies Act, 1956. The Company has also a system of providing additional depreciation, where in the opinion of the management, the recovery of the assets is likely to be affected by the variation in demand.

17 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

f. Individual assets whose actual cost does not exceed Rs. 5000/- are fully depreciated.

g. Based on technical opinion windmill is considered as a continuous process plant and depreciation is provided at the rate applicable thereto.

h. Fixed assets held for sale are valued at lower of cost or net realisable value.

3. Investments- Long Term

Investments are stated at cost. Diminution in the value of investments, other than temporary, is provided for.

4. Inventories

a. Raw materials, stores, and spare parts are valued at lower of weighted average cost and net realisable value. Cost includes freight, taxes and duties and is net of credit under CENVAT scheme.

b. Work-in-Process, finished goods and scrap held for disposal are valued at lower of cost and net realisable value. Cost includes all direct costs and applicable production overheads to bring the goods to the present location and condition.

5. Revenue Recognition

a. All income and expenses are accounted for on accrual basis.

b. Sales are inclusive of excise duty. Export sales are accounted at CIF Value.

c. Export benefits are accounted for on accrual basis.

d. Dividend Income on Investments is accounted for when the right to receive the payment is established.

e. Non-recurring revenue expenditure incurred during the year is charged to Profit and Loss account.

6. Retirement Benefits

a. The Group Gratuity Scheme with Life Insurance Corporation of India covers liability towards Gratuity in respect of eligible employees and annual contribution as advised by them, based on actuarial principles as at balance sheet date, is remitted.

b. Contributions to Superannuation Scheme in respect of the employees are covered by the defined contribution scheme.

c. Monthly contributions to recognised Provident Funds are considered in the accounts.

d. Leave encashment benefit on retirement to eligible employees is actuarially ascertained as at balance sheet date and provided for.

e. Payment of compensation to employees under Voluntary Retirement Scheme is expensed in the period in which it is incurred.

7. Foreign Currency Transactions

Foreign currency assets and liabilities covered by forward contracts/derivatives are stated at the contracted rates, while those not covered by contracts are restated at rates prevailing at the Balance Sheet date. Exchange differences arising on foreign currency transactions are recognised under appropriate heads at the rates prevailing on the date of the transaction, other than those relating to fixed assets.

8. Research and Development

Revenue expenditure incurred on research and development is absorbed when incurred. Capital expenditure incurred on research and development is depreciated as per Schedule XIV of the Companies Act, 1956 under straight-line method.

9. Income Tax

Income Tax comprises the current tax provision and the net change in the deferred tax asset or liability during the year. Deferred tax assets and deferred tax liabilities are recognised for the future tax consequences of timing differences between the carrying values of the assets and liabilities and their respective tax bases using enacted or substantially enacted tax rates. Deferred tax assets are recognised only if there is a virtual certainty that they can be realised.

18 NOTES ON ACCOUNTS

Rs. in Crores

A. Balance Sheet

1. Contingent liabilities	**2004-05**	**2003-04**
a) Estimated amount of contracts remaining to be executed on capital account and not provided for (including capital commitment)	35.56	38.54
b) Disputed Income-tax demands from assessment years 1992-93 to 2003-04 under appeal pending before various appellate authorities. These amounts are fully deposited except for Rs.7.81 cr. The management is of the opinion that these demands are not sustainable.	26.60	23.13

Schedules forming part of the Accounts

18 NOTES ON ACCOUNTS (Contd.)

2. **Bonus Shares**

   The shareholders at the annual general meeting held on 27th July 2004 approved issuance of bonus shares of 1,84,72,690 equity shares in the ratio of 1 equity share of Rs 10 for every 1 equity share of Rs 10 and the same have been allotted.

3. **Amalgamation of erstwhile TIDC India Ltd with the company**

   In accordance with the Scheme of Arrangement, approved by the High court of Madras vide its Order Dated November 30, 2004, all the assets, liabilities and business of TIDC India Ltd., (formerly a subsidiary of the Company) stand transferred to and vested in the Company, as a going concern, effective from April 1, 2004. Accordingly,

   i) The accounts of TIDC India Ltd., (TIDC) effective 1.4.2004 have been incorporated in the accounts of the company vide "Pooling of Interest" method.

   ii) 10,620 equity shares have been allotted to the shareholders of TIDC, other than the company, in the ratio of four shares in the company for every five shares held by them and 61,17,685 shares held by the Company in TIDC India Ltd., have been cancelled.

   iii) 20,30,374 Equity Shares held in the Company by TIDC have been transferred to a Trust created for the purpose.

   iv) The value of investments in TIDC India Ltd., in the books of the Company has been adjusted against the Share Capital, Securities Premium Account, General Reserve Account and the balance in the Profit and Loss of TIDC India Ltd., The resultant balance of Rs. 10.79 Cr. in the Profit and Loss account of TIDC India Ltd., has been included in the surplus brought forward for the previous year.

   v) TIDC India Ltd., was engaged in the business of manufacture and sale of metal formed products.

   vi) As per the Scheme of Arrangement referred to above, Rs. 27.11 Cr. appearing as Deferred Revenue Expenditure has been adjusted against the Securities Premium Account of the Company.

4. Due to Small Scale Industrial Undertakings of Rs. 14.95 Cr. (Previous year Rs.32.08 Cr.) is on the basis of such parties having been identified from available information. The name wise details as on 31.03.2005 to parties exceeding 30 days (but within the normal credit period) are given below:

   AB Industries, Accurate Tools, Ace Trading Company, Acey Engineering Industries, Action Instruments, Active Cycle Industries, Addison And Company Limited, Allied Tools And Hardware Mart,Alpha Laser Tek(India) P Ltd, Alfa Products, Alpine Packages P Ltd, A –One Lime Udyog, Applied Engineering & Technology Private Limited, Amrit Industries, Anoopam Metal Industries, Anu Extrusions Pvt. Ltd, Apex Continental Limited, Apex Intertech Limited, Appu International, Arihant Corporation, ARK Engineering Works, Asian Cycle Industries, Ason Industries, Aswini Engineering Works, Atlas Trading Co, Ats Enterprises, Aurangabad Auto Ancillary Pvt Ltd (Unit II), Auto Cables Industries, Auto Power,B B Brothers, Bharat Weldequip & Systems, B J Sales Corporation, Balaji Packaging Industries, Barani Enterprises (Madras) Private Ltd, Belmaks Metal Works, Braze And Weld Products, Brightsun Carton Industries, B & H Electrods Pvt LTD, Chennai CNC Centre, Cascy Forge Products, Chella Nesam Industries, Coatwel Enterprise, Comper Products Company, Cute Cycles Private Limited, Cycle Tech (India), Cyclecomps, Coro Chem., Durable Springs, D Paul Mechanical Works, Dee Pee Engineering, Durano Process, Eagle Plastic Industries, ECMA Pressings, Economy Engineers, Elangovan Electrical Services, Emtech Engineering, Enn Gee Industrial Corporation, Enterprising Polymer Products, Espee Engg Works, ESS EM KAY Engg Enterprises, Fast Gears India, Fit Right Engineers, Flexo Film Wraps India Limited, Flui Tec Instruments And Controls, Flying Staf Bikes Private Limite5d, Forbes Gokak Limited, Foster Technilogies India Pvt Ltd, Futuro Components Private Ltd, Flow Lines Engineering Pvt Ltd, Gaurav Inustrial Corporation, Ghaison International, G H Induction India Pvt Ltd, Global Gas Cylinders Limited, Glenview Plastics Systems P Ltd, Gobind Cycles (Private) Ltd, Govind Rubber Limited,G R Engineers, GM Springs, Gurshiv Printers, H K Engineers, H K Wire Products Private Ltd, Hitkari Industries Limited, Immanuel Industries, Immanuel Plastics, Impact Engineers, Impec Filters,INCA Radiant Engineering (India) Pvt Ltd, India Garage, Ind Precision Tools, Industrial Toolings Systems, Indian Trading Company, Insap Engineers Pvt Ltd, I.P.C. Packaging, Irusha India, ITL Industries Ltd, Jas Carbide Tools, J V M Enterprises, Jiwan Udyog, Karumari Amman Welding Works, Karam

18 NOTES ON ACCOUNTS (Contd.)

Chand Rubber Inds Pvt Ltd, Karpagamani Plastics, KAY International Private Limited, KAY TEE Cycle Industries, Kayson Cycles, Kayvee Laboratories, KB Agro Tech Pvt Ltd, K. Dhandapani & Co Ltd, Kowski Toolings, KVK Industries, K.K.Industries, KV Kapoor Industries, Kwality Metal Works, L.V.Traders, Libra Steels, Limited Concern, Madhubabu Industries Pvt Ltd,Maha Classic Paints Chennai P LTD, Mahalakshmi Engg Industries, Man Singh And Sons, Margo Export International, Margo Fastners, Margo Polypack, Masco Cycle Industries, MRV Industries,Meenakshi Enterprises, Meenakshi Engineering Works, Meenakshi Sewing Mart,, Mekins Agro Products Ltd,, Mekuba Petroleum India Pvt. Ltd,Mirra And Mirra Industries, Mid Field Steels Pvt. Ltd,MKR Precision Engg Works, M'Sons Precisions Rubber Industries, Multi Arc India Limited, Muthupalani Tools, Murugan Cottage Industries,Mumbai Travelling Goods, Munish Enterprises, National Tool Products, N Parab Accessories Pvt Ltd, National Steels India, Nilaks Nova Private Limited, Newall Engineering Works,OM Shivam Cycles India, Ortey Engineering, Opel Packaging,Pahwa Chains Private Limited, Parametric Technology Corporation, Perfect Industries, P C Chandha And Company, Phoenix Rubbers, Pioneer Ball Industries Limited, PL Enginnering Works, P L Industries, Poddar Tyres Limited, Popular Printers, P.S. Engineering Works, Pramod & Co, Prakash Corrugating, Prashanth Overseas Supplies House Pvt Ltd,Praxiar India Pvt Limited, Precision Press Products, Premium Coatings And Chemicals P Ltd, Pretech, Prime Timbers, Primus Engineering Industries, Precitech Industries, Pugalia Wollen Felt Mills Pvt. Ltd, Quality Coating, Rachna Industries, Randhir Industrial Corporation, Raja Tools, Rajadhani Tools, Rajindra Engineers India, Raksha Packaging Industries, Ralson Industries Limited, Ram Vijay Engineering Workts, Rambal Limited, Rasi Electrodes Ltd, Raviteja Enterprises, Ravi Industries, R.R.Graphics, R R Industries, Reliance Industries, Rubber Age Industries, RG Industries, Rolex Cyles Pvt Ltd, Rothman Cycles Private Ltd, Sai Industries, Sandhu Industries, Sathya Industries Private Limited, Sawan Industries,Screen Tech, SDS Engineering Works, Sekar Industries, Shant Seekar Enterprises, Sharp Wire Industries India P Ltd, Shiva Enterprises, Shind Engineering Works, Shri Maurya Die Tools, Shree Balaji Plastic Industries, Shree Hanuman Industries, Sigma Industries, S L Harikishnan And Company, S M Sparking Services, S M Industries, Sood Industries, Sooriya Screens,Sproktek Industries, Spotless Inc, S P Engineering Works, Singal Corporation, Sivasakthi Offset Printers, Silver Stars, Soni Cycles,Soverreign Industries, S R Cycle Industries, Sree Kumaran Engineering Enterprises, Sree Lakshmiram Bright Bars, Sree Lakshmiram Wires, Sree Avudaiyar Industries,Sree Mahalakshmi Engineering Works, Sreeram Engineering Works, Sri Lakshmi Screens, Sri Raja Rajeswari And Company, Sri Sai Krishna Printers, Sri Venkateswara Wire Works, Sri Ayyappa Industries, Sri Gopi Surfa Chemicals, Sri Ram Cold Forgings, Sri Ram Cold Forgings Pvt Ltd, Sri Vasa Enterprises, Sri Vel Presstopipes Private Ltd, Srishty Engineering, S S Products Of India, Sterline Lab Private Limited, Subramaniam Enterprises, Sun Tech Automobile Products, Sunder Sham Industries, Super Auto Industries, Supreme Pressfab Private Ltd, Surindera Cycles Private Limited, Surpal Bikes Private Limited, Surpal Cycles (P) Limited, Swarn And Company, Sudagar Biological & Chemicals, Suprabha Protective Products Pvt. Ltd, Tamil nadu Packaging Industry, Tara Packaging Industries, Techno Plastics, The Hindustan Corporation(P) Ltd, The Precision Scientific Company, Thirumala Press Components Pvt Ltd, Thrust Metal, Thamarai Industries, Tool Tech Precision Engg Works, Tool And Gauge Engineers, Tpm Engineers, T R B Engineers, Tvashta Engineering Private Ltd, Technofour, Ug Chemical Works, Uma Tools, United Industries, Universal Abrasive Industries, Union Abrasives, Vartech Engineers Pvt Ltd, Victory Enterprises Ambattur, Vijay Laxmi Timber Depot, Vijayalakshmi Forge And Stamping, Viruthyaa Enterprises, Visalakshi Industries, Vishal Furnitures & Pipes Pvt Ltd, Vishivkarma Bikes, Vishivkarma Industries Pvt Ltd,Vsk Automations, Veromech Incorporated, Vsm Aqua Port, Watson Engineering Works, We Will Engineering Industries, Western Pressed Components, Western Rubber Products, Yes Kay Yes Technocrafts, Yonker Skates Pvt. Ltd., Zenith Controls And Systems P Ltd

B. PROFIT & LOSS ACCOUNT

5. In accordance with the scheme of amalgamation as stated in paragraph 3 (vi) above the deferred revenue expenditure of Rs 27.11 cr has been adjusted to the securities premium account. As a result the profit is higher by Rs 12.52 Cr. due to lower charge to the profit and loss account.

18 NOTES ON ACCOUNTS (Contd.)

6. Non recurring item in 2003-04 represent Rs.24.76 Cr. being the premium realised on the renunciation of rights to subscribe to 2,77,20,000 equity shares of Rs. 10 each in Cholamandalam MS General Insurance Company Limited.
7. Depreciation has been charged additionally on certain special purpose equipment used exclusively for certain customers in anticipation of cessation of orders. The profit as a result is lower by Rs 0.76 Cr.
8. General Manufacturing, Selling and Administration expenses include

 i. Contribution to A M M Murugappa Chettiar Research Centre Rs.0.20 Cr.(Previous year Rs. 0.20 Cr.)

 ii. Contribution to A M M Foundation Rs.0.71 Cr. (Previous year Rs. 0.39 Cr.)

 iii. Contribution to PM and CM Relief Funds Rs. 0.20 Cr. (Previous year - NIL)

 iv. Contribution to Political Party – Bharatiya Janata Party – Rs 0.15 Cr. (Previous year – Nil)

 v. Contribution to Madras University – Rs.0.07 Cr (Previous Year – Nil).

9. Deferred Tax Movement **Rs. in Crores**

Nature-(Asset) / Liability	31st March, 2004	Additions on Amalgamation	Deferred Tax For the year	31st March, 2005
Depreciation	36.96	10.98	(3.97)	43.97
Deferred Revenue Expenses	(0.12)	–	(4.90)	(5.02)
Doubtful Debts / Advances	(2.37)	(0.38)	(1.36)	(4.11)
Others	(1.09)	(0.06)	(0.27)	(1.42)
Loss under Capital Gains	(1.59)	(0.25)	1.13	(0.71)
Total	**31.79**	**10.29**	**(9.37)**	**32.71**

10. Payment to Auditors

	2004-05	2003-04
Audit fees	0.09	0.09
Tax audit and other certification	0.05	0.05
Expenses	0.01	0.02
Total	**0.15**	**0.16**

11. (a) Consumption of raw materials

	%	2004-05	%	2003-04
Imported	4.16	40.25	4.28	33.08
Indigenous	95.84	926.85	95.72	739.03
	100.00	**967.10**	**100.00**	**772.11**

Scrap sales of Rs. 78.39 Cr. (Previous year Rs. 44.49 Cr.) has been deducted from consumption of Raw Materials.

Schedules forming part of the Accounts

18 NOTES ON ACCOUNTS (Contd.)

(b) Consumption of stores and spares — **Rs. in Crores**

	%	2004-05	%	2003-04
Imported	1.95	1.69	0.99	0.64
Indigenous	98.05	84.62	99.01	64.22
	100.00	**86.31**	**100.00**	**64.86**

12. Value of imports on CIF basis

	2004-05	2003-04
1. Raw materials	38.42	34.70
2. Stores and Spare Parts	3.10	1.17
3. Capital Goods	8.76	9.99
	50.28	**45.86**

13. Earnings in foreign exchange

	2004-05	2003-04
FOB Value of Exports	180.16	82.65

14. Amount remitted in foreign currency on account of dividend payment to Non Resident shareholder

	2004-05	2003-04
Dividend –Rs. in Crores	0.006	0.005
Number of non-resident shareholders	1	1
Number of shares held	5670	5670
Year for which dividend remitted	2003-04	2002-03
Final	2003-04	2002-03

15. Expenditure in foreign currency

	2004-05	2003-04
1. Travel	1.43	0.45
2. Technical know-how	0.07	0.30
3. Interest on Foreign Currency Loans	0.34	0.31
4. Royalty	0.09	0.87
5. Others	1.61	1.81
Total	**3.54**	**3.74**

18 NOTES ON ACCOUNTS (Contd.)

16. Directors' remuneration

Rs. in Crores

	2004-05	2003-04
a) Managing Director's Remuneration		
Salaries & Allowances	0.53	0.42
Provident Fund, Gratuity & Superannuation	0.08	0.08
Perquisites	0.08	0.09
	0.69	**0.59**
Commission	0.24	0.24
	0.93	**0.83**
b) Executive Chairman's Remuneration		
Salaries & Allowances	–	0.45
Provident Fund, Gratuity & Superannuation	–	0.08
Perquisites	–	0.01
	–	**0.54**
Commission	–	0.26
	–	**0.80**
c) Commission to Non-Whole time directors	0.17	0.11
d) Directors' sitting fees	0.09	0.04
Directors' remuneration	**1.19**	**1.78**
Profit after tax as per Profit and Loss Account	**98.55**	**82.49**
Add: Provision for taxation	27.63	22.81
Director's remuneration	1.19	1.78
Loss on sale of investments	–	20.40
Less: Profit on sale of Investments	5.37	–
Profit on sale of assets as per books	0.96	9.87
Non-recurring item	–	24.76
Profit as per Section 349 of the Companies Act, 1956	**121.04**	**92.85**
Commission at 1% thereof	**1.21**	**0.93**
Commission to Managing Director restricted to	0.24	0.24
Commission to Executive Chairman - restricted to	–	0.26
Commission to Non-Whole time Directors - restricted to	0.17	0.11
Total Commission	**0.41**	**0.61**

18 NOTES ON ACCOUNTS (Contd.)

17. Quantitative Particulars

Rs. in Crores

I. Capacities, Production, Turnover and Stocks

Class of goods	Unit	Installed Capacity	Production	Opening stock	Closing stock	Turnover Quantity (Net of excise)	Turnover Value (Net of excise)
Cycles/components	Nos.	4265000	2746227	73334	94339	2725222	482.40
		(4265000)	(2933808)	(57133)	(73334)	(2917607)	(466.93)
ERW/CDW tubes	Tons	142200	89745	2348	2673	89420	449.82
		(126850)	(97510)	(5041)	(2348)	(100203)	(392.88)
Cold Rolled strips	Tons	100120	76744	283	259	76768	263.73
		(100120)	(89239)	(228)	(283)	(89184)	(245.28)
Metal Formed Products							253.33
							(51.42)
Conversion charges							1.27
							(0.57)
Total							**1450.55**
							(1157.08)

Figures in brackets are for previous year.
Installed capacity is as certified by the management.
Turnover & Production is exclusive of captive and inter-unit transfers.
Turnover and production includes 49756 cycles (Previous year 55192) traded.
Quantitative particulars for Metal formed products not furnished as the segment has more than one unit of measurement.

II. Consumption of Raw Materials

	Unit	Quantity 2004-05	Quantity 2003-04	Value 2004-05	Value 2003-04
Steel	Lakh Tons	2.50	2.46	606.83	456.57
Rims	Lakh Pair	29.24	33.11	36.64	35.56
Tyres	Lakh Nos.	51.91	58.80	25.45	27.46
Cycle tubes	Lakh Nos.	59.37	58.76	11.00	10.43
Leather top	Lakh Nos.	40.34	30.21	18.71	16.35
Brass	Lakh Gross	–	14.14	–	2.72
Chains	Lakh Nos.	46.59	39.53	10.74	8.26
Frames	Lakh Nos.	28.34	28.79	59.35	49.87
Forks	Lakh Nos.	29.01	28.79	21.26	17.96
Mudgaurds	Lakh Nos.	29.79	28.79	10.02	6.82
Bicycle components and others				167.10	140.11
Total				**967.10**	**772.11**

The quantitative details of bicycle components and others, being too numerous are not listed.

18. Segment Reporting

The company's operations are organised into three major divisions - Cycles, Engineering and Metal Formed Products. Accordingly, the divisions comprise the primary basis of segmental information. Secondary segmental reporting is based on geographical location of customers.

The generally accepted accounting principles used in the preparation of the financial statements are applied to record revenue and expenditure in individual segments.

Inter segment transfer

Segment revenue and segment results include transfers between business segments. Such transfers are accounted for at a competitive market price and such transfers are eliminated in the consolidation.

18 NOTES ON ACCOUNTS (Contd.)

Segment Financials

(A) Primary Segment Analysis

Rs. in Crores

	CYCLES/ COMPONENTS		ENGINEERING		METAL FORMED PRODUCTS		ELIMINATIONS		CONSOLIDATED TOTAL	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
REVENUE										
External sales	482.40	466.93	714.82	638.72	253.33	51.43	–	–	1450.55	1157.08
Inter-segment sales	–	–	40.56	16..22	0.14	–	(40.70)	(16.22)	–	–
Total Revenue	**482.40**	**466.93**	**755.38**	**654.94**	**253.47**	**51.43**	**(40.70)**	**(16.22)**	**1450.55**	**1157.08**
Unallocated Corporate expenses	–	–	–	–	–	–	–	–	(18.80)	(8.82)
RESULT										
Operating profit	20.41	17.35	91.70	53.34	39.59	15.55	–	–	132.90	77.42
Profit/(loss) on sale of assets	0.11	6.55	(0.04)	0.36	(0.12)	(0.02)	–	–	(0.05)	6.89
Net Operating profit	**20.52**	**23.90**	**91.66**	**53.70**	**39.47**	**15.53**	**–**	**–**	**132.85**	**84.31**
Dividend income	–	–	–	–	–	–	–	–	4.02	29.12
Interest expense	–	–	–	–	–	–	–	–	(16.06)	(12.49)
Income taxes	–	–	–	–	–	–	–	–	(27.63)	(22.81)
Profit/(Loss) on sale of Investments	–	–	–	–	–	–	–	–	5.37	(20.40)
Non recurring item	–	–	–	–	–	–	–	–	–	24.76
Net Profit	**20.52**	**23.90**	**91.66**	**53.70**	**39.47**	**15.53**	**–**	**–**	**98.55**	**82.49**
Other Information										
Segment assets	222.59	221.49	386.09	390.50	172.44	47.04	(7.34)	(1.89)	773.78	657.14
Unallocated corporate assets									246.36	248.54
Total assets	**222.59**	**221.49**	**386.09**	**390.50**	**172.44**	**47.04**	**(7.34)**	**(1.89)**	**1020.14**	**905.68**
Segment liabilities	107.40	82.81	127.27	144.49	44.35	8.89	(7.34)	(1.89)	271.68	234.30
Unallocated corporate liabilities									37.90	28.65
Capital expenditure	8.66	14.41	29.86	18.40	9.52	5.65	–	–	48.04	38.46
Unallocated corporate capital expenditure	–	–	–	–	–	–	–	–	5.89	3.83
Depreciation	4.86	3.96	18.86	19.93	10.21	3.39	–	–	33.93	27.28
Unallocated corporate depreciation	–	–	–	–	–	–	–	–	3.88	2.32
Non-cash expenses other than depreciation - Segments	–	6.76	–	3.00	–	0.42	–	–	–	10.18

18 NOTES ON ACCOUNTS (Contd.)

(B) Secondary Segment — **Rs. in Crores**

Market	2004-05	2003-04
Europe	45.98	2.51
North America	58.57	26.18
India	1260.14	1068.21
Rest of the World	85.86	60.18
Total	**1450.55**	**1157.08**

19. Disclosure in respect of Related Parties pursuant to Accounting Standard 18:

a) List of Related Parties

I. Subsidiary
Cholamandalam MS General Insurance Company Ltd

II. Associate
Cholamandalam Investment & Finance Company Ltd

III. Joint Venture
Borgwarner Morse TEC Murugappa (P) Ltd.,

IV. Key Management Personnel (KMP) and Enterprise in which Key Management Personnel holds substantial interest
Mr Adhiraj Sarin - Key Management Personnel

b) During the year the following transactions were carried out with related parties in the ordinary course of business: (Details of remuneration to Key Management Personnel are given in Note 16 of Schedule 18)

	2004-05	2003-04
1) **Sales**		
Joint Venture	0.64	–
2) **Services and other income**		
Subsidiary	0.05	0.24
Associates	–	0.23
3) **Purchase of Goods and Services**		
Subsidiary	2.80	0.95
Associates	0.41	0.36
Joint Venture	0.92	–
4) **Receipt of dividend**		
Associates	–	6.15
5) **Equity contribution**		
Associates	33.81	16.76
6) **Outstanding balances as at 31st March 2005**		
Amounts Receivable		
Subsidiary	0.01	–
Joint Venture	0.22	–
Amounts Payable		
Associates	0.02	0.05
Joint Venture	0.17	–

Schedules forming part of the Accounts

20. For the purpose of computing the earnings per share the net profit after tax has been used as the numerator and the weighted average numbers of shares outstanding has been considered, as the denominator.

Rs. in Crores

	Year ended 31.03.2005	**Year ended 31.03.2004**
Profit after Taxation –Rs. in Crores	98.55	82.49
Number of shares	3,69,56,000	1,84,72,690
Earnings Per Share (Basic and diluted) – Rs.	26.67	44.66
Adjusted Earnings per share (Basic and Diluted) – Rs.	26.67	22.32
Face value per share – Rs.	10	10

21. Information on Joint Venture entity

a. Joint Controlled Entity – Borgwarner Morse TEC Murugappa (P) Ltd. – Incorporated under the Companies Act, 1956.

b. Controlling Entities – Tube Investments of India Ltd. – 26 % and Borgwarner Morse TEC Inc., USA – 74 %

c. Proportionate item of the company in the Joint Venture as per the audited accounts of the Joint controlled entity for the year ended 31.12.2004, in respect of:

Rs. in Crores

1.	Assets	4.42
2.	Liabilities	4.42
3.	Income	3.03
4.	Expenditure	4.09
5.	Contingent Liabilities	–
6.	Estimated amount of contracts remaining to be executed on Capital Account, not provided for	–

22. Figures for the previous year have been re-grouped wherever necessary and in view of the amalgamation, are not comparable with that of the current year.

Signatures to Schedules 1 to 18

For **Fraser & Ross**
Chartered Accountants

Geetha Suryanarayanan
Partner

On behalf of the Board

M A Alagappan
Chairman

Chennai
29th April, 2005

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

Adhiraj Sarin
Managing Director

Section 212

Statement of Holding Company's interest in Subsidiary
(Pursuant to Section 212 of the Companies Act, 1956)

Rs. in Crores

1. Name of the Subsidiary	Cholamandalm MS General Insurance Company Ltd
2. The financial year of the company ended on	31.3.2005
3. Number of	
a) equity shares each fully paid in the subsidiary company held by Tube Investments of India Ltd. on the above date	78,750,000 Rs.10 each
b) Preference shares each fully paid in the subsidiary company held by Tube Investments of India Ltd. on the above date	–
4. The net aggregate of profits less losses and reserves of the subsidiary company so far as it concerns the Holding Company:	
i) dealt with in the accounts of Tube Investments of India Ltd. by way of dividends on the shares held in the subsidiaries:	
a. for the subsidiary's financial year ended on 31.3.2005	–
b. for the previous financial years of the subsidiary since it became subsidiary of Tube Investments of India Ltd.	–
ii) not dealt with in the accounts of Tube Investments of India Ltd.	
a. for the subsidiary's financial year ended on 31.3.2005	(1.85)
b. for the previous financial years of the subsidiary since it became subsidiary of Tube Investments of India Ltd.	(6.99)

On behalf of the Board

M A Alagappan
Chairman

Chennai	**S Suresh**	**K Balasubramanian**	**Adhiraj Sarin**
29th April, 2005	Company Secretary	Chief Financial Officer	Managing Director

The Ministry of Company Affairs, Government of India has vide its letter No.47/83/2005-CL-III dated 10th May, 2005 exempted the Company from furnishing the annual report of Company's subsidiary, Cholamandalam MS General Insurance Company Ltd (CMSGICL). The annual report contains a consolidated financial statements of the Company and its subsidiary prepared in accordance with the relevant Accounting Standards and duly audited by the statutory auditors. The annual report of CMSGICL and the related information will be made available to the investors of the Company and its subsidiary on request and will also be kept for inspection in the respective registered offices.

Subsidiary Company's Financial Summary **Rs. in Crores**

	Name of the Subsidiary	**Cholamandalm MS General Insurance Company Ltd**
1	Capital	141.96
2	Reserves & Surplus (adjusted for debit balance in P&L Account, where Applicable)	(12.59)
3	Total Assets (Fixed Assets + Current Assets + Misc. Expenditure not written off)	33.38
4	Total Liabilities (Debts + Current Liabilities + Defferred Tax Liability)	102.19
5	Investments	198.18
6	Total Income	71.04
7	Profit Before Tax	(3.34)
8	Provision for Tax	–
9	Profit After Tax	(3.34)
10	Proposed Dividend and Tax thereon	–

Balance Sheet Abstract

Balance Sheet Abstract and Company's General Business Profile

Additional Information as required Under Part IV of Schedule VI of the Companies Act, 1956

I. Registration Details

Registration No.	02905	State Code	18
Balance Sheet as on	31-03-2005		

II. Capital Raised During the Year (Amount in Rs. thousands)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	18472	Private Placement	NIL

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

Total Liabilities	7105607	Total Assets	7105607
Sources of Funds			
Paid up Capital	369560	Reserves & Surplus	4112445
Secured Loans	1921902	Unsecured Loans	374650
Deferred Tax Liability (Net)	327050		
Application of Funds			
Net Fixed Assets	3048804	Investments	1897101
Net Current Assets	2159702	Misc. Expenditure	NIL

IV. Performance of the Company (Amount in Rs. thousands)

Turnover (including Other income)	14687209	Total Expenditure	13425399
Profit/(Loss) before Tax	1261810	Profit/(Loss) after Tax	985496
Earning per share in Rs.	26.67	Dividend Rate(%)	70%

V. Generic Names of Three Principal Products/services of the Company (As per Monetary Terms)

Item Code No. (ITC Code)	Product Description
72112950	Cold Rolled Steel Strips
73069090	CDW Tubes
87120010	Bicycles

On behalf of the Board

M A Alagappan
Chairman

Chennai
29th April, 2005

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

Adhiraj Sarin
Managing Director

Auditors' Report on Consolidated Accounts

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF TUBE INVESTMENTS OF INDIA LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF TUBE INVESTMENTS OF INDIA LIMITED AND ITS SUBSIDIARIES AND ASSOCIATE

We have audited the attached Consolidated Balance Sheet of Tube Investments of India Limited and its subsidiary Cholamandalam MS General Insurance Company Limited, its Associate, Cholamandalam Investment and Finance Company Limited and its joint venture Borg Warner MorseTec Murugappa Private Limited as at 31st March 2005 and also the Consolidated Profit and Loss Account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of Tube Investments of India Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We did not audit the financial statements of subsidiary, associate and joint venture whose financial statements reflect total assets of Rs.323.98 crores as at 31.3.2005, the total revenues of Rs.84.94 crores and cash flows amounting to Rs. 0.74 crores for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion, is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by Tube Investments of India Limited's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements, and Accounting Standard (AS) 27, Financial Reporting of interests in Joint Ventures, issued by the Institute of Chartered Accountants of India.

Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) In the case of Consolidated Balance Sheet, the state of affairs of Tube Investments of India Limited and its subsidiary, associate and joint venture as at 31st March 2005; and

(b) In the case of Consolidated Profit and Loss Account, of the profit for the year ended on that date; and

(c) In the case of Consolidated cash flow statement, of the cash flows for the year ended on that date.

For **FRASER & ROSS**
Chartered Accountants

Geetha Suryanarayanan

Geetha Suryanarayanan
Partner
Membership No. 29519

Place: Chennai
Dated: 29th April 2005

Consolidated Balance Sheet

Rs. in Crores

As at 31st March,	Schedule	2005	2004
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
(a) Share Capital	1	36.95	18.47
(b) Reserves and Surplus	2	436.08	388.48
		473.03	406.95
(c) Capital Reserve on Consolidation			
Associates		30.05	30.05
Subsidiary		–	5.16
Less : Goodwill on consolidation		–	–
Subsidiary		(1.77)	(1.77)
Joint Venture			
		28.28	**33.44**
2. Minority Interest		58.19	59.28
3. Loan Funds:			
(a) Secured Loans	3	192.19	219.94
(b) Unsecured Loans	4	38.77	19.93
		230.96	239.87
4. Deferred Tax Liability		32.71	42.07
		823.17	**781.61**
II. APPLICATION OF FUNDS			
1. Fixed Assets	5		
Gross Block		580.06	538.41
Less: Depreciation		288.07	255.05
(a) Net Block		291.99	283.36
Add : Share in Joint Venture		2.73	–
		294.72	283.36
(b) Capital Work-in-Progress at cost		21.85	14.14
		316.57	**297.50**
2. Investments	6	367.91	294.81
3. Current Assets, Loans and Advances			
(a) Inventories	7	150.54	120.87
(b) Sundry Debtors	8	295.80	263.88
(c) Cash and Bank Balances	9	29.85	47.08
(d) Loans and Advances	10	75.22	75.92
		551.41	**507.75**
Less: Current Liabilities and Provisions	11	412.72	345.56
Net Current Assets		**138.69**	**162.19**
4. Defferred Revenue Expenditure	12	–	**27.11**
		823.17	**781.61**
Significant Accounting Policies	17		
Notes on Accounts	18		

This is the Consolidated Balance Sheet referred to in our Report of even date

For **Fraser & Ross**
Chartered Accountants

Geetha Suryanarayanan
Partner

On behalf of the Board

M A Alagappan
Chairman

Chennai
29th April, 2005

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

Adhiraj Sarin
Managing Director

Consolidated Profit and Loss Account

Rs. in Crores

For the year ended 31st March,	Schedule	2005	2004
Income			
Sales and Services		1563.39	1257.34
Less : Excise Duty		(112.84)	(100.26)
Add : Sales - Share in Joint Venture		3.03	78.72
Sales and Services (Net)		1453.58	1235.80
Premiums earned (Net)		68.24	23.17
Other Income	13	28.98	36.15
Add : Other income - Share in Joint Venture		–	3.59
		1550.80	**1298.71**
Expenditure			
Raw Materials Consumed		888.71	727.62
Raw Materials Consumed - share of joint venture		1.88	34.64
(Accretion) / Decretion to Stock	14	(6.42)	4.06
Claims incurred		54.72	–
Employee Cost	15	102.60	107.15
Other Costs	16	330.44	303.39
Depreciation		40.75	32.15
Depreciation-Share in Joint Venture		0.19	3.06
Interest - Fixed		7.47	4.93
Interest - Others		8.58	7.56
Interest - Share in Joint Venture		0.10	0.82
		1429.02	**1225.38**
Profit before Tax before non recurring item		**121.78**	**73.33**
Non recurring item - Refer note 2 of Schedule 18		–	24.76
Profit before Tax		**121.78**	**98.09**
Deduct : Provision for Tax			
Current Tax		37.00	23.00
Deferred Tax (Net)		(9.37)	(0.19)
Add : Share of Joint venture		0.04	1.29
		27.67	24.10
Profit after Tax		**94.11**	**73.99**
Add : Share of Associates Profit/(Loss)		15.03	14.98
Minority Interest in Net Income		1.49	2.74
Net Profit after Tax		**110.63**	**91.71**
Add: Surplus brought forward		99.13	53.26
Profit transfer on amalgamation		10.79	–
Profit available for Appropriation		**220.55**	**144.97**
Dividend Proposed - Final @ 70 % (Previous year 100%)		25.87	18.47
Dividend Tax thereon		3.63	2.37
General Reserve		50.00	25.00
Balance Transferred to Balance Sheet		**141.05**	**99.13**
Earnings per Share - Basic and Diluted - Rs.		**29.94**	**24.82**
Significant Accounting Policies	17		
Notes on Accounts	18		

This is the Consolidated Profit and Loss Account referred to in our Report of even date

For **Fraser & Ross**
Chartered Accountants

Geetha Suryanarayanan
Partner

On behalf of the Board

M A Alagappan
Chairman

Chennai
29th April, 2005

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

Adhiraj Sarin
Managing Director

Consolidated Cash Flow Statement

Rs. in Crores

For the year ended 31st March,	2005	2004
A. Cash Flow from Operating Activities		
Profit Before Tax	**121.78**	**98.09**
Add : Share of profit in Joint venture credited to General reserve	–	3.86
Net Profit Before Tax	**121.78**	**101.95**
Adjustments for :		
Depreciation	40.94	38.29
Interest and finance charges	6.72	14.13
(Profit) / Loss on sale of assets	(0.94)	(10.40)
Provision for doubtful debts and advances	25.97	2.70
Pre-operative Expenses of previous year Written off / bad debts written off	–	0.64
Others	–	21.91
(Profit) / Loss on sale of investments	(6.69)	12.18
Provision no longer required for doubtful debts	–	(0.41)
Interest received	(0.24)	(8.37)
Dividend income	(4.02)	(24.12)
Deferred revenue expenditure - payment during the year	–	(2.74)
Deferred revenue expenditure - charge during the year	–	14.87
Operating profit before working capital changes	**183.52**	**160.63**
Adjustments for :		
Trade and other receivables	(30.12)	15.73
Inventories	(29.04)	(8.31)
Trade payables	35.09	25.23
Cash generated from operations	**159.45**	**193.28**
Direct taxes paid	(37.73)	(24.29)
Cash flow from operating activities	**121.72**	**168.99**
B. Cash flow from investing activities		
Purchase of fixed assets (Including capital work in progress)	(59.19)	(51.36)
Sale of fixed assets	2.58	13.66
Purchase of investments	(632.11)	(1949.44)
Sale of investments	582.42	1843.91
Dividend received	4.02	30.27
Interest received	11.73	9.38
Net cash used in investing activities	**(90.55)**	**(103.58)**
C. Cash flow from financing activities		
Borrowings	42.81	106.92
Repayments on borrowings	(52.75)	(164.03)
Dividends paid	(22.41)	(19.10)
Interest paid	(16.11)	(16.43)
Issue of Shares	–	36.96
Net cash used in financing activities	**(48.46)**	**(55.68)**
Net increase in cash and cash equivalents	**(17.29)**	**9.73**
Cash and cash equivalents at the beginning of the year	**44.88**	**37.35**
Cash and cash equivalents of the amalgamating company at the beginning of the year	**2.26**	**–**
Cash and cash equivalents as at end of the year	**29.85**	**47.08**

This is the Consolidated Cash Flow Statement referred to in our Report of even date

For **Fraser & Ross**
Chartered Accountants

Geetha Suryanarayanan
Partner

On behalf of the Board

M A Alagappan
Chairman

Chennai
29th April, 2005

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

Adhiraj Sarin
Managing Director

Schedules forming part of Consolidated Balance Sheet

01 SHARE CAPITAL

Rs. in Crores

As at 31st March,	2005	2004
Authorised		
4,30,00,000 Equity Shares of Rs.10 each	43.00	–
3,40,00,000 Equity Shares of Rs.10 each	–	34.00
Issued, Subscribed and Paid-up		
3,69,56,000 (Previous year 1,84,72,690 Equity Shares of Rs.10 each)	36.95	18.47
	36.95	**18.47**

02 RESERVES AND SURPLUS

As at 31st March,	2005	2004
Capital Reserve	0.27	0.42
Securities Premium	94.11	166.46
Capital Redemption Reserve	6.15	6.15
Debenture Redemption Reserve	15.41	15.41
General Reserve		
As per last Balance Sheet	125.40	116.03
Add: Transfer on Amalgamation	0.15	–
Transfer from Profit and Loss Account	50.00	25.77
	175.55	141.80
Balance in Profit and Loss Account		
Balance in Profit and Loss Account	141.05	108.34
Add: Share in Joint Venture	–	–
Adjustments on consolidation	141.05	108.34
Elimination of cross holding	–	(59.26)
Transfer to Minority Interest	0.59	1.21
Adjustment on JV Consolidation	(5.00)	–
Share of Associates reserves	7.95	7.95
	436.08	**388.48**

03 SECURED LOANS

As at 31st March,	2005	2004
(a) Debentures	20.00	40.00
(b) Loans and Advances		
i) Foreign currency loan	61.03	61.03
ii) Banks	25.00	–
iii) Others	0.28	0.42
(c) Cash Credit from Bank	85.88	118.49
	192.19	**219.94**

04 UNSECURED LOANS

As at 31st March,	2005	2004
(a) Sales tax deferral	23.87	19.19
(b) Short term loans from Banks	13.60	0.74
Add : Share in Joint Venture	1.30	–
	38.77	**19.93**

05 FIXED ASSETS

Rs. in Crores

	Land (Freehold)	Buildings	Plant & Machinery	Railway Siding	Computer Software	Improvement to Premises	Furniture & Fixtures	Vehicles	31.03.2005	31.03.2004
Gross Block at cost or revaluation										
As at 31.03.2004	9.45	63.75	351.28	0.21	1.97	1.37	8.48	5.89	442.40	506.41
Additions on Amalgamation	0.90	12.64	81.04	–	–	–	1.27	0.15	96.00	–
Additions	0.93	6.83	39.68	–	0.88	0.06	1.38	1.45	51.21	40.04
Disposals	0.01	0.10	8.10	–	–	–	0.08	1.26	9.55	8.04
As at 31.03.2005	**11.27**	**83.12**	**463.90**	**0.21**	**2.85**	**1.43**	**11.05**	**6.23**	**580.06**	**538.41**
Depreciation										
As at 31.03.2004	–	16.59	184.67	0.06	0.77	0.76	5.65	1.52	210.02	221.92
Additions on Amalgamation	–	3.06	40.81	–	–	–	1.10	0.10	45.07	–
Additions	–	2.37	35.68	0.02	0.82	0.18	1.05	0.63	40.75	38.29
Disposals	–	0.04	7.27	–	–	–	0.08	0.38	7.77	5.16
As at 31.03.2005	**–**	**21.98**	**253.89**	**0.08**	**1.59**	**0.94**	**7.72**	**1.87**	**288.07**	**255.05**
Net Block as at31.03.2005	**11.27**	**61.14**	**210.01**	**0.13**	**1.26**	**0.49**	**3.33**	**4.36**	**291.99**	**283.36**

06 INVESTMENTS - Long Term at cost unless otherwise stated

As at 31st March,	2005	2004
QUOTED (Fully Paid)		
Trade - Equity Shares		
Associates	149.87	100.70
Others	15.99	11.06
Government Securities	140.57	117.34
Investments in Bonds /Securities	–	0.13
Trade-Others	58.03	59.01
	364.46	**288.24**
UNQUOTED (Fully Paid)		
Trade - Equity Shares		
Others	0.32	0.22
Non-Trade - Equity Shares	–	3.26
Others	0.13	0.10
Non-Trade - Others	3.00	3.00
	3.45	**6.58**
Less: Provision for dimunition in Investment value	–	(0.01)
	367.91	**294.81**
Market Value of Quoted Investments as at 31-03-2005	450.46	322.85

07 INVENTORIES

As at 31st March,	2005	2004
Raw Materials	84.71	59.39
Work-in-Progress	25.25	24.73
Finished Goods	31.23	25.80
Materials in transit	3.27	2.65
	144.46	112.57
Consumable Stores and Spare Parts	5.33	8.17
Fixed assets held for sale	0.01	0.13
Add : Share in Joint Venture	0.74	–
	150.54	**120.87**

Schedules forming part of Consolidated Balance Sheet

08 SUNDRY DEBTORS

Rs. in Crores

As at 31st March,	2005	2004
Outstanding for over six months		
Considered good	3.90	6.04
Considered doubtful	7.56	8.46
	11.46	14.50
Others Considered good	291.30	257.84
	302.76	272.34
Less : Provision for doubtful debts	7.56	8.46
	295.20	263.88
Add : Share in Joint Venture	0.60	–
	295.80	**263.88**

09 CASH AND BANK BALANCES

As at 31st March,	2005	2004
Cash-in-hand and in-transit (including cheques on hand)	4.50	6.24
With Scheduled Banks:		
Current Accounts	24.64	40.49
Dividend Accounts	0.51	0.35
Add : Share in Joint Venture	0.20	–
	29.85	**47.08**

10 LOANS AND ADVANCES

As at 31st March,	2005	2004
Advances recoverable in cash or in kind or for value to be received		
Secured	–	–
Unsecured	42.01	47.45
Sundry deposits	8.41	7.09
Balance with Customs and Central Excise authorities	4.69	5.08
	55.11	59.62
Advance Tax paid	151.44	113.69
Less : Provision for Taxation	131.48	97.39
	19.96	16.30
Add : Share in Joint Venture	0.15	–
	75.22	**75.92**

Schedules forming part of Consolidated Balance Sheet

11 CURRENT LIABILITIES

Rs. in Crores

As at 31st March,	2005	2004
Sundry Creditors		
Due to Small Scale Industrial Units	14.95	34.62
Others	273.91	216.05
	288.86	250.67
Interest accrued but not due	1.31	1.25
Due to Directors	0.41	0.66
Unclaimed Dividends	0.51	0.35
Unclaimed Debentures	0.01	0.01
	291.10	**252.94**
Other Liabilities	90.91	70.05
Dividend - Proposed - Final	29.50	22.57
Add : Share in Joint Venture	1.21	–
	412.72	**345.56**

12 DEFERRED REVENUE EXPENDITURE

	As at 31st March, 2004	Additions on Amalgamation	Adjustment	As at 31st March, 2005
Voluntary Retirement Scheme	21.11	5.68	26.79	–
ERP Expenses	0.32	–	0.32	–
	21.43	**5.68**	**27.11**	**–**

Schedules forming part of Consolidated Profit and Loss Account

13 OTHER INCOME

For the year ended 31st March,	2005	2004
Interest and Dividend income	13.71	31.25
Profit on sale of Fixed Assets (Net)	0.96	10.16
Profit on sale of Investments (Net)	6.69	(12.19)
Royalty Income	0.66	0.62
Exchange fluctuation on loans	(0.20)	3.34
Miscellaneous income	7.16	2.97
	28.98	**36.15**

Schedules forming part of Consolidated Profit and Loss Account

14 (ACCRETION) / DECRETION TO STOCK

Rs. in Crores

For the year ended 31st March,	2005	2005	2004	2004
Stock at commencement :				
Work-in-progress	20.25		17.58	
Finished Goods	20.32		27.32	
		40.57		44.90
Taken over on Amalgamation		9.41		–
Stock at close :				
Work-in-progress	25.25		20.25	
Finished Goods	31.23		20.32	
		56.48		40.57
Add : Share in Joint Venture		0.08		(0.27)
		(6.42)		**4.06**

15 EMPLOYEE COST

For the year ended 31st March,	2005	2004
Salaries, Wages, Bonus	81.25	59.35
Contribution to Provident and Other Funds	10.11	20.31
Welfare Expenses	10.17	6.63
Charge under Voluntary Retirement Scheme	–	10.19
Add : Share in Joint Venture	1.07	10.67
	102.60	**107.15**

16 OTHER COSTS

For the year ended 31st March,	2005	2005	2004	2004
Consumption of Stores and Spares		62.29		44.96
Freight and Carriage inwards		10.12		8.07
Sub contract charges		16.37		7.71
Power and Fuel		45.38		35.63
Rent		2.77		2.66
Rates and Taxes		18.50		12.70
Insurance		0.06		1.15
Repairs to Buildings		2.13		0.42
Repairs to Machinery		19.19		12.98
Travel and Conveyance		12.30		9.23
Printing, Stationery and Communication		6.44		5.85
Freight, Delivery and Shipping Charges		42.14		42.46
Discounts / Incentives on sales		27.20		21.03
Advertisement and Publicity		23.56		17.81
Bad debts /advances written off	2.62		1.72	
Less : Provision released	2.62		1.26	
		–		0.46
Provision for doubtful debts		1.72		2.38
Provision for doubtful advances		5.81		–
Auditors' Remuneration		0.25		0.24
Directors' remuneration (Including Managing Director's remuneration)		1.19		1.78
General Manufacturing, Selling & Administrative expenses		32.26		47.56
Share of other costs - Joint venture		0.76		28.31
		330.44		**303.39**

17 SIGNIFICANT ACCOUNTING POLICIES

I. STATEMENT OF ACCOUNTING POLICIES

Basis of Consolidation

a. Basis of preparation

The consolidation financial statements are prepared in accordance with Accounting Standard 21 on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

b. Principles of Consolidation

The consolidated financial statements comprise the financial statements of Tube Investments of India Limited and the following companies:

Company	Relationship	Country of Incorporation	Proportion of ownership
Cholamandalam MS General Insurance Company Limited	Subsidiary	India	55.47%
Cholamandalam Investment and Finance Company Limited	Associate	India	48.81%
Borg Warner Morse TEC Murugappa P Ltd.	Joint Venture	India	26.00%

The accounting policies on Depreciation of the Subsidiary – Cholamandalam MS General Insurance Company Limited differ from that of the holding company and consequently the profit is lower by Rs. 1.31 Cr. This being not significant no adjustment has been made. Certain other accounting policies of the Subsidiary and the Associate differ, since they are in a business that is distinct from the holding company and function under different regulatory environment. The accounting policies followed by the subsidiary are disclosed in its financial statements.

TIDC India Ltd. (TIDC) was consolidated in the financial year 2003-04 as per accounting standard AS27 – Financial Reporting of interests in Joint Ventures and AS-21 – Consolidated Financial Statements. Per scheme of arrangement TIDC has been amalgamated with the company with effect from 1st April 2004.

II SIGNIFICANT ACCOUNTING POLICIES

1. Fixed Assets and Depreciation

a. All assets are stated at cost (net of CENVAT wherever applicable).

b. Borrowing costs are capitalised as part of qualifying fixed assets. Other borrowing costs are expensed.

c. Fixed Assets taken on financial leases, prior to 1st April, 2001, are not capitalised and lease rentals are absorbed in the Profit and Loss Account.

d. Exchange differences arising out of foreign currency loans utilised for Fixed Assets are adjusted in the cost of the relevant asset.

e. Depreciation on assets other than special tools and special purpose machines used in Door Frame projects and Furniture and Fixtures is provided under Straight Line method at the rates specified under Schedule XIV of the Companies Act, 1956. Special tools and special purpose machines used in Door Frame projects are depreciated over four years and Furniture and Fixtures are depreciated over five years, on the basis of the management's evaluation of the useful life of the assets, which results in depreciation being charged at rates higher than those specified under Schedule XIV of the Companies Act, 1956. The Company has also a system of providing additional amount of depreciation, where in the opinion of the management, the recovery of the assets is likely to be affected by the variation in demand.

f. Individual assets whose actual cost does not exceed Rs. 5000/- are fully depreciated.

g. Based on technical opinion windmill is considered as a continuous process plant and depreciation is provided at the rate applicable thereto.

h. Depreciation on fixed assets for the Joint Venture/Subsidiary are provided based on the Straight Line Method (SLM) at the rates and the manner prescribed in the Schedule XIV of the Companies Act, 1956 except the following based on the management's assessment of the estimated useful life of these assets.

	Estimated useful life
Information Technology Equipment	3 years
Computer Software	3 years
Vehicles	5 Years
Office Equipment	4 Years
Electrical Fittings	4 Years
Improvement to premises	5 years
(Leasehold and own)	Primarily lease period or 5 years whichever is lower

17 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

2. Investments

a. Investments are stated at cost. Diminution in the value of investments, other than temporary, is provided for.

b. Equities and Derivative Instruments of Subsidiary -

Listed and Actively Traded - Stated at lowest of the last quoted closing price. The change in the value is credited to the "Fair Value Change Account".

Unlisted and Not Actively Traded - Stated at their cost of acquisition less provision for diminution in the value.

3. Inventories

a. Raw materials, stores, and spare parts are valued at lower of weighted average cost and net realisable value. Cost includes freight, taxes and duties and is net of credit under CENVAT scheme.

b. Work-in-Process, finished goods and scrap held for disposal are valued at lower of cost and net realisable value. Cost includes all direct costs and applicable production overheads to bring the goods to the present location and condition.

c. Fixed assets held for sale are included in the Inventories at lower of cost or net realisable value in accordance with relevant accounting standard.

4. Revenue Recognition

a. All income and expenses are accounted for on accrual basis.

b. Sales are inclusive of excise duty. Export sales are accounted at CIF Value.

c. Export benefits are accounted for on accrual basis.

d. Dividend Income on Investments is accounted for when the right to receive the payment is established.

e. Premium (net of service tax) is recognised as income over the contract period or the period of risk, whichever is appropriate, after adjusting for unexpired risk. Any cancellations or changes in premium are accounted for in the period in which they occur.

f. Reserve for unexpired risk, representing that part of the premium written amount that is attributable and to be allocated to the subsequent accounting period(s), is calculated principally on "Day Basis" subject to a minimum of 50 percent of the net premium written during the preceding twelve months in the case of Fire, Marine and Miscellaneous business. In case of long term policies, the unexpired risk reserve is created based on actuarial valuations.

g. Reinsurance premium ceded is accounted in the year of commencement of risk in accordance with treaty arrangements with reinsurers. Non-promotional reinsurance cost is recognised when incurred and included in the premium on reinsurance ceded.

h. Commission on reinsurance ceded is recognised as income on ceding of reinsurance premium. Profit commission under reinsurance treaties wherever applicable, is recognised in the year of final determination of the profits and included in commission on reinsurance ceded.

i. Claims incurred(net) are net of salvage value and other recoveries, if any.

j. Estimated liability for outstanding claims in respect of direct business is provided based on claims reported after adjusting claims recoverable from re-insurers / co-insurers.

k. Estimated liability for claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER) is based on available statistical data and is as certified by the Appointed Actuary.

l. Non-recurring revenue expenditure incurred during the year is charged to Profit and Loss account.

m. Premium deficiency is calculated based on acturial studies duly certified by the Appointed Actuary.

5. Retirement Benefits

a. The Group Gratuity Scheme with Life Insurance Corporation of India covers liability towards Gratuity in respect of eligible employees and annual contribution as advised by them, based on actuarial principles, is remitted.

b. Contributions to Superannuation Scheme in respect of the employees are covered by the defined contribution scheme.

c. Monthly contributions to recognised Provident Funds are considered in the accounts.

d. Leave encashment benefit on retirement to eligible employees is actuarially ascertained and provided for.

e. Payment of compensation to employees under Voluntary Retirement Scheme is expensed in the period in which it is incurred.

17 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

6. Foreign Currency Transactions

Foreign currency assets and liabilities covered by forward contracts/derivatives are stated at the contracted rates, while those not covered by contracts are restated at rates prevailing at the Balance Sheet date. Exchange differences arising on foreign currency transactions are recognised under appropriate heads at the rates prevailing on the date of the transaction, other than those relating to fixed assets.

7. Research and Development

Revenue Expenditure incurred on research and development is absorbed when incurred. Capital Expenditure incurred on research and development is depreciated as per Schedule XIV of the Companies Act, 1956 under straight-line method.

8. Income Tax

Income Tax comprises of the current tax provision and the net change in the deferred tax asset or liability during the year. Deferred tax assets and deferred tax liabilities are recognised for the future tax consequences of timing differences between the carrying values of the assets and liabilities and their respective tax bases using enacted or substantially enacted tax rates. Deferred tax assets are recognised only if there is a virtual certainty that they can be realised.

18 NOTES ON ACCOUNTS

Balance Sheet

Rs. in Crores

1. Contingent Liabilities	**2004-05**	**2003-04**
a) Estimated amount of contracts remaining to be executed on capital account and not provided for (including capital commitments)	35.56	41.38
b) Disputed Income-tax demands from assessment years 1992-93 to 2003-04 under appeal pending before various appellate authorities. These amounts are fully deposited except for Rs.7.81 Cr. The management is of the opinion that these demands are not sustainable.	26.60	25.39

Profit & Loss Account

2. Non recurring item in 2003-04 represent Rs.24.76 Cr. being the premium realised on the renunciation of rights to subscribe to 2,77,20,000 equity shares of Rs. 10 each in Cholamandalam MS General Insurance Company Limited.

3. For the purpose of computing the earnings per share the net profit after tax has been used as the numerator and the weighted average numbers of shares outstanding has been considered, as the denominator.

	2004-05	**2003-04**
Profit after Taxation –Rs. in Crores	110.63	91.71
Number of shares	3,69,56,000	1,84,72,690
Earnings per Share (Basic and diluted) – Rs.	29.94	49.66
Adjusted earnings per share (Basic and Diluted) – Rs.	29.94	24.82
Face value per share – Rs	10	10

18 NOTES ON ACCOUNTS (Contd.)

4. **Segmental Financials**

(A) Primary segment analysis

Rs. in Crores

	CYCLES/ COMPONENTS		ENGINEERING		METAL FORMED PRODUCTS		INSURANCE		OTHERS		ELIMINATIONS		CONSOLIDATED TOTAL	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
REVENUE														
External sales / Income	482.40	466.93	714.82	638.72	253.33	51.43	68.24	23.83	3.03	78.72	–	(0.66)	1521.82	1258.97
Inter-segment sales	–	–	40.56	16.22	0.14	–	2.80	–	–	–	(43.50)	(16.22)	–	–
Total Revenue	**482.40**	**466.93**	**755.38**	**654.94**	**253.47**	**51.43**	**71.04**	**23.83**	**3.03**	**78.72**	**(43.50)**	**(16.88)**	**1521.82**	**1258.97**
Unallocated Corporate expenses													(18.80)	(8.82)
RESULT														
Operating profit	20.41	17.35	91.70	53.34	39.59	15.55	(3.34)	(6.15)	(1.06)	5.97	–	(6.21)	128.50	71.03
Profit/(loss) on sale of assets	0.11	6.55	(0.04)	0.36	(0.12)	(0.02)	–	–	–	–	–	–	(0.05)	6.89
Net Operating profit	**20.52**	**23.90**	**91.66**	**53.70**	**39.47**	**15.53**	**(3.34)**	**(6.15)**	**(1.06)**	**5.97**	**–**	**(6.21)**	**128.45**	**77.92**
Dividend income	–	–	–	–	–	–	–	–	–	–	–	–	4.02	29.12
Interest expense	–	–	–	–	–	–	–	–	–	–	–	–	(16.06)	(13.31)
Income taxes	–	–	–	–	–	–	–	–	–	–	–	–	(27.67)	(24.10)
Profit/(loss) on sale of investments	–	–	–	–	–	–	–	–	–	–	–	–	5.37	(20.40)
Non recurring item	–	–	–	–	–	–	–	–	–	–	–	–	–	24.76
Share of Associates profit/(loss)	–	–	–	–	–	–	–	–	–	–	–	–	15.03	14.98
Minority interest in net income	–	–	–	–	–	–	–	–	–	–	–	–	1.49	2.74
Net profit	**20.52**	**23.90**	**91.66**	**53.70**	**39.47**	**15.53**	**(3.34)**	**(6.15)**	**(1.06)**	**5.97**		**(6.21)**	**110.63**	**91.71**
OTHER INFORMATION														
Segment assets	222.59	221.49	386.09	390.50	172.44	47.04	231.56	197.10	4.42	124.44	(7.59)	(101.93)	1009.51	878.64
Unallocated corporate assets													226.38	253.69
Total assets	**222.59**	**221.49**	**386.09**	**390.50**	**172.44**	**47.04**	**231.56**	**197.10**	**4.42**	**124.44**	**(7.59)**	**(101.93)**	**1235.89**	**1132.33**
Segment liabilities	107.40	82.81	127.27	144.49	44.35	8.89	102.18	64.40	1.21	24.28	(7.59)	(101.93)	374.82	222.94
Unallocated corporate liabilities	–	–	–	–	–	–	–	–	–	–	–	–	37.90	122.62
Total liabilities	**107.40**	**82.81**	**127.27**	**144.49**	**44.35**	**8.89**	**102.18**	**64.40**	**1.21**	**24.28**	**(7.59)**	**(101.93)**	**412.72**	**345.56**
Capital expenditure	8.66	14.41	29.86	18.40	9.52	5.65	5.24	4.17	0.02	5.01	–	–	53.30	47.64
Unallocated corporate capital expenditure	–	–	–	–	–	–	–	–	–	–	–	–	5.89	3.83
Depreciation	4.86	3.96	18.86	19.93	10.21	3.39	2.94	2.55	0.19	3.06	–	–	37.06	32.89
Unallocated corporate depreciation	–	–	–	–	–	–	–	–	–	–	–	–	3.88	2.32
Non-cash expenses other than depreciation - Segments	–	6.76	–	3.00	–	0.42	–	–	–	1.15	–	–	–	11.32

(B) Secondary segment

Sales revenue by geographical market is given as under:

Market	**2004-05**	**2003-04**
Europe	45.98	17.57
North America	58.77	28.56
India	1331.21	1144.97
Rest of the World	85.86	67.87
Total	**1521.82**	**1258.97**

18 NOTES ON ACCOUNTS (Contd.)

5. Disclosure in respect of Related Parties pursuant to Accounting Standard 18

a) List of Related Parties

I. **Subsidiary / Joint Venture**
Cholamandalam MS General Insurance Company Ltd.

II. **Associates**
Cholamandalam Investment & Finance Company Ltd.

III. **Key Management Personnel (KMP) and Enterprise in which Key Management Personnel holds substantial interest**
Mr. M A Alagappan
Mr. Adhiraj Sarin
Mr. M Anandan
Mr. Partho S Datta
Mr. Arun Agarwal

IV. **Company having Substantial Interest in Voting Power in Cholamandalam MS General Insurance Company Ltd.**
Mitsui Sumitomo Insurance Company Ltd.

V. **Joint Venture**
BorgWarner Morse TEC Murugappa Pvt Ltd.

b). During the year the following transactions were carried out with related parties in the ordinary course of business:

Rs. in Crores

	2004-05	2003-04
1. Sales		
Joint Venture	0.64	0.44
2. Purchase of Goods and Services		
Joint Venture	0.92	0.60
3. Outstanding balances as at 31st March 2005		
Amounts Receivable		
Joint Venture	0.22	–
Amounts Payable		
Joint Venture	0.17	0.01

6. Previous year's figures are not comparable for the reasons stated under (I) (b) of Schedule 17

7. Figures for the previous year have been re-grouped wherever necessary.

Signatures to Schedules 1 to 18

For **Fraser & Ross**
Chartered Accountants

Geetha Suryanarayanan
Partner

On behalf of the Board

M A Alagappan
Chairman

Chennai
29th April, 2005

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

Adhiraj Sarin
Managing Director