



INDIA

Tube Investments of India Limited

The Art of
balancing



Annual Report 2005-06

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Cautionary Statement

Certain expectations and projections regarding future performance of the Company referenced in the annual report are forward looking statements.

These expectations and projections are based on currently available competitive, financial and economic data along with the Company's operating plans and are subject to certain future events and uncertainties, which could cause actual results to differ materially from those that may be indicated by such statements.



The Art of Balancing

The “art of balancing” is fundamental for a perfect state of being. Any pursuit in life, from equitable trade to equanimity of mind, aims at achieving the ultimate equilibrium.

When we talk of balance in Nature, we refer to the coexistence of opposing forces: Predator and prey, negative and positive, the calm that follows a storm. Perfect balance is achieved at the midpoint.

In a constantly shifting world, it takes immense concentration, specialist tools and proven techniques to maintain balance.

And emerge victorious amidst challenging market conditions!





the **TI** way

TI has evolved a successful business portfolio over the years. It now provides opportunities for growth on a global scale.

In 2005-06, TI stepped up its operating profit by 20 percent over last year, despite wading through uncertain market conditions in its bicycle business.

The result of a balanced portfolio...



Reach for New Heights

Dahi Handi has many variations across regions but no parallels. Celebrated as part of Janmashtami, a religious festival, a large earthen pot filled with dahi-poha is hung high. Young men form a human pyramid to reach the top and break the pot, while women splash water to prevent them from doing so.

The stronger and wider the base, the higher the reach!





the **TI** way

Over the past five decades, TI has honed its collective strengths in its metallurgical, engineering, design & development competencies in precision tubes and tubular components. Creating the base for its engineering business while extending its reach in the fast-paced auto industry in India and abroad.

Today, TI has the organisational agility, application engineering skills and lean cost structure to partner with customers in developing new products.

In 2005-06, the operating profit of the engineering business crossed Rs. 100 crores. TI raised its high-end tube making capacity from 64K to 73K Tons per annum. TI has also moved to spread its manufacturing base overseas. The first tube manufacturing facility in China is being established.

A strong foundation in engineering helps TI scale new heights...



Balancing, a celebration of partnership

The popular children's game of merry-go-round is a perfect example of balance at work in collaborations. The partners, holding each other's hands, spin each other while finding the anchor in the strength of the "hand-held" partnership.

The stronger the bond, the faster you can go!





the **TI** way

TI has joined hands with leading car manufacturers in India for the supply of doorframes for their popular models. Just as doorframes should perfectly fit into the body of the car, the supply of doorframes should perfectly match the production schedules of the auto majors. Being the single source supplier, TI forms the fulcrum, which valued customers depend upon for just-in-time production of quality cars.

In 2005-06, another leading car manufacturer in India has expressed interest in teaming up with TI for the supply of doorframes.

Trust goes hand-in-hand with quality...



Skill affords survival

The balancing pole is the key to walking the tightrope.

In street circuses in India, young girls and boys walk the tightrope at heights of up to 50 feet. As there are no safety nets, the balancing pole is the only tool and source of security. A high degree of skill and agility is essential to use it.

To walk tall, you need agility and skill!

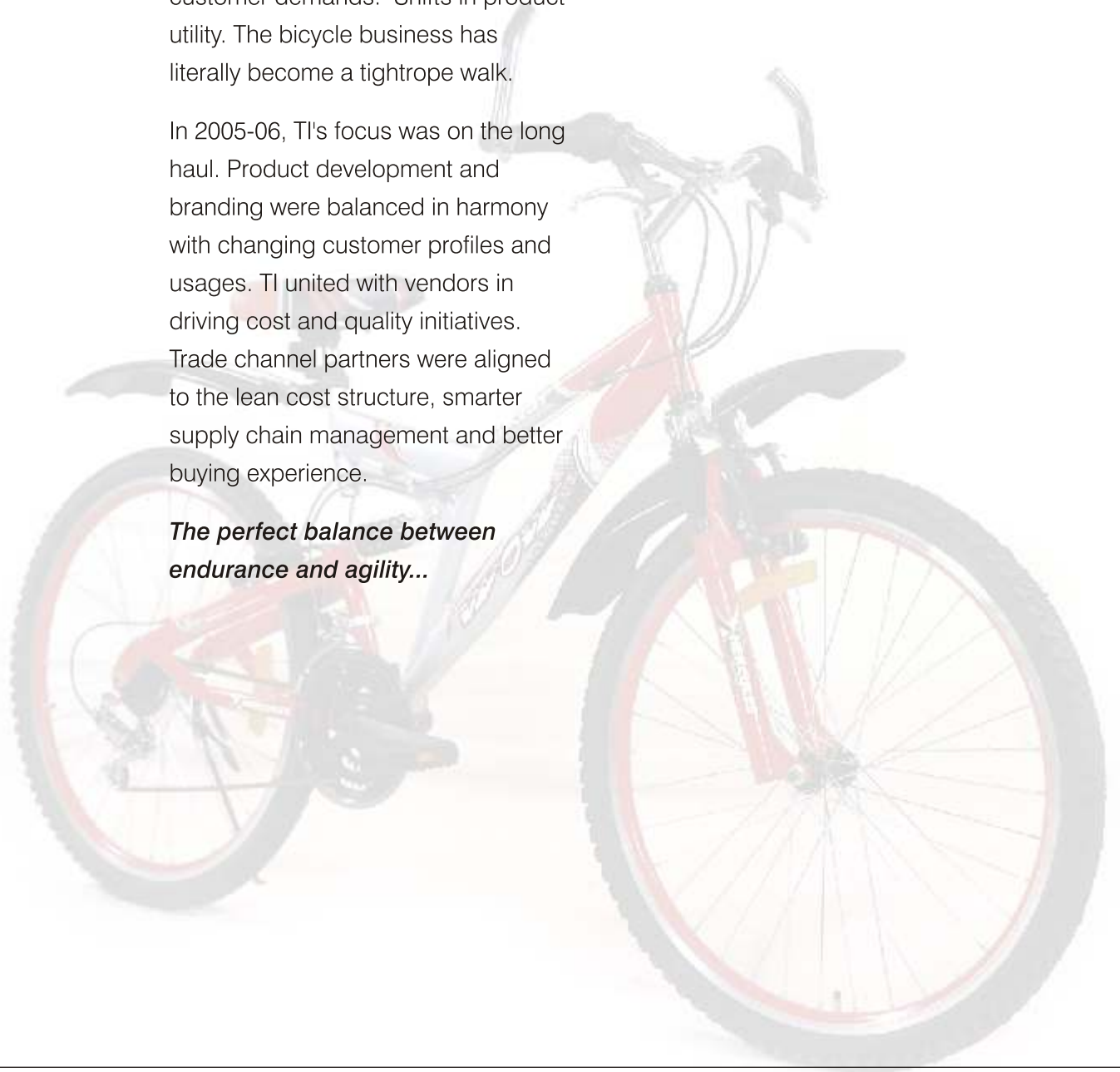


the **TI** way

A declining market. Stiff competition. Thin margins. Ever changing customer demands. Shifts in product utility. The bicycle business has literally become a tightrope walk.

In 2005-06, TI's focus was on the long haul. Product development and branding were balanced in harmony with changing customer profiles and usages. TI united with vendors in driving cost and quality initiatives. Trade channel partners were aligned to the lean cost structure, smarter supply chain management and better buying experience.

The perfect balance between endurance and agility...



10-Year Financials

Rs. in Crores

	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06
OPERATING RESULTS										
Sales (Including Excise Duty)	600.05	607.93	677.35	979.93	1090.02	1074.47	1197.13	1257.34	1,562.58	1,584.18
Profit before Depreciation, Interest & Tax	64.53	60.21	65.69	92.80	104.09	98.53	105.82	147.39	178.50	307.37
Profit before Interest & Tax	48.37	40.52	43.46	63.22	70.50	70.72	77.65	117.79	140.69	258.81
Profit before Tax (PBT)	24.11	17.44	21.50	41.34	50.91	55.34	62.45	105.30	126.18	245.63
Profit after Tax (PAT)	21.45	16.01	21.08	32.84	36.16	36.27	45.89	82.49	98.55	182.93
Dividends	6.16	4.92	6.16	9.85	12.31	13.54	16.63	18.47	25.87	86.84
Dividend Tax	0.62	0.49	0.65	1.08	1.26	-	2.13	2.37	3.63	12.18
Retained Profits	14.67	10.60	14.27	21.91	22.59	22.73	27.13	61.65	69.05	83.91
SOURCES AND APPLICATION OF FUNDS										
SOURCES OF FUNDS :										
Share Capital	24.62	24.62	24.62	24.62	24.62	24.62	18.47	18.47	36.95	36.95
Reserves & Surplus	308.54	318.96	318.59	340.33	362.75	347.01	315.18	376.83	411.24	495.15
Net Worth	333.16	343.58	343.21	364.95	387.37	371.63	333.65	395.30	448.19	532.10
Debt	150.98	145.09	137.73	181.16	174.27	174.25	262.20	215.64	228.12	244.30
Deferred Tax Liability (Net)	-	-	-	-	-	35.82	31.98	31.79	32.71	41.50
Funds Employed	484.14	488.67	480.94	546.11	561.64	581.70	627.83	642.73	709.02	817.90
APPLICATION OF FUNDS :										
Gross Fixed Assets	259.12	310.55	368.30	391.68	419.06	418.72	406.08	432.30	566.43	626.01
Depreciation	85.88	102.65	124.06	139.02	164.41	175.46	180.75	206.65	282.96	324.44
Net Fixed Assets	173.24	207.91	244.24	252.66	254.65	243.26	225.33	225.65	283.47	301.57
Capital Work-In-Progress	60.34	35.38	5.01	6.68	9.85	2.14	2.93	13.66	21.42	80.49
Investments	91.11	83.16	52.68	66.21	58.58	97.13	174.55	204.17	189.71	235.86
Gross Current Assets	278.00	283.83	288.18	393.48	392.41	412.17	449.78	440.77	516.91	525.90
Current liabilities & Provisions	118.55	122.97	118.20	178.76	165.67	205.96	256.46	262.95	302.49	325.92
Net Current Assets	159.45	160.86	169.98	214.72	226.74	206.21	193.32	177.82	214.42	199.98
Deferred Revenue Expenditure	-	1.36	9.03	5.85	11.82	32.96	31.70	21.43	-	-
Net Assets Employed	484.14	488.67	480.94	546.11	561.64	581.70	627.83	642.73	709.02	817.90
RATIOS :										
ROCE (%) #	9.99	8.29	9.04	11.58	12.55	12.16	12.37	18.33	19.84	31.64
PBT To Sales (%)	4.02	2.87	3.17	4.22	4.67	5.15	5.22	8.37	8.08	15.51
Return on Networth (%) (+)	6.55	4.75	6.41	9.27	9.75	10.71	15.20	22.06	21.99	34.38
Earnings Per Share (Rs.)	8.71	6.50	8.56	13.34	14.69	14.73	19.46	22.32	26.67	49.50
Dividend Per Share (Rs.)	2.50	2.00	2.50	4.00	5.00	5.50	9.00	10.00	7.00	23.50
Book Value Per Share (Rs.)	133.05	136.80	133.64	143.83	150.58	137.55	163.46	202.39	121.28	143.98
Debt Equity Ratio (%) @ (+)	46.08	43.07	41.85	51.15	47.00	51.45	86.83	57.68	50.90	45.91
Fixed Assets Turnover (times)	3.46	2.92	2.77	3.88	4.28	4.42	5.31	5.57	5.51	5.25
Net Working Capital Turnover (times)	3.76	3.78	3.98	4.56	4.81	5.21	6.19	7.07	7.29	7.92

#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 & Deferred Revenue Expenditure.

Dear Shareholders,

It gives me great pleasure to interface with you once again, having completed another eventful year in 2005-06, eventful both for the Nation and for your Company! There is a new and all-pervading sense of optimism about the Indian Economy. Our country has become attractive as a market and as an investment destination due to consistently high growth rates in industrial production in the recent past. This is also reflected in the overall GDP growth which was above 7 percent for the third consecutive year in 2005-06. In the manufacturing sector, India, with its comparative cost advantages and skilled workforce, continued to attract investor interest. There is a firm expectation that competitiveness earned through productivity improvement and innovation will help India emerge as a major manufacturing hub for the global marketplace. More specifically, the automotive industry, the most relevant user-industry for your Company, maintained its robust growth record. However, the upward trend in oil prices and the comparatively higher rates of inflation in the country are among a few causes for concern in this context.

Our core competencies in technology and the clarity in our long-term vision about your Company continue to play a steering role in our exciting journey towards becoming a reputed Indian organisation with a global outlook and market leadership in each of our chosen business segments.

Truely, the year 2005-06 marked a very testing time for Tube Investments in terms of external market environment. There has been increased competition in the value-added tubes segment; our major customers were under pressure to reduce costs and consequently there were expectations of price economies from us; volatility in steel prices and supply chain uncertainties had their own impact. Besides, we faced intense competition in the global markets from the Chinese suppliers, especially in drive chains. The market for the cycle industry, on the other hand, is almost stagnant over the past three years and competition has intensified due to excess capacity.

In the background of these external factors, however, our competencies in engineering and technology, process efficiencies in the shopfloor and internationally benchmarked quality systems helped us to succeed in retaining or improving our market shares in most of our business segments.

The Business Teams in Tube Investments focused on internal factors and worked on things that we had control over. In the process, we have achieved significant improvements in quality and delivery standards through the year under review, which have been appreciated by our important customers. Also, striking a balance between the priorities for near and long-term

value-creation opportunities, we made adequate investments throughout the year in the areas of capacity enhancements, technology upgrades and modernisation leading to productivity gains. We have ambitious investment plans on the anvil for the year 2006-07 as well to sustain our momentum in growth in the coming years. In order to leverage the inherent advantages of China as a country, we are setting up a green field precision tube manufacturing plant there, based on in-house technologies. China today is an opportunity both as a market and as a sourcing option and this cannot be overlooked by your Company in the context of our global aspirations.

“The biggest challenge today is to find the appropriate balance between our values, competencies, and resources on the one hand and the emerging opportunities on the other.”

In the light of these facts, I submit, while we try to take our organisation to the global arena, we are always conscious of our humble roots and our positive reputation. We are, as always, fully committed to the vision and the values of the Murugappa Group, of which we are an integral part. As the engineering flagship of the Group, Tube Investments is strategically positioned to spearhead the group's initiatives in the automotive and engineering markets worldwide.

The biggest challenge today is to find the appropriate balance between our values, competencies, and resources on the one hand and the emerging opportunities on the other. I would like to assure you that we have the imagination and capability to make your Company a high-performance organisation fully geared to reap these opportunities.

Yours sincerely,



M A Alagappan
Chairman

Directors' Profile

Mr. M A ALAGAPPAN, Chairman

Mr. M A Alagappan (62 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 October 1999. He is currently the Chairman of the Company. He is on the Board of various companies including Cholamandalam DBS Finance Limited, Cholamandalam MS General Insurance Company Limited and International Flavours & Fragrances India Limited.

Mr. M M MURUGAPPAN, Vice Chairman

Mr. M M Murugappan (50 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. SUMIT BANERJEE, Managing Director

Mr. Sumit Banerjee (49 years) holds Bachelors degree in Technology from IIT, Kharagpur. He joined the Board in April 2006.

Mr. AMAL GANGULI, Non-Executive Director

Mr. Amal Ganguli (66 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 and Flextronics Software Systems Limited.

Dr. D JAYAVARTHANAVELU, Non-Executive Director

Dr. D Jayavarthanavelu (65 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 Company Limited.

Mr. PRADEEP MALLICK, Non-Executive Director

Mr. Pradeep Mallick (63 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

Mr. Ram V Tyagarajan (55 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 (58 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 (64 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 (66 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

<ul style="list-style-type: none">✘ M A Alagappan, <i>Chairman</i>✘ M M Murugappan, <i>Vice Chairman</i>✘ Sumit Banerjee, <i>Managing Director</i>✘ Amal Ganguli✘ D Jayavarthanavelu✘ Pradeep Mallick✘ Ram V Tyagarajan✘ S Sandilya✘ R Srinivasan✘ Tapan Mitra	BOARD OF DIRECTORS
S Suresh	COMPANY SECRETARY
'Dare House' 234, N S C Bose Road, Chennai 600 001	REGISTERED OFFICE
Engineering Division: Tube Products of India, Avadi, Chennai Tube Products of India, Ambattur, Chennai Tube Products of India, Shirwal, Satara District Tube Products of India, Mohali	PLANTS
Metal Formed Products Division: TIDC India, Ambattur, Chennai TIDC India, Kazipally, Medak District TI Metal Forming, Tiruninravur, Chennai TI Metal Forming, Kakkalur TI Metal Forming, Bawal TI Metal Forming, Halol	
Cycles Division: TI Cycles of India, Ambattur, Chennai TI Cycles of India, Nashik TI Cycles of India, NOIDA TI Cycles of India, Durgapur	
DELOITTE HASKINS & SELLS <i>Chartered Accountants</i>	AUDITORS
<ul style="list-style-type: none">✘ Bank of America✘ Bank of Baroda✘ Standard Chartered Bank✘ State Bank of India✘ The Hongkong & Shanghai Banking Corporation Limited	BANKERS

Management Discussion And Analysis

OVERVIEW

Tube Investments of India Limited (TI) has three major operating segments, viz., Engineering (steel tubes & strips), Metal Formed Products (metal chains & car doorframes) and Bicycles.

- TI is a pioneer and market leader in high-end Cold Drawn Welded (CDW) tubes. Enjoying a sizeable share of the Indian auto market, it has subsequently increased its exports to developed markets.
- TI is the second largest supplier of automotive chains to two wheeler manufacturers with a major share of the replacement market. In Industrial Chains, TI is a supplier to major chain manufacturers in Europe, thereby aspiring to become a tier-1 supplier to the OEMs.
- TI is a market leader in metal formed car doorframes catering to a majority of the auto manufacturers.
- In steel strips, TI is one of the most reliable sources aside from the integrated steel mills.
- In Cycles, TI is the second largest player in India and a leader in the 'specials segment', which addresses needs of the younger generation.

Over the last few years, the Indian economy has been growing at a healthy rate, with the automobile sector outstripping this pace. During this period, your Company has made concerted efforts to align its business with this sector, capitalising on the obvious growth opportunities. Today, the Indian auto sector accounts for more than 60 percent of your Company's turnover and profitability. Looking ahead, the Company has also set its goals on raising exports from the current levels of 11 percent to 25 percent of its sales.

TI currently has on-going business-driven R&D projects in the field of new generation steels, their processing and metal forming. It has also established an Engineering Design Centre (EDC) to complement the R&D initiatives.

The EDC concentrates on development of tooling for new products, product & process modelling for hydro-forming and roll-forming of tubes.

TI also has strategic investments in the fast paced financial services sector. Cholamandalam MS General Insurance Company Limited is a 74 percent owned subsidiary of TI. Besides, TI holds 49.50 percent equity in Cholamandalam MS Risk Services Limited, a Company engaged in consulting services in the areas of risk assessment and mitigation. TI also has 30.93 percent equity holding in Cholamandalam DBS Finance Limited, one of the well known NBFCs in India.

Business Review:

ENGINEERING

Industry Scenario

The product categories of the engineering division are welded precision steel tubes and steel strips. Market size of the precision tubes in India is presently estimated to be around 3.25 lakh tonnes per annum. Cold Drawn Welded (CDW) and Electric Resistance Welded (ERW) precision tubes have extensive applications in the auto industry. There are four major players in the market and TI is the pioneer in the critical auto applications segment. The growth in this business is directly proportionate to the growth in the Indian auto sector. The increase in auto component exports from India to global markets has been encouraging.

Steel strips comprise of narrow (below 350 mm) and wide (350 mm to 1000 mm) width categories, The user industries are automobiles, bearings, cycles, 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 has about 10 players, each with a regional focus. TI has a dominant share in Southern India. While integrated steel mills have an advantage in terms of cost and volumes, our strength lies in our ability to handle a variety of grades and sizes with lower volumes and smaller order quantities.

Operational Review of 2005-06

In the year under review, turnover of the Engineering business was Rs.759.36 Cr. Profit before interest and tax (PBIT) was Rs.108.54 Cr., an increase of 18.42 percent over last year.

In the tubes market, TI maintained its leadership position through high quality standards and delivery capabilities while increasing its market share in the category. TI has embarked on new initiatives that foster long term relationship with key customers through close interactions in product development and process improvements.

In the year under review, capacity expansion plans in TI were delayed on account of statutory clearances. With these clearances now in place, TI's capacity enhancement plans are back on track and are expected to start delivering results from 2006-07. New initiatives include dedicated manufacturing lines for key products and change in its logistics plans to meet demanding schedules of the customers.

As regards export of tubes to USA, TI is revisiting its distribution strategy in line with its increased capacity and technical capability. TI has also increased its focus on the fast growing ASEAN market and the quality conscious European market.

In Strips, TI is realigning production of wide width and narrow width strips to achieve better production planning, inventory management and reduction in overheads.

The Engineering business won the EEPC award for best exporter from southern India, in recognition of achieving highest export performance during 2003-04 in the category of prime metal (Ferrous & Non Ferrous).

Volatility in the price of steel is a major concern for the business, which has surfaced once again after a brief period of stability.

METAL FORMED PRODUCTS

Industry Scenario

Metal forming is a multi-faceted industry. TI is engaged in the manufacture of chains, cold roll-forming of car doorframes and fine-blanked components.

Chains can be categorised into automotive and industrial chains. TI is one of the major suppliers of automotive chains for two-wheelers in India. Automotive chains are also marketed in the replacement market through a wide dealer network. Industrial chains cater to the needs of the cement, fertilizer, steel, sugar, elevators and power transmission industry in general. TI is one of the two major players in India in this field. India's volume of exports is at present low compared to the size of the international market and there are opportunities here for a quality and cost leader.

In Roll-forming, TI's focus is on the manufacture of model-specific car doorframes. TI is one of the two major players in India for roll-formed car doorframes. The challenge in this business is in meeting the quality standards of the car manufacturers as well as their precise delivery requirements. Also, success here is directly associated with the success of the specific car models being serviced by your Company.

In Fine Blanking, TI's focus is on manufacture of sprockets, power-transmission related products and other auto components. Fine blanking is considered a high potential business in view of its relevance to the growing Indian auto industry, although currently the market size is small.

Operational Review 2005-06

In the year under review, turnover of Metal Formed Products business was Rs.269.18 Cr. Profit before interest and tax (PBIT) was Rs. 46.90 Cr. an increase of 18.82 percent over previous year.

In automotive chains, the market was characterised by aggressive pricing strategy of competitors and after-market imports from China. With sustained efforts, our exports showed improving trend in the latter part of the year.

In doorframes, the overall off-take by the customers was marginally higher than in the previous year. Considering its technical capabilities and cost effectiveness, your Company intends to put up a car doorframe plant near

Pune to cater to the requirements of another major car manufacturer. The existing plants at Nemilicherry (near Chennai) and Bawal are also geared to take up the manufacture of doorframes for new car models of existing customers, with the help of sizable investments. A new hydro-forming facility has been commissioned at the plant in Kakkalur (near Chennai) to cater to the auto component requirements involving intricate value-based designs. Hydro-forming, as a process route of metal forming, is expected to offer a reliable alternative to multiple and complicated metal fabrication processes to meet emerging design requirements of auto and auto component manufacturers.

CYCLES

Industry Scenario

India is the second largest manufacturer of bicycles in the world with an annual production of 9 - 10 million bicycles. Though the bicycle industry in India is largely organised, the presence of smaller players in the unorganised sector has been increasing. There are three major players in the organised sector, while Ludhiana is the main hub for manufacture of cycles and components in the unorganised space.

Cycles can be primarily classified into 2 segments – standards and specials. The standard cycles are used for light transportation of humans and goods. Special category bicycles are differentiated by design & features and cater to the needs of kids, students and younger generation consumers, as well as health & leisure segments.

Overall, the organised sector of the bicycle industry has witnessed a decline in demand growth in the past few years. Increased urbanisation, improved public transport and increased affordability of motorised vehicles are the primary causes for this downward trend. One other major factor that affects the bicycle industry is non availability of road-space for the bicycles. The bicycle

however, continues to be the first vehicle of a child and a utility product for the rural population. Apart from this, there has also been an encouraging trend in usage of cycles for health and leisure activities.

Review of performance 2005-06

In the year under review, turnover of the bicycle business was Rs. 465.86 Cr. Profit before interest and tax (PBIT) was Rs. 12.73 Cr. a decrease of 37.96 percent over last year.

Introduction of new models, vendor, brand & distribution management are the key imperatives for success in this business. The stiff competition and declining demand encouraged indiscipline in the distribution system and led to higher dealer outstanding and bad debts. TI's efforts in the last year have been to reduce exposures to the market and bring down stock levels with dealers and to move closer to the market through monitoring of actual sales to the end customers. These efforts helped us to rationalise the dealer network, and improve dealer outstanding from 65 days to 42 days. Other major players have followed suit in these directions, recognising your Company as the leader in this initiative. However, proliferation of unorganised players has also left its impact on the market. Institutional orders, with low margins, accounted for nearly 10 percent of TI's volume. These factors have contributed to the drop in TI's sales and profits.

To improve cycling habits, TI associated itself during the year with the Cycling Federation of India for organising cycling events and also organised other appropriate events to promote and encourage cycling among the urban youth.

Financial Review and Analysis

Fixed Assets

Gross fixed assets totalled at Rs. 626.01 Cr. with addition of Rs.72.70 Cr. during the year. Capital work-in-progress at the end of the year aggregate to Rs.80.49 Cr. Capital

spending was mainly towards increase in capacity and modernisation/productivity improvements in the engineering and metal-formed product segments. The investments were met fully through internal cash accruals.

Depreciation

During the year, in line with the Company's policy, a higher rate of book depreciation amounting to Rs. 8.15 Cr. was charged in respect of assets specific to car doorframes, relating to older models as well as to other redundant assets.

Working Capital

In view of the exacting delivery norms of customers, control on working capital is a continuous challenge. Sundry debtors were reduced by Rs.81.76 Cr. Net working capital for the Company was at Rs. 199.98 Cr. at the year end.

Finance charges


The year saw hardening of interest rates by almost 2 percent but TI's average rate of interest was 5.68 percent, as against 6.82 percent during 2004-05. This was achieved

through close monitoring of funds and prudent mix of foreign currency loans/Buyers' credit. Interest cost was lower at Rs. 13.18 Cr. on account of retirement of loans and better credit management.

Financial condition and Liquidity

The credit rating of "P1+" and "AA/stable" was reaffirmed during the year. The Company's debt equity ratio improved from 0.51 in 2004-05 to 0.46 in 2005-06. Cash generated from operations grew from Rs. 135.09 Cr. to Rs.200.53 Cr.

On behalf of the Board



M A Alagappan

Chairman

Chennai
27th April 2006

Risk Analysis and management

Risk is inevitable in any business. Risk management refers to the formal processes whereby risks associated with the businesses are managed precisely and transparently. Your Company believes that risk management strengthens the process of decision making, planning and implementation. It also believes that risk management enhances the success rate in investments, strategy & policy implementation and other entrepreneurial initiatives.

Naturally, this has to work within the normal constraints of time, efficiency and cost.

The Company has an established risk assessment and minimisation procedure. Some of the risks associated with the business and the related mitigation plans are discussed hereunder. The risks given below are not exhaustive and the evaluation of risk is solely based on management's perception.

A. Engineering Business

Risk	Why Considered as Risk	Mitigation Plan/Counter Measure
User Industry Concentration Risk	<ul style="list-style-type: none"> Over 60 percent of the revenue emanates from auto sector, a slow down would adversely affect revenues. 	<ul style="list-style-type: none"> The requirements of other industries viz., textiles machine, spindle, agro implements /accessories, machine tools, hydraulic tubing etc., are being tracked. There are plans to increase the share in the boiler tubes business and the electronic and white goods industry.
Raw Material Risk	<ul style="list-style-type: none"> There are issues relative to availability of special grade, inconsistency in quality and the price of steel. 	<ul style="list-style-type: none"> Procurement of steel from multiple sources in India and sourcing from overseas are some of the steps taken. Quarterly price agreements are being worked out with the suppliers to mitigate price volatility.
Technology obsolescence Risk	<ul style="list-style-type: none"> The focus of the business is on high-end ERW tubes and CDW tubes. Invention of cheaper alternatives for auto applications would adversely affect the revenue stream. 	<ul style="list-style-type: none"> Continuous efforts are on for cost reduction. The R&D department continuously tracks emerging products and technologies and helps business in making timely investment in new process technologies.
Product Portfolio Risk	<ul style="list-style-type: none"> In steel strips, there is a constant threat from integrated steel mills. 	<ul style="list-style-type: none"> The strategy is to focus on niche segments with wide range of grades & sizes, where the business is more competitive.
Import Risk	<ul style="list-style-type: none"> Imports from China and other ASEAN countries at competitive prices and possibility of further reduction in import duty. 	<ul style="list-style-type: none"> Strong customer relationships and cost competitiveness are the two pronged strategies of the business to reduce this possibility.

B. Metal Formed Products

Risk	Why Considered as Risk	Mitigation Plan/Counter Measure
Competitive Risk	<ul style="list-style-type: none"> Cheaper imports of chains from China. In export of special chains also, there is competition from Chinese manufacturers, who hitherto concentrated on high-volume standard chains. 	<ul style="list-style-type: none"> Reduction in costs, investment in technology and foray into value added specials.
Product Portfolio Risk	<ul style="list-style-type: none"> Entry of new players and availability of cheap Chinese alternative would commoditise the standard chains. 	<ul style="list-style-type: none"> Reduce cost and move to specials/value-added chains.
Business Interruption Risk	<ul style="list-style-type: none"> Doorframes are supplied on JIT basis to the assembly line of the customers. Continuous availability of skilled labour is the key. 	<ul style="list-style-type: none"> Development of multiple categories of labour and conversion of skill oriented operations to non-skill operations, wherever possible, are some of the steps taken to ensure continuous supply.
Model Risk	<ul style="list-style-type: none"> Doorframes related investments are generally model-specific. Failure of a model would render the assets non performing ones. 	<ul style="list-style-type: none"> Since the business caters to most of the leading car manufacturers and that too, for a variety of models, failure of a model would be made up in other models.
User Industry Risk	<ul style="list-style-type: none"> Slow down in automotive industry. 	<ul style="list-style-type: none"> Broad base the customer base. Railways, electrical and defence sector are areas of potential.
Raw Material Risk	<ul style="list-style-type: none"> Fluctuation in price. 	<ul style="list-style-type: none"> There is a transparent pricing mechanism with the customers.

C. Cycles

Risk	Why Considered as Risk	Mitigation Plan/Counter Measure
Product obsolescence Risk	<ul style="list-style-type: none"> In the last few years, there has been a fall in the demand for bicycles in India. 	<ul style="list-style-type: none"> The level of penetration of bicycles in India is still considered as low. Efforts are also on to encourage cycling in health and leisure segments.
Sourcing Risk	<ul style="list-style-type: none"> Failure on the part of the critical and dedicated vendors with regard to quality or supplies. 	<ul style="list-style-type: none"> Rationalisation of vendors, viability check and relationship management.
Low entry barrier Risk	<ul style="list-style-type: none"> In the recent times, small un-organised sectors have become a force. 	<ul style="list-style-type: none"> Develop category-specific and region-specific strategy to improve market share. Continuous increase in value proposition.
Trade channel Risk	<ul style="list-style-type: none"> The retail outlets in most cases remain unattractive and there is reluctance on the part of the dealers to invest in modernisation. 	<ul style="list-style-type: none"> The business has adopted a policy of 'Selling through' rather than 'selling in', which emphasises on actual/secondary sales rather than primary sales.

D. General

Risk	Why Considered as Risk	Mitigation Plan/Counter Measure
HR Risk	<ul style="list-style-type: none"> Ability to attract best talent, especially the best crop of engineering/ management graduates from premier institutions, is critical. 	<ul style="list-style-type: none"> The mitigation plan includes corporate image building, institutional tie-ups and better pay packages. The Company has a transparent Performance Management System Reward & Recognition policy.
Internal Control Risk	<ul style="list-style-type: none"> The businesses of the Company are growing and have multiple locations. The Company's growth and profitability could be adversely affected, if internal processes and controls are not in place. 	<ul style="list-style-type: none"> 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 clear focus on assuring the adequacy of such systems.

On behalf of the Board


M A Alagappan

Chairman

Chennai
27th April 2006

Shareholders Information

REGISTERED OFFICE

'Dare House', 234 NSC Bose Road, Chennai 600 001

ANNUAL GENERAL MEETING

Day : Friday

Date : 28th July, 2006

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 - 28th July, 2006.

Financial reporting for the first quarter ending 30th June, 2006 - 28th July, 2006.

Financial reporting for the second quarter ending 30th September, 2006 - 31st October, 2006.

Financial reporting for the third quarter ending 31st December, 2006 - Last week of January, 2007.

Financial reporting for the year ending 31st March, 2007 - April / May 2007.

BOOK CLOSURE FOR DIVIDEND

Friday, the 14th July, 2006 to Friday, the 28th July, 2006 (both days inclusive).

DIVIDEND

The Board of Directors has recommended the payment of a dividend of 60 per cent. Considering the proposed sub-division (stock-split) of the equity shares of the Company, the proposed final dividend amounts to Rs. 1.20 per equity share of Rs.2/- each. The dividend on equity shares will be paid to those members whose names appear in the Register of Members as on 28th July, 2006 and the same will be paid on or before 4th August, 2006.

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

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, 2006 has been paid to all the stock exchanges.

MARKET PRICE DATA AND COMPARISON

High and Low during each month in last financial year

Month	National Stock Exchange		Mumbai Stock Exchange	
	HIGH Rs. P	LOW Rs. P	HIGH Rs. P	LOW Rs. P
Apr-05	305.00	265.20	310.00	261.10
May-05	318.75	241.70	314.65	263.05
Jun-05	359.90	312.00	358.00	308.00
Jul-05	353.00	307.00	355.00	292.00
Aug-05	401.00	343.00	410.00	340.00
Sep-05	425.00	352.40	438.00	350.00
Oct-05	423.00	372.00	444.00	385.25
Nov-05	480.00	370.00	480.00	397.25
Dec-05	613.60	464.90	612.00	467.00
Jan-06	649.00	574.95	658.00	573.00
Feb-06	625.00	545.00	625.00	544.50
Mar-06	649.80	530.05	646.00	537.00

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 and mohsin@karvy.com
 Phone Nos.040 - 2342 0818 and 2342 0828
 Fax : 040- 2342 0814
 Contact Person : Mr. Md. Mohsinuddin - Manager

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 / Company Secretary to approve the transfers / transmissions.

SHAREHOLDING PATTERN AS ON 31st MARCH, 2006

Category	No of shares held	% of shareholding
A Promoter's Holding	1,57,76,045	42.69
B Non-Promoter Holding		
1. Institutional Investors		
a) Mutual Funds and UTI	25,89,407	7.01
b) Banks, Financial Institutions, Insurance Companies	17,29,700	4.68
c) Foreign Institutional Investors	26,89,009	7.28
2. Others		
a) Private Corporate Bodies	38,84,530	10.51
b) Indian Public	68,28,707	18.47
c) NRI / OCB	1,06,752	0.29
d) Bank of New York (GDR holders' Depository)	33,51,850	9.07
Grand Total	3,69,56,000	100.00

DISTRIBUTION OF SHAREHOLDING AS ON 31st MARCH, 2006

Category	No of holders	% to Total	No of shares	% to Total
1 - 500	15,339	86.46	20,86,709	5.65
501 - 1000	1,431	8.07	10,13,999	2.74
1001 - 2000	476	2.68	6,86,424	1.86
2001 - 3000	144	0.81	3,57,903	0.97
3001 - 4000	78	0.44	2,80,134	0.76
4001 - 5000	40	0.23	1,84,075	0.50
5001 - 10000	84	0.47	5,97,109	1.62
above 10,000	149	0.84	3,17,49,647	85.90
Total	17,741	100.00	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 149A01025.

GDR DETAILS

As at 31st March 2006, 33,51,850 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.

RESOLUTION PASSED BY POSTAL BALLOT

In May 2006, a special resolution for amendment to the Clause V of the Memorandum of Association and Article 5 of Articles of Association was 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:

Number of valid votes	2,19,84,356 votes
Number of votes in favour	2,19,70,898 votes
Number of votes against	13,458 votes

The shareholders approved the resolution with requisite majority, through postal ballot.

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
2002-03	28.7.2003	4.00 p.m.	T T K Auditorium, Music Academy T T K Road, Royapettah, Chennai 600 014.
2003-04	29.7.2004	4.00 p.m.	Same as above
2004-05	29.7.2005	4.00 p.m.	Same as above

LIST OF PROMOTERS BELONGING TO THE MURUGAPPA GROUP

- | | |
|---|---|
| <ol style="list-style-type: none"> 1. EID Parry (India) Ltd at its subsidiaries 2. Godavari Fertilisers & Chemicals Ltd 3. Parry Chemicals Ltd 4. Parry Enterprises India Ltd 5. Parry Agro Industries 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 DBS Finance 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. Yelnoorkhan Group Estates 17. AMM Foundation | <ol style="list-style-type: none"> 18. AMM Medical Foundation 19. AMM Educational Foundation 20. MM Muthiah Research Foundation 21. AR Lakshmi Achi Trust 22. Presmet Pvt Ltd 23. TII Shareholding Trust 24. M V Murugappan and family 25. M V Subbiah and family 26. M A Alagappan and family 27. A Vellayan and family 28. M M Murugappan and family 29. M M Venkatachalam and family 30. A Venkatachalam and family 31. S Vellayan and family 32. Arun Alagappan and family 33. M A M Arunachalam and family 34. 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) - 4209 3434
Fax: (044) - 4209 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
Fax : (0120) - 2462397

Tube Products of India

Avadi, Chennai 600 054
Tel : (044) - 4229 1999
Fax : (044) - 4229 1990

Tube Products of India

Shirwal Post, Khandala Taluk
Satara District 412 801
Tel : (02169) - 244080
Fax : (02169) - 244087

TI Cycles of India

Plot No. E - 8, MIDC
Malegaon, Sinnar
Nashik District 422 103
Tel : (02551) - 230472
Fax : (02551) - 230183

TI Cycles of India

Jadavendrapanjan Avenue
Durgapur 713 211
Tel : (0343) 255 3522/255 3988

Tube Products of India - EOU

Avadi, Chennai 600 054
Tel : (044) - 4229 1666
Fax : (044) - 4229 1699

Tube Products of India

A-16 & 17, Industrial Focal Point
Phase VI, SAS Nagar
Mohali 160 051
Tel: (0172) - 4510209

TI Metal Forming

Chennai - Tiruvallur High Road
Tiruninravur RS PO 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 Panchmahals, Baroda 389 350
Tel : (02676) - 224647
Fax : (02676) - 224035

TIDC India

Ambattur
Chennai 600 053
Tel : (044) - 4223 5555
Fax : (044) - 4223 5406

Tube Products of India

Ambattur
Chennai 600 053
Telefax : (044) - 4229 2900

TI Metal Forming

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

TI Metal Forming

80/81, SIDCO Industrial Estate
Kakkalur
Thiruvallur 602 003
Ph. (044) - 2766 7104

TIDC India

Kazipally Village, Plot No.1
Jinnaram Mandal
Medak District 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
e-mail: sureshs@tii.murugappa.com
Phone: (044) - 2530 6711
Fax : (044) - 4211 0404

CONTACT ADDRESS

For all matters relating to Annual Report:
Company Secretary
Tube Investments of India Limited
'Dare House'
234, N S C Bose Road
Chennai 600 001
e-mail: sureshs@tii.murugappa.com
Tel: (044) - 2530 6711
Fax: (044) - 4211 0404

For all matters relating to investor services:

Karvy Computershare Pvt Ltd
"Karvy House"
46, Avenue 4, Street No.1
Banjara Hills, Hyderabad 500 034
e-mail : mailmanager@karvy.com and
mohsin@karvy.com
Tel : (040) - 2342 0818 and 2342 0828
Fax: (040) - 2342 0814
Contact Person:
Mr. Md. Mohsinuddin - Manager

Report on Corporate Governance

The 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. The Company's corporate governance practices emanate from its commitment towards discipline, accountability, 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.

The 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 Board provides leadership, strategic guidance and objective judgement on the affairs of the Company. The key to good corporate governance is a proper composition of executive and non-executive Directors and the extent of their independence. The Board includes 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. The independent Directors provide their independent judgement, external perspective and objectivity on the issues which are placed before them. The Company's commitment to good governance practices allows the Board to effectively perform these functions.

The Board consists of 10 members with knowledge and experience in different fields viz., engineering, manufacturing, finance and business management. The Chairman and Vice-Chairman belong to the promoter group and Mr. Sumit Banerjee is the Managing Director. The remaining Directors are independent non-executive Directors. The Chairman, while ensuring good corporate governance practices, ensures that timely and relevant

information is made available to all the Directors in order to enable them to contribute during meetings and discussions.

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

Your Company has a well-established practice with regard to deciding the dates of meetings and also the issues and matters to be placed before the Board in advance. The annual calendar for the meetings of the Board is finalised early on, in consultation with all the Directors on their availability. There are a minimum of 5 Board meetings each year. Evolution of strategy, annual business plans, review of actual performance and course correction, as deemed fit, constitute the primary business of the Board. The role of the Board also includes de-risking, strategic investment, divestment and business reorganisation. The matters such as capital expenditure, recruitment of senior level personnel, safety & environment, HR related development, compliance of statutes, forex exposures are also reviewed by the Board from time to time.

There were 6 meetings of the Board during the financial year 2005 - 06. The dates of the Board meetings, details of attendance and the number of directorships / committee memberships held by them as on 31st March, 2006 are provided in the Table 1 of the annexure to this report.

AUDIT COMMITTEE

The audit committee plays an important role in financial reporting of performance and review of internal control procedures.

The Company has an independent audit committee. The committee consists 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 statutory audit plans and progress are shared with the committee for its review. The internal audit plans are drawn in consultation with the Managing Director, Chief Financial Officer, Heads of business and the audit committee. The committee reviews the observations of the internal auditors periodically. 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 6 times during the year ended 31st March, 2006. 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 per cent 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 & 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 5 times during the year ended 31st March, 2006. 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, 2006 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 (MSGICL) is the only subsidiary of the Company. Mr. M A Alagappan, Chairman and Mr. R Srinivasan, independent Director are also holding the positions of Chairman and Director respectively on the Board of MSGICL. The quarterly/annual performance of MSGICL is placed before the Board for its review. The Minutes of the Board meetings of MSGICL are also placed at every Board Meeting.

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 & 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 continuous 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 / Company Secretary 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, 2006. 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 39 queries / grievances during the year ended 31st March, 2006 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, 2006. There were no transfers pending as at 31st March, 2006.

STATUTORY COMPLIANCE

The Company attaches highest importance to the compliance of statutes. Every function/department of the business is aware of the requirements of various statutes relevant to them. The Company has systems in place to remain updated with the changes in the statutes and the means of compliance. An affirmation regarding compliance of the statutes by the Heads of businesses and functions are placed before the Board on a quarterly basis for its review.

INTERNAL CONTROL

The Company is conscious of the importance of the internal processes and controls. The Company has a robust business planning & review mechanism and has adequate internal control systems commensurate with the nature of business, size and geographical spread. These systems are regularly reviewed and improved. The Managing Director and Chief Financial Officer (CFO) of the Company have certified to the Board, on matters relating to financial reporting and related disclosures, compliance with the relevant statutes, accounting standards and the adequacy of internal control systems.

WHISTLEBLOWER POLICY

In line with the Company's commitment to the highest possible standards of ethical, moral and legal business conduct and its commitment to open communication, a 'Whistleblower Policy' has been framed. The policy applies to all the employees, suppliers and vendors and the same is put up on the Company's website.

COMPLIANCE OF CORPORATE GOVERNANCE NORMS

The Company has complied with all the mandatory requirements of corporate governance norms required to be complied during the financial year. 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, 2005.

The Board of Directors has laid-down a Code of Conduct for all the Board Members and the senior management of the Company. The Code of Conduct has been posted

on the website of the Company. A declaration of such affirmation certified by the Managing Director is annexed to this report.

OTHER DISCLOSURES

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

A detailed note on the risks associated with the business and the relative mitigation plans are included in the Management Discussion and Analysis, annexed to the Directors' Report.

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.

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



M A Alagappan

Chairman

Chennai
27th April 2006

Annexure to the Corporate Governance Report

(A) BOARD MEETING DATES AND ATTENDANCE

The Board of Directors met six times during the financial year 2005 – 06. The dates of the Board meetings were 29th April, 2005, 16th June, 2005, 29th July, 2005, 27th October, 2005, 25th January, 2006 and 23rd March, 2006.

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, 2006 are as follows:

TABLE 1

Sl. No.	Name of Director	Board meetings attended (no of meetings held)	Total Number of Directorships ^(a) (out of which as Chairman)	Total Number of committee memberships ^(b) (out of which as Chairman)	Attendance at last AGM	No. of shares held as on 31st March, 2006
1.	Mr. Adhiraj Sarin ^(c)	4 (5)	NA	NA	Present	6,140
2.	Mr. M A Alagappan	6 (6)	13 (3)	7 (3)	Present	2,55,775
3.	Mr. Amal Ganguli	4 (6)	8	5 (2)	Not present	400
4.	Dr. D Jayavarthanavelu	4 (6)	11 (9)	2	Present	400
5.	Mr. M M Murugappan	4 (6)	10 (6)	4 (3)	Present	2,95,896
6.	Mr. Pradeep Mallick	3 (6)	6	8 (3)	Not present	-
7.	Mr. Ram V Tyagarajan	3 (6)	6 (2)	3 (1)	Not present	-
8.	Mr. S Sandilya	5 (6)	5 (3)	2	Present	-
9.	Mr. R Srinivasan	6 (6)	10	5 (2)	Present	-
10.	Mr. Sumit Banerjee ^(d)	NA	NA	NA	NA	-
11.	Mr. Tapan Mitra	6 (6)	3	3 (3)	Present	-

(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. Adhiraj Sarin, Managing Director resigned w.e.f. 1st February, 2006.

(d) Mr. Sumit Banerjee was appointed as Managing Director w.e.f. 17th April, 2006.

(B) COMPOSITION OF AUDIT COMMITTEE AND ATTENDANCE

The Committee met six times during the year ended 31st March, 2006. 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 A Alagappan ^(a)	NA
Mr. M M Murugappan ^(b)	4 (6)
Mr. Pradeep Mallick	4 (6)
Mr. R Srinivasan	6 (6)
Mr. Tapan Mitra	6 (6)

(a) Mr. M A Alagappan was appointed as member w.e.f. 23rd March, 2006.

(b) Mr. M M Murugappan ceased to be a member w.e.f. 23rd March, 2006.

(C) COMPOSITION OF R & N COMMITTEE AND ATTENDANCE

The Committee met five times during the year ended 31st March, 2006. 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. M A Alagappan	5 (5)
Mr. Amal Ganguli	4 (5)
Mr. Tapan Mitra	5 (5)

(D) REMUNERATION OF EXECUTIVE DIRECTORS

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

TABLE 4**Amount in Rs.**

Name of the Director	Salary	Commission ^(a)	Allowance	Perquisites & Contributions	Total
Mr. Adhiraj Sarin	22,99,695	20,00,000 ^(b)	39,19,495	11,74,037	93,93,227

(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, 2006 are as follows:

TABLE 5**Amount in Rs.**

Name of the Director	Commission ^(a)	Sitting fees	Total
Mr. M A Alagappan	2,00,000	2,00,000	4,00,000
Mr. Amal Ganguli	2,00,000	1,00,000	3,00,000
Dr. D Jayavarthanavelu	2,00,000	60,000	2,60,000
Mr. M M Murugappan	2,00,000	1,40,000	3,40,000
Mr. Pradeep Mallick	2,00,000	85,000	2,85,000
Mr. Ram V Tyagarajan	2,00,000	45,000	2,45,000
Mr. S Sandilya	2,00,000	75,000	2,75,000
Mr. R Srinivasan	2,00,000	1,50,000	3,50,000
Mr. Tapan Mitra	2,00,000	2,00,000	4,00,000

(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, 2006. The composition of the shareholders' / investors' grievance committee and their attendance at the above meetings are as follows:

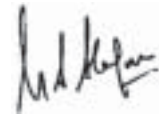
TABLE 6

Name of the Member	Number of meetings attended (Number of meetings held)
Mr. Adhiraj Sarin ^(a)	NIL (1)
Mr. M A Alagappan	2 (2)
Mr. M M Murugappan	2 (2)
Mr. Sumit Banerjee ^(b)	N.A

(a) Mr. Adhiraj Sarin, ceased to be a member w.e.f. 1st February, 2006.

(b) Mr. Sumit Banerjee was appointed as a member w.e.f. 17th April, 2006.

On behalf of the Board



M A Alagappan
Chairman

Chennai
27th April 2006

Certificate to the Corporate Governance Report

CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S)

To the Members of Tube Investments of India Limited

1. We have examined the compliance of conditions of Corporate Governance by Tube Investments of India Limited (the Company) for the year ended 31 March 2006, as stipulated in Clause 49 of the Listing Agreement of the Company with Stock Exchanges.
2. 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.
3. 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.
4. 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 **Deloitte Haskins & Sells**
Chartered Accountants



K Sai Ram
Partner

Membership No. 022360

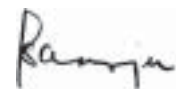
Chennai
27 April 2006

Declaration on Code of Conduct

This is to confirm that the Board has laid down a code of conduct for all Board members and senior management of the Company. The code of conduct has also been posted on the website of the Company.

It is further confirmed that all directors and senior management personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the year ended 31st March 2006, as envisaged in clause 49 of the Listing Agreement with stock exchanges.

Chennai
27 April 2006



Sumit Banerjee
Managing Director

Directors' Report

Dear Shareholders,

Your Directors are pleased to present the performance of the Company for the year ended 31st March 2006.

Financial Highlights

	Rs.in Crores	
	2005-06	2004-05
Gross sales including Excise Duty / Income from Operations	1584.18	1562.58
Less : Excise Duty	123.24	112.84
Net Sales including Processing Charges	1460.94	1449.74
Profit before Depreciation and Interest	307.37	178.50
Less : Interest	13.18	14.51
Depreciation	48.56	37.81
Profit Before Taxes	245.63	126.18
Less : Provision for Taxation	62.70	27.63
Profit After Taxes	182.93	98.55
Add : Balance Brought from Previous Year	119.75	89.91
Profit Transfer on amalgamation	-	10.79
Profit Available for Appropriation	302.68	199.25
Less :		
Transfer to General Reserve	60.00	50.00
Special Interim Dividend – 175% (Previous Year NIL)	64.67	-
Tax on Special Interim Dividend	9.07	-
Final Dividend – Proposed 60% (Previous year 70%)	22.17	25.87
Tax on Final Dividend	3.11	3.63
Balance Carried Over to Balance Sheet	143.66	119.75

Review of Performance

The overall turnover showed marginal improvement. Engineering and Metal Formed Products businesses continued their good performance. However, turnover and profits of the Cycle business were lower than last year due to difficult market conditions. The profit before tax of Rs. 245.63 Cr. (Previous Year Rs. 126.18 Cr.) includes Rs.110.50 Cr. (Previous Year Rs. 6.45 Cr.) being profit on sale of long term investments, land & buildings.

Engineering business improved on its profits during the year, primarily due to optimisation of product mix and a conscious shift to higher value-added products. To retain leadership in speciality product segments, the business has initiated further thrusts in quality and delivery. Capacity

expansion plans are progressing well now, though there is some delay on account of statutory approvals.

The Strips business continued to focus on new product development and niche segments with relatively lower volumes. As expected, competition from integrated steel plants intensified in the base grades. Aggressive cost reduction measures and re-alignment of production capabilities are underway.

The Metal Formed Products business comprises of automotive chains, industrial chains, fine blanked products and roll-formed car doorframes. In the automotive chains business, there was stiff competition in the auto dealer market, primarily due to aggressive pricing strategy of

the OEMs. Imports from China adversely affected market sentiments in the auto after market segment. However, export of industrial chains improved in the latter part of the year. In car doorframes business, overall off-take by customers was marginally higher than in the previous year. As expected, there has been a decline in off-take of some of the long standing models. New initiatives have been launched to widen the customer base as well as the range. In line with its capability enhancement drive, the business has commissioned its first hydro-forming facility in Kakkalur, near Chennai.

The bicycle industry in India is faced with multiple challenges in the form of declining demand, imports from China and mushrooming of players in the unorganised sector. With lack of substantial support from government, the industry is having to grapple with these challenges with consequent and inevitable erosion in profitability. Our focus has been on strengthening the sales & distribution systems and enhancement of our vendor capabilities.

Sub-Division of Equity Share Capital (Stock split)

In order to improve liquidity, to widen the shareholder base and to make the shares affordable for smaller shareholders, your Directors, at the meeting held on 23rd March, 2006, recommended sub-division (stock split) of the equity share of Rs.10 each of the Company into 5 equity shares of Rs.2 each.

Dividend

The Board of Directors has recommended a final dividend of 60 percent for the year. Considering the proposed sub-division (stock-split) of the equity shares of the Company, the proposed final dividend amounts to Rs. 1.20 per equity share of Rs.2/- each. In view of the significant size and one-time nature of the profit on sale of long-term investments, the Company has already paid a special interim dividend of 175 percent (Rs.17.50 per equity share of Rs. 10/- each).

Steel Project

Your Company has entered into a Memorandum of Understanding with the Government of Orissa for setting up a 1.2 million tonne steel plant. The project is under evaluation.

Investment in the Financial Services Sector

The Company was holding 48.81 percent of the equity capital of Cholamandalam Investment & Finance Company Limited (CIFCL). To enhance its financial resources and retail reach, CIFCL was converted into a joint venture company with DBS Bank Ltd., Singapore. Towards this, 66,32,689 equity shares representing 17.48 percent of CIFCL's capital were sold to DBS Bank Ltd, Singapore at Rs.150 per share. Consequently, the name of the Company has now been changed to Cholamandalam DBS Finance Limited.

Consequent to the conversion of CIFCL into a joint venture and with a view to enhance its investment in Cholamandalam MS General Insurance Company Ltd., (MSGICL), the Company acquired 2,62,99,900 equity shares of MSGICL. The Company now holds 74 percent in the equity capital of MSGICL. Further, the Company invested in 49.50 percent of the equity capital of Cholamandalam MS Risk Services Ltd., a Company engaged in consulting services in the areas of risk assessment and mitigation. These services would enable MSGICL to expand its span of business.

Directors

Consequent to his resignation, Mr. Adhiraj Sarin ceased to be the Managing Director with effect from 1st February, 2006. The Board places on record its grateful appreciation of the services rendered by Mr. Adhiraj Sarin during his tenure.

Mr. Sumit Banerjee was appointed Managing Director for a period of 5 years with effect from 17th April, 2006. Mr. Sumit Banerjee holds a Bachelors degree in Technology from IIT, Kharagpur and has 27 years of varied management experience.

Mr. M M Murugappan was appointed Vice Chairman of the Board of Directors with effect from 23rd March, 2006.

Mr. M A Alagappan, Dr. D Jayavarthanavelu and Mr. R Srinivasan retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Management Discussion and Analysis

The Management Discussion and Analysis of the Company's businesses form part of this annual report.

Corporate Governance

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

Human Resources

Your Company's HR approach hinges on developing skills of the employees to support its organisational goals. Accordingly, specialists in different functional areas were inducted during the year. This was successfully supported by a retention & reward mechanism for the existing talent pool. The Company partnered with reputed global consultants, to evolve best HR practices.

Your Company believes not only in having a competent workforce but also a satisfied workforce. The long-term wage settlements signed with Unions in different businesses at different locations provide for fair terms to workmen and also build-in continuous training, improving productivity and customer orientation. A very cordial relationship exists between the workers and the management at all its factories.

Social Commitment

As a good corporate citizen, the Company believes in its responsibility 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 benevolent social causes to AMM Foundation and the Shri. AMM Murugappa Chettiar Research Centre (MCRC).

AMM Foundation is a charitable trust, known for its community-friendly initiatives in the domains of education and healthcare. The Foundation manages a 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 the rural population.

Subsidiary

Cholamandalam MS General Insurance Company Ltd (MSGICL) has achieved a Gross Written Premium of Rs. 220.18 Cr. (previous year Rs.169.25 Cr). Despite the impact of the unprecedented floods in Mumbai and in some of the southern states, MSGICL limited its loss to Rs. 3.12 Cr.

China Project

To capitalise on the market potential for cold drawn welded tubes in China, your Company is setting up a green-field precision tube manufacturing facility through a wholly owned subsidiary. The plant would be put up in Suzhou Industrial Park, China, at an estimated cost of US \$6.5 Million.

Auditors

Messrs. Deloitte Haskins & Sells, Chartered Accountants retire at the ensuing annual general meeting and being eligible offer themselves for reappointment.

Cost Auditors

Messrs. D Narayanan and V Kalyanaraman have been appointed cost auditors for cycles and tubes respectively for the financial year ending 31st March, 2007.

Annexure

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 customers, vendors, financial institutions, banks and investors for their continued support to your Company's performance and growth. The Directors also wish to place on record their appreciation for the contribution made by all employees of the Company for the performance in the year under discussion.

On behalf of the Board



M A Alagappan
Chairman

Chennai
27th April 2006

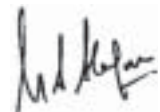
Directors' Responsibility Statement

(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 2006 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. Deloitte Haskins & Sells, statutory auditors and their report is appended thereto.

On behalf of the Board



M A Alagappan
Chairman

Chennai
27th April 2006

Annexure to the 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	2005-06	2004-05
1.	Electricity		
	(a) Purchased		
	Units (Kwh)	23,146,313	21,761,322
	Total Amount (Rs. Cr)	11.85	10.88
	Rate/Unit (Rs.)	5.12	5.00
	(b) Own Generation through Diesel Generator		
	Unit (Kwh)	625,477	572,511
	Units per Litre of Diesel Oil (Kwh)	2.64	2.50
	Cost per Unit (Rs.)	11.67	10.09
	(c) Own Generation through Furnace Oil Generator		
	Units (Kwh)	19,466,623	20,715,680
	Units per litre of Furnace oil (Kwh)	3.94	4.03
	Cost Per unit (Rs.)	3.73	2.73
	(d) Own generation through windmills (units)	9,655	226,128
2.	Furnace Oil		
	Quantity (kilo litres)	4,941	5,140
	Total Amount (Rs. Cr.)	7.26	5.66
	Average Rate / Kilo litre (Rs.)	14,683	11,006
	Consumption per unit of production (Kwh per tonne)		
	a) Strips & Tubes	226	212
	b) Metal Form	694	703

Conservation of Energy

The energy conservation measures implemented during the year include optimisation of flow & pressure in air compressors, pumps and fans, installation of fan-less cooling tower in place of conventional cooling tower for water cooler and modification to furnace insulation for reducing radiation loss. Apart from undertaking energy conservation measures in painting and phosphating processes, the Company replaced some old equipment with new ones to improve power factor.

Research and Development (R & D)

The Company has a Government recognised R & D Centre. This centre has been responding to the needs of the businesses and our customers. It develops new designs with improved quality and value proposition in the products. As a result, the business and its customers are benefited in their cost reduction and process improvement endeavours. Particularly, in chains, the focus was on designing, developing and manufacturing high performance chains with extended wear and fatigue characteristics.

Expenditure on R & D

	Rs. in Crores
Capital Expenditure	1.13
Recurring	3.54
Total	4.67
Total R&D expenditure as a % of total turnover	0.30%

Technology absorption, adaptation and innovation

In order to ensure continuous technology upgradation programme, the Company entered into strategic alliances with Educational / Research Institutes, both in India and abroad. During the year, the Company has entered into a technological tie-up for manufacture of hydro-formed products. The technologies for manufacture of doorframes imported during 1996 and 1998 are yielding desired benefits.

Foreign Exchange Earnings and Outgo

	Rs. in Crores
i) Foreign Exchange Earnings (CIF Value)	160.18
ii) Foreign Exchange Outgo	160.30

On behalf of the Board


M A Alagappan

Chairman

Chennai

27th April 2006

Annexure to the
Directors' Report

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, 2006

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	31,16,666	B.Sc., ACA (28)	02.09.1991	51	Price Waterhouse Liberia & Ghana	Senior Consultant
Balasubramanian M S	Vice President (Strips & Service Centre)	25,47,351	B.E. (Mech) (34)	01.11.2003	57	Carborundum Universal Limited	Vice President (Electro Minerals Div.)
Bindra M J S	General Manager (Projects)	25,67,120	B.E., MBA (34)	05.11.1999	55	Steel Strips & Tubes Ltd	Executive Director
Diwakar M R	General Manager (Taxation)	24,83,571	B.Com (Hons) (34)	03.08.1992	55	Puralator India Ltd	Sr. Manager (Finance)
Krishnakumar P	Vice President (Business Dev)	26,13,872	B.E (Mech), DBM (29)	27.08.1997	52	Steelco Gujarat Ltd	General Manager (Marketing)
Muthukumar Thanu	Executive on deputation	38,85,101	M.A.(Social Work) (22)	14.07.2003	48	Bharati Infotel Ltd	Vice President - HR
Mohit Khattar	Vice President (Sales)	24,78,808	B.Sc (Mech), MBA, AISSE (8)	08.04.2002	38	Reckitt Benckiser (India) Limited	Regional Manager
Rajeswara Rao A	Vice President - TIDC India	24,70,580	B.Sc., M.A.(PM & IR) (33)	16.01.1985	54	Ashok Leyland Limited	Asst. Manager (Employment)
Ramprasad G	President - TI Cycles of India	51,29,350	B.Com., PGDM (IIM, Calcutta) (21)	01.04.2005	44	E.I.D - Parry (India) Ltd	Wholesale Director
Srikanth N	Vice President (Tubes)	26,00,525	B.Tech, PGDM (26)	13.07.1998	52	Uganda Boati Ltd	General Manager
Shiva Prasad G	President - TPI	41,72,267	B.E. Electrical (35)	26.10.1976	58	Shriram Refrigeration Industries Ltd	Engineer (Maint)
Suryanarayan A	Vice President-TIMF	27,89,785	B.Com, ACA, AICWA (30)	25.11.1976	53	-	-
Vaidyanathan S	Vice President - HR	28,66,932	B.Sc, PGDPM-IR(31)	15.12.2004	54	Orchid Chemicals Ltd	Vice President - HR

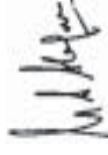
Employed for part of the year

Name	Designation	Gross remuneration (Rs)	Qualification & Experience (years in brackets)	Date of Commencement of Employment	Age	Last Employer	Last Designation
Bhat R K	Vice President. (Operations)	18,08,234	B.E.(Electronics & Comm) (22)	31.08.2000	44	Xerox Modi Corp Ltd	DGM (Eng and Tech Support)
Harri G	President - TI Cycles of India	15,38,615	M.Tech Fulbright Fellowship in Mgt. (24)	30.09.1996	46	TI Diamond Chain Ltd	Vice President
Singh B K	General Manager (Sales)	8,82,333	B.Sc, PGM (Int. Mgt) (18)	02.11.2005	44	Hindustan Lever Ltd	Branch (Regional) Sales & Customer Manager

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, 2006 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



M A Alagappan
Chairman

Chennai
27th April 2006

Accounts

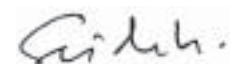
Auditors' Report

To the Members of

Tube Investments of India Limited

1. We have audited the attached Balance Sheet of **Tube Investments of India Limited** (the Company) as at 31 March 2006, the Profit and Loss Account of the Company and also the Cash Flow Statement for the year ended on that date, both 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 misstatements. 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 Section 227 (4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a. we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c. the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - e. in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2006;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations/ declarations received from the Directors and taken on record by the Board, and according to the information and explanations given to us, we report that none of the Directors of the Company is disqualified as at 31 March 2006, from being appointed as a Director under Section 274(1)(g) of the Companies Act, 1956 on the said date.

For **Deloitte Haskins & Sells**
Chartered Accountants



K Sai Ram
Partner

Membership No. 022360

Chennai
27 April 2006

Annexure to the Auditors' Report

Referred to in paragraph 3 of our report of even date

- (i) The nature of the Company's business/activities during the year has been such that Clauses 4(xii), 4(xiii), 4(xiv), 4(xv) and 4(xviii) of the Order are not applicable to the Company.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) Some of the fixed assets were physically verified during the year by the Management in accordance with a programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals 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 disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventories:
 - (a) As explained to us, the stocks of raw materials, work in progress and finished goods in the Company's manufacturing units have been physically verified during the year by the Management. Stores and spares and stocks at warehouses were physically verified during the year by the management in accordance with a programme of verification. In our opinion, having regard to the nature and location of stocks, the frequency of verification is reasonable. In case of stocks lying with third parties, certificates confirming stocks have been received in respect of a substantial portion of the stocks held at the year end.
 - (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 are 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 inventories and no material discrepancies were noticed on physical verification.
- (iv) The Company has not granted or taken any loans, secured or unsecured, to /from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of a special nature and suitable alternative sources do not exist for obtaining comparative quotations, there is a generally adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services and we have not observed any significant continuing failure to correct major weaknesses in such internal controls during the course of our audit.

- (vi) In respect of contracts or arrangements entered in the register maintained in pursuance of Section 301 of the Companies Act 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
- (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered into the register, maintained under the said section, have been so entered.
- (b) 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 the prevailing market prices at the relevant time.
- (vii) The Company has not accepted any deposits from the public during the year.
- (viii) In our opinion, the internal audit functions carried out during the year by an external agency appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (ix) 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. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information given to us, the Central Government has not prescribed the maintenance of cost records for any other products of the Company.
- (x) In respect of Statutory dues
- (a) According to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth-tax, Service -tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
- (b) According to the information and explanations given to us no undisputed amounts in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth -tax, Service -tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to the Company was in arrears as of 31 March 2006 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, details of disputed Income-tax, Sales Tax and Excise Duty which have not been deposited as on 31 March 2006 on account of any dispute are given below:

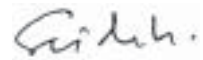
Name of Statute	Nature of the Dues	Amount (Rs. In Crores)	Period to which the Amount Relates	Forum where Dispute is Pending
Income tax	Income Tax & Interest	0.33	1994-1995	Commissioner of Income Tax (Appeals)
		58.17	1997-1998	
		2.56	1999-2000	
		1.88	2002-2003	
Local Sales Tax Laws – Various States	Sales Tax	0.02	1999-2000	High Court
	Sales Tax	0.28	1985-1986 to 2004-2005	Sales Tax Appellate Tribunal
	Sales Tax	0.06	1996-1997	Joint Commissioner
	Sales Tax	0.07	1999-2000 to 2004-2005	Deputy Commissioner (Appeals)
	Sales Tax	0.03	2002-2003	Assistant Commissioner
Central Sales Tax Act, 1956	Sales Tax	0.36	1985-1986 to 2004-2005	Sales Tax Appellate Tribunal
	Penalty	0.29	2001-2002	
	Sales Tax	0.03	1996-1997 & 1999-2000	Deputy Commissioner (Appeals)
	Sales Tax	0.09	2001-2002 & 2002-2003	Assistant Commissioner
Finance Act, 1994	Service Tax	0.05	1997- 1998 to 2002-2003	Commissioner of Central Excise (Appeals)
Central Excise Act, 1944	Excise Duty	0.10	2000-2001	Central Excise and Service Tax Appellate Tribunal
		0.03	2002-2003 to 2004-2005	Commissioner of Central Excise (Appeals)
		0.02	2003-2004 to 2005-2006	Deputy Commissioner of Central Excise

- (xi) The Company does not have any accumulated losses as at 31 March 2006. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions, banks and debenture holders.
- (xiii) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, *prima facie*, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.
- (xiv) 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 during the year for long term investment.

- (xv) The Company has not issued any debentures during the year.
- (xvi) The Company has not raised any money by public issues during the year.
- (xvii) To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants



K Sai Ram
Partner
Membership No. 022360

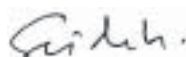
Chennai
27 April 2006

Balance Sheet

As at 31st March,		Schedule	Rs. in Crores	
			2006	2005
SOURCES OF FUNDS				
Shareholders' Funds				
(a)	Share Capital	1	36.95	36.95
(b)	Reserves and Surplus	2	495.15	411.24
			532.10	448.19
Loan Funds				
(a)	Secured Loans	3	171.85	192.19
(b)	Unsecured Loans	4	72.45	35.93
			244.30	228.12
Deferred Tax Liability (Net)			41.50	32.71
(Refer Note 6 of Schedule 17)				
			817.90	709.02
APPLICATION OF FUNDS				
Fixed Assets				
	Gross Block	5	626.01	566.43
	Less : Depreciation		324.44	282.96
	Net Block		301.57	283.47
	Capital Work-in-Progress at Cost (including Capital Advances)		80.49	21.42
			382.06	304.89
	Investments	6	235.86	189.71
Current Assets, Loans and Advances				
(a)	Inventories	7	165.72	149.79
(b)	Sundry Debtors	8	206.35	288.11
(c)	Cash and Bank Balances	9	91.91	20.14
(d)	Loans and Advances	10	61.92	58.87
			525.90	516.91
Less : Current Liabilities and Provisions			11	
(a)	Current Liabilities		300.64	272.99
(b)	Provisions		25.28	29.50
			325.92	302.49
Net Current Assets			199.98	214.42
			817.90	709.02
Significant Accounting Policies				
		16		
Notes on Accounts				
		17		

The Schedules referred to above form an integral part of the Accounts.

As per our report of even date attached
For **Deloitte Haskins & Sells**
Chartered Accountants



K Sai Ram
Partner
M. No. 022360

Chennai
27th April 2006

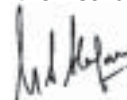


S Suresh
Company Secretary

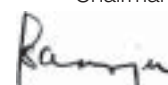


K Balasubramanian
Chief Financial Officer

On behalf of the Board



M A Alagappan
Chairman



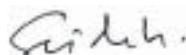
Sumit Banerjee
Managing Director

Profit and Loss Account

For the year ended 31st March,	Schedule	2006	Rs. in Crores 2005
Income			
Sales and Processing Charges		1584.18	1562.58
Less : Excise Duty on Sales		123.24	112.84
Net Sales and Processing Charges		1460.94	1449.74
Other Income	12	134.07	18.37
		1595.01	1468.11
Expenditure			
Raw Materials Consumed		888.92	897.04
Accretion to Stock	13	(21.87)	(6.50)
Employee Cost	14	97.31	86.27
Operating and Other Costs	15	323.28	312.80
Depreciation		48.56	37.81
Interest on - Debentures and Fixed Loans		7.44	7.47
- Others		5.74	7.04
		13.18	14.51
		1349.38	1341.93
Profit Before Taxes			
		245.63	126.18
Provision for Taxation			
Income Tax			
- Current Year		47.50	37.00
- Earlier Years		3.62	-
Deferred Tax (Net) (Refer Note 6 of Schedule 17)		8.79	(9.37)
Fringe Benefit Tax		2.79	-
Profit After Taxes			
		182.93	98.55
Add: Balance Brought from Previous Year		119.75	89.91
Profit Transfer on Amalgamation (Refer Note 3(iv) of Schedule 17)		-	10.79
Profit Available for Appropriation			
		302.68	199.25
Appropriations:			
Transfer to General Reserve		60.00	50.00
Special Interim Dividend @ 175% (Previous year NIL)		64.67	-
Tax on Special Interim Dividend		9.07	-
Dividend Proposed - Final @ 60% (Previous year 70%)		22.17	25.87
Tax on Final Dividend		3.11	3.63
		159.02	79.50
Balance Carried Over to Balance Sheet			
		143.66	119.75
Earnings per Share of Rs. 10/- each (Basic / Diluted) - (in Rs.)			
		49.50	26.67
(Refer Note 17 of Schedule 17)			
Significant Accounting Policies	16		
Notes on Accounts	17		

The Schedules referred to above form an integral part of the Accounts.

As per our report of even date attached
For **Deloitte Haskins & Sells**
Chartered Accountants



K Sai Ram
Partner
M. No. 022360

Chennai
27th April 2006

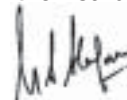


S Suresh
Company Secretary

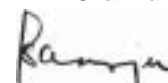


K Balasubramanian
Chief Financial Officer

On behalf of the Board



M A Alagappan
Chairman



Sumit Banerjee
Managing Director

Cash Flow Statement

Rs. in Crores

For the Year Ended 31st March,	2006	2005
A. Cash Flow from Operating Activities:		
Net Profit Before Tax	245.63	126.18
Adjustments for :		
Depreciation	48.56	37.81
Interest and Finance Charges	13.18	14.51
Profit on Sale of Assets (Net)	(21.21)	(0.96)
Profit on Sale of Investments (Net)	(89.06)	(5.37)
Provision For Doubtful Debts And Advances (Net)	2.18	4.91
Interest Received	(0.24)	(0.24)
Dividend Income	(12.84)	(4.02)
Operating Profit before Working Capital Changes	186.20	172.82
Adjustments for :		
Increase in Inventories	(15.93)	(28.99)
Decrease / (Increase) in Sundry Debtors	79.58	(26.30)
(Increase) / Decrease in Loans & Advances	(2.78)	2.36
(Decrease) / Increase in Current Liabilities	(46.54)	15.20
Cash Generated From Operations	200.53	135.09
Direct Taxes Paid	(54.18)	(37.73)
Net Cash Flow from Operating Activities	146.35	97.36
B. Cash Flow from Investing Activities:		
Capital Expenditure (Including Capital Work In Progress)	(131.77)	(53.93)
Sale of Fixed Assets	27.25	2.46
Investments in Subsidiary	(26.30)	-
Investments in Joint Ventures	(3.49)	(34.01)
Purchase of Other Investments	(50.00)	-
Sale of Investments in Associates	101.63	-
Sale of Other Investments	21.07	12.89
Dividend Received	12.84	4.02
Interest Received	0.24	0.24
Net Cash Used in Investing Activities	(48.53)	(68.33)
C. Cash Flow from Financing Activities:		
Borrowings	66.52	42.55
Repayments on Borrowings	(50.34)	(52.75)
Dividends Paid (Including Dividend Tax)	(29.32)	(22.41)
Interest Paid	(12.91)	(14.45)
Net Cash Used in Financing Activities	(26.05)	(47.06)
Net Increase / (Decrease) in Cash and Cash Equivalents	71.77	(18.03)
Cash and Cash Equivalents at the Beginning of the Year	20.14	35.91
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	91.91	20.14

The accompanying Schedules 1 to 17 are an integral part of the Accounts.

As per our report of even date attached

For **Deloitte Haskins & Sells**

Chartered Accountants



K Sai Ram

Partner

M. No. 022360

Chennai

27th April 2006



S Suresh

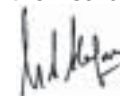
Company Secretary



K Balasubramanian

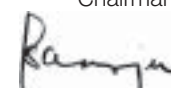
Chief Financial Officer

On behalf of the Board



M A Alagappan

Chairman



Sumit Banerjee

Managing Director

Schedules Forming Part of the Balance Sheet

01 SHARE CAPITAL	Rs. in Crores	
As at 31st March,	2006	2005
Authorised		
4,30,00,000 Equity Shares of Rs. 10 each	43.00	43.00
Issued, Subscribed and Paid-up		
3,69,56,000 Equity Shares of Rs. 10 each fully paid up	36.95	36.95
(1) Of the above:		
(a) 10,78,910 shares were issued for consideration other than cash.		
(b) 2,73,11,792 shares were issued as bonus shares by capitalisation of Reserves.		
(c) 10,620 shares were issued to the erstwhile share holders of TIDC India Limited on account of Amalgamation. (Refer Note 3(ii) of Schedule 17)		
(2) The above is after adjustment for the cancellation of 61,50,386 shares of Rs. 10 each which were bought back at a price of Rs. 100 per share from the share holders pursuant to the offer for buy-back of shares.		
	36.95	36.95

02 RESERVES AND SURPLUS				As at 31st March, 2006
	As at 31st March, 2005	Additions	Deductions	
Capital Reserve	0.27	-	-	0.27
Securities Premium	94.11	-	-	94.11
Capital Redemption Reserve	6.15	-	-	6.15
Debenture Redemption Reserve \$	15.41	-	15.41	-
General Reserve	175.55	75.41	-	250.96
	291.49	75.41	15.41	351.49
Balance in Profit & Loss Account	119.75			143.66
Total Reserves	411.24			495.15

\$ The amount of Rs. 15.41 Cr. has been transferred from Debenture Redemption Reserve to the General Reserve pursuant to the Redemption of Debentures.

03 SECURED LOANS		
As at 31st March,	2006	2005
Non Convertible Debentures (Privately Placed)		
6.40 % Debentures	-	20.00
Loans and Advances from Banks		
- Foreign Currency Term Loans	50.00	61.03
- Rupee Term Loans	55.00	25.00
- Cash Credit and Other Borrowings	66.71	85.88
Other Term Loan	0.14	0.28
	171.85	192.19
Repayable within one year	116.85	97.19

(1) The Privately Placed Non Convertible Debentures were secured by a pari-passu first charge on the immovable properties (excluding properties situated in the city of Chennai) and movable properties (excluding current assets) of the Company. Pursuant to the Redemption of the Debentures the charge has been released during the current year.

Schedules Forming Part of the Balance Sheet

03 SECURED LOANS (Contd.)

- (2) Term Loans from Banks are secured by a pari-passu first charge on the immovable properties (excluding properties situated in the city of Chennai) and movable properties (excluding current assets) of the Company.
- (3) Cash credit and Other Borrowings from Banks, which includes foreign currency borrowings of Rs. 33.47 Cr. (Previous year Rs. 35.93 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,	2006	2005
Short Term Loans & Advances from Banks		
- Foreign Currency Loan	15.62	13.60
- Other Borrowings	30.00	-
Other Loans & Advances		
- Sales Tax Deferral	26.83	22.33
	72.45	35.93
Repayable within one year	46.16	13.60

05 FIXED ASSETS

	Gross Block at Cost				Depreciation / Lease Amortisation					Net Block		
	As at 31.03.2005	Additions on Amalgamation	Additions	Deletions	As at 31.03.2006	As at 31.03.2005	Additions on Amalgamation	Additions (Note 1)	Deletions	As at 31.03.2006	31.03.2006	31.03.2005
Land (Freehold)	10.00	-	-	0.01	9.99	-	-	-	-	-	9.99	10.00
Land (Leasehold)	0.73	-	-	-	0.73	-	-	0.04	-	0.04	0.69	0.73
Buildings (Note 2)	81.63	-	8.81	0.57	89.87	21.93	-	4.04	0.29	25.68	64.19	59.70
Plant & Machinery	458.56	-	60.76	8.86	510.46	252.03	-	41.47	5.04	288.46	222.00	206.53
Railway Siding	0.21	-	-	-	0.21	0.08	-	0.02	-	0.10	0.11	0.13
Furniture & Fixtures	9.77	-	0.88	1.87	8.78	7.33	-	0.91	0.92	7.32	1.46	2.44
Vehicles	5.53	-	2.25	1.81	5.97	1.59	-	2.08	0.83	2.84	3.13	3.94
TOTAL	566.43	-	72.70	13.12	626.01	282.96	-	48.56	7.08	324.44	301.57	283.47
PREVIOUS YEAR	432.30	96.00	45.92	7.79	566.43	206.65	45.07	37.81	6.57	282.96	283.47	225.65

Notes:

- Includes depreciation amounting to Rs. 8.15 Cr. (Previous Year Rs. 0.76 Cr.) charged additionally on certain assets.
- Net Block includes Improvement to Buildings constructed on Leasehold Land Rs. 4.12 Cr. (Prev Yr Rs. 3.94 Cr.)

Schedules Forming Part of the Balance Sheet

06 INVESTMENTS	Rs. in Crores									
	Nominal Value (Rs.) / Unit	As at 31.03.2005			As at 31.03.2006			As at 31.03.2006		
		Acquired	Sold	Number	Acquired	Sold	Number	Acquired	Sold	Amount
Investments - Long Term (At Cost)										
Subsidiary Companies:										
Equity Shares (Fully paid) - Unquoted										
Cholamandalam MS General Insurance Company Ltd.	10			78750000	26299900	-	105049900		26.30	105.05
Trade Investments:										
Equity Shares (Fully paid) - Quoted										
Cholamandalam DBS Finance Ltd. (Formerly Cholamandalam Investment and Finance Company Ltd.)	10			18522973	-	6784475	11738498		-	55.77
LG Balakrishnan & Bros. Ltd. (Cost - Rs. 40,238 only)	1			25960	-	-	25960		-	-
Equity Shares (Fully paid) - Unquoted										
Borg Warner Morse TEC Murugappa Pvt. Ltd. Cholamandalam MS Risk Management Services Ltd	10			3089808	2496000	-	5585808		2.50	5.59
	10			-	989979	-	989979		0.99	0.99
Non-Trade Investments:										
Equity Shares (Fully paid) - Quoted										
Carborundum Universal Ltd # (Cost - Rs. 23,574 only)	2			1500	1500	-	3000		-	-
ICI Bank Ltd.	10			11250	-	-	11250		-	0.03
Kartik Investments Trust Ltd.	10			33790	-	-	33790		-	0.04
Coromandel Engg Co. Ltd.	10			42919	-	-	42919		-	0.04
Parry Agro Industries Ltd.	10			181431	-	181431	-		1.34	-
Mahindra and Mahindra Ltd. #	10			1000000	1000000	-	2000000		-	6.93
GIC Housing Finance Ltd.	10			48700	-	-	48700		-	0.24
Equity Shares (Fully paid) - Unquoted										
Indo Oceanic Shipping Co. Ltd. (Cost Re. 1 only)	10			50000	-	-	50000		-	-
Bombay Mercantile Co-op. Ltd. (Cost Rs. 5,000 only)	10			500	-	-	500		-	-
Cholamandalam Factoring Ltd.	10			6500	-	-	6500		-	0.01
MEL Systems & Services Ltd.	10			50000	-	50000	-		0.05	-
Southern Energy Development Corporation Ltd.	10			70000	-	-	70000		-	0.07
Murugappa Management Services Ltd.	100			32677	-	-	32677		-	0.32

Schedules Forming Part of the Balance Sheet

06 INVESTMENTS (Contd.)	Rs. in Crores									
	Nominal Value (Rs.) / Unit	Number			Amount			As at 31.03.2006	As at 31.03.2006	As at 31.03.2006
		As at 31.03.2005	Acquired	Sold	As at 31.03.2006	Acquired	Sold			
TI Cycles of India Co-op Canteen Ltd. (Cost - Rs. 250 only)	5	50	-	-	50	-	-	-	-	-
TI Diamond-Miller Co-operative Canteen Ltd. (Cost - Rs. 100 only)	5	20	-	-	20	-	-	-	-	-
Andheri Sarabjit Co-operative Housing Society Ltd., (Cost - Rs. 250 only)	50	5	-	-	5	-	-	-	-	-
Chennai Willingdon Corporate Foundation (Cost - Rs. 100 only)	10	10	-	-	10	-	-	-	-	-
Preference Shares (Fully paid) - Unquoted										
New Ambadi Estates (P) Ltd.	100	300000	-	-	300000	-	-	3.00	-	3.00
Others - Unquoted										
UTI Master Gain	10	2300	-	-	2300	-	-	0.01	-	0.01
6.75 % Bonds with UTI	100	12746	-	-	12746	-	-	0.13	-	0.13
Government of India Securities								0.28	0.01	0.27
Total - Long Term	-	-	-	-	-	-	-	182.34	29.79	33.64
Investments - Short Term (At Cost)										
Equity Shares (Fully paid) - Quoted										
Tube Investments of India Ltd. \$	10	2030374	-	-	2030374	-	-	7.37	-	7.37
Others - Unquoted (Refer Note Below)										
Chola FMP -Series 2(Quiry Plan-I)- Dividend Option	10	-	43000000	-	43000000	-	-	-	43.00	43.00
Chola FMP -Series 2(Quiry Plan-II)- Dividend Option	10	-	7000000	-	7000000	-	-	-	7.00	7.00
Total - Short Term								7.37	50.00	57.37
Total Investments								189.71	79.79	33.64

Bonus Issue of 1:1

\$ Tube Investments of India Ltd., own shares held through a Trust. Refer Note 3(iii) of Schedule 17

Quoted

- Cost

- Market Value

Unquoted

- Cost

104.00	70.42
267.34	503.68
85.71	165.44

Note : During the year, the Company has invested Rs. 456.66 Cr. (Previous Year Rs. 335.35 Cr.) and sold Rs. 456.66 Cr. (Previous Year Rs. 340.10 Cr.) of units of various cash management schemes of mutual funds invested for the purpose of deployment of temporary cash surpluses.

Schedules Forming Part of the Balance Sheet

07 INVENTORIES (Lower of Cost (Net of Allowances) and Net Realisable Value)	Rs. in Crores	
As at 31st March,	2006	2005
Raw Materials	80.70	84.71
Work - in - Process	33.08	25.25
Finished Goods	45.27	31.23
Stores and Spare Parts	5.14	5.33
Materials - in - Transit	1.53	3.27
	165.72	149.79

08 SUNDRY DEBTORS (Unsecured)		
As at 31st March,	2006	2005
Outstanding for Over Six Months		
Considered Good	7.04	3.90
Considered Doubtful	9.74	7.56
	16.78	11.46
Others		
Considered Good	199.31	284.21
	216.09	295.67
Less : Provision for Doubtful Debts	9.74	7.56
	206.35	288.11

09 CASH AND BANK BALANCES		
As at 31st March,	2006	2005
Cash and Cheques on Hand	0.10	0.27
Balance with Scheduled Banks		
- On Current Accounts	91.74	19.80
- On Deposit Account	0.07	0.07
	91.91	20.14

10 LOANS AND ADVANCES (Unsecured, Considered Good unless otherwise stated)		
As at 31st March,	2006	2005
Advances Recoverable in Cash or in Kind or for Value to be Received		
(a) Considered Good	18.59	25.80
(b) Considered Doubtful	5.81	5.81
	24.40	31.61
Less : Provision for Doubtful Advances	5.81	5.81
	18.59	25.80
Due from Subsidiary	-	0.01
Sundry Deposits		
(a) With Subsidiary	0.02	0.01
(b) With Others	12.69	8.40
Balance with Customs and Central Excise Authorities	10.39	4.69
Advance Taxes Paid	147.18	151.44
Less : Provision for Taxation	126.95	131.48
	20.23	19.96
	61.92	58.87

Schedules Forming Part of the Balance Sheet

11 CURRENT LIABILITIES AND PROVISIONS	Rs. in Crores	
As at 31st March,	2006	2005
Current Liabilities		
Acceptances	42.13	26.39
Sundry Creditors		
- Dues to Small Scale Industrial Units #	7.67	14.95
- Others	164.70	219.08
	172.37	234.03
Advances and Deposits from Customers / Others	3.31	3.68
Dues to Directors	0.38	0.41
Unpaid Dividends \$	65.34	0.49
Tax on Special Interim Dividend Payable	9.07	-
Unpaid Matured Debentures	0.03	0.03
Other Liabilities	6.43	6.65
Interest Accrued but Not Due	1.58	1.31
	300.64	272.99
Provisions		
Dividend - Proposed - Final	22.17	25.87
Dividend Tax	3.11	3.63
	25.28	29.50
	325.92	302.49
# Refer Note 4 of Schedule 17		
\$ Includes Special Interim Dividend of Rs. 64.67 Cr. declared by the Board on 23rd March 2006		
Amounts to be Credited to Investor Education and Protection Fund towards:		
Unpaid Dividends and Unpaid Matured Debentures	NIL	NIL

Schedules Forming Part of the Profit and Loss Account

12 OTHER INCOME		
For the year ended 31st March,	2006	2005
Dividend		
Trade	9.26	1.53
Non Trade	3.58	2.49
	12.84	4.02
Interest Income *	0.24	0.24
Royalty Income	0.53	0.66
Profit on Sale of Assets (Net) #	21.21	0.96
Profit on Sale of Investments (Net) \$		
Trade	69.40	-
Non Trade	19.66	5.37
	89.06	5.37
Miscellaneous Income	10.19	7.12
	134.07	18.37
* Includes Tax Deducted at Source	0.02	0.02
# Profit on Sale of Assets includes Profit from Sale of Land and Building of Rs. 21.42 Cr. (Previous Year Rs. 1.25 Cr.)		
\$ Profit on Sale of Investments includes Profit from Sale of Long Term Investment of Rs. 89.08 Cr. (Previous Year Rs. 5.20 Cr.)		

Schedules Forming Part of the Profit and Loss Account

13 ACCRETION TO STOCK	Rs. in Crores	
For the year ended 31st March,	2006	2005
Opening Stock		
Work-in-Process	25.25	20.25
Finished Stock	31.23	20.32
	56.48	40.57
Taken Over on Amalgamation	-	9.41
Closing Stock		
Work-in-Process	33.08	25.25
Finished Stock	45.27	31.23
	78.35	56.48
Accretion to Stock	(21.87)	(6.50)

14 EMPLOYEE COST*		
For the year ended 31st March,	2006	2005
Salaries, Wages and Bonus	77.25	66.97
Contribution to Provident and Other Funds	9.07	8.67
Welfare Expenses	10.81	10.63
Charge under Voluntary Retirement Scheme	0.18	-
	97.31	86.27
* Net of recoveries from other companies	0.06	0.05

15 OPERATING AND OTHER COSTS		
For the year ended 31st March,	2006	2005
Consumption of Stores and Spares	63.27	62.29
Freight and Carriage Inwards	10.24	10.12
Sub Contract Charges	16.52	16.37
Power and Fuel	54.99	44.82
Rent	3.95	2.82
Repairs to Buildings	0.54	2.13
Repairs to Machinery	22.63	18.91
Insurance	3.02	2.45
Rates and Taxes	5.53	8.40
Travelling and Conveyance	10.80	9.80
Printing, Stationery and Communication	4.17	3.97
Freight, Delivery and Shipping Charges	42.22	42.14
Discounts / Incentives on Sales	26.11	27.20
Advertisement and Publicity	18.48	22.26
Bad Debts /Advances Written Off	1.16	2.62
Less : Provision Written Back	1.16	2.62
	-	-
Provision for Doubtful Debts	3.34	1.72
Provision for Doubtful Advances	-	5.81
Auditors' Remuneration (Refer Note 7 of Schedule 17)	0.21	0.15
Directors' Remuneration (Including Managing Director's Remuneration)	1.23	1.19
Loss on Exchange Fluctuation	0.96	0.94
Other Expenses (Refer Note 5 of Schedule 17)	35.07	29.31
	323.28	312.80
Power and Fuel includes Stores Consumed	41.18	24.02
Directors' Remuneration includes Sitting Fees	0.11	0.09

Schedules Forming Part of the Accounts

16 SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention

The financial statements are prepared under historical cost convention in accordance with the generally accepted accounting principles in India.

2. Use of Estimates

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates.

3. Fixed Assets and Depreciation

- a. All assets are stated at cost (net of CENVAT/VAT as 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 acquired from abroad 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, furniture and fixtures and motor cars is provided under the 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, furniture and fixtures are depreciated over five years and motor cars are depreciated over four 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 also has a system of providing additional depreciation, where in the opinion of the management, the recovery of the asset is likely to be affected by the variation in demand and/or their condition/usability.

- f. Individual assets whose actual cost does not exceed Rs. 5,000/- are fully depreciated in the year of acquisition.
- g. Lease hold land is amortised over the remaining period of the lease.

4. Investments

- a. Long term investments are carried at cost. Diminution in the value of investments, other than temporary, is provided for.
- b. Current investments are carried at lower of cost and fair value.

5. 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 and VAT.
- b. Work-in-process and finished goods 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. Due allowance is estimated and made for slow/non-moving items.

6. Revenue Recognition

- a. Sales are recognised on shipment or on unconditional appropriation of goods in accordance with the terms of the sale and comprise amounts invoiced for the goods, including excise duty, but net of sales tax.

Schedules Forming Part of the Accounts

16 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

- b. Export benefits are accounted for in the year of exports based on eligibility and when there is no uncertainty in receiving the same.
- c. Dividend income on investments is accounted for when the right to receive the payment is established.

7. Retirement Benefits

- a. Contributions are made to the Company's Employees Provident Fund Trust in accordance with the fund rules.
- b. The Company contributes a sum equivalent to 15% of eligible employees salary to a Superannuation Fund administered by trustees and managed by Life Insurance Corporation of India (LIC). The Company has no liability for future superannuation fund benefits other than its annual contribution and recognises such contribution as an expense in the year incurred.
- c. The Company makes annual contribution to a Gratuity Fund administered by trustees and managed by LIC. The Company accounts for the liability for future gratuity benefits based on actuarial valuation determined every year by LIC.
- d. The Company makes annual contribution to the Group Leave Encashment Scheme managed by LIC. The Company accounts for its liability for future leave encashment on the basis of an actuarial valuation determined every year by LIC.
- e. Payment of compensation to employees under Voluntary Retirement Scheme is expensed in the period in which it is incurred.

8. Foreign Currency Transactions

Foreign Currency Transactions are accounted at the exchange rates ruling on the date of the transactions. Foreign currency monetary items as at the Balance Sheet date are restated at the closing exchange rates.

Exchange differences arising on actual payments/realisations and year-end restatements are dealt with in the profit and loss account.

The Company enters into forward exchange contracts and other instruments that are in substance a forward exchange contract to hedge its risks associated with foreign currency fluctuations. The premium or discount arising at the inception of a forward exchange contract or similar instrument is amortised as expense or income over the life of the contract. Exchange differences on such a contract are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation of a forward exchange contract or similar instrument is recognised as income or expense for the year.

9. Research and Development

Revenue expenditure on research and development is expensed when incurred. Capital expenditure on research and development is capitalised under fixed assets and depreciated in accordance with Item 3 above.

10. Income Tax

Current tax is the amount of tax payable on the taxable income for the year and determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised if there is virtual certainty that there will be sufficient future taxable income available to realise such losses. Other deferred tax assets are recognised if there is reasonable certainty that there will be sufficient future taxable income available to realise such assets.

Schedules Forming Part of the Accounts

16 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

11. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

12. Segment Accounting

a. The generally accepted accounting principles used in the preparation of the financial

statements are applied to record revenue and expenditure in individual segments.

b. 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 of the segments.

c. Expenses that are directly identifiable to segments are considered for determining the segment result. Expenses which relate to the Company as a whole and are not allocable to segments are included under unallocated corporate expenses.

d. Segments assets and liabilities include those directly identifiable with the respective segments. Unallocated corporate assets and liabilities represent the assets and liabilities that relate to the Company as a whole and not allocable to any segment.

17 NOTES ON ACCOUNTS

1. Contingent Liabilities

Rs. in Crores

Particulars	As at	As at
	31.03.2006	31.03.2005
a) Estimated amount of contracts remaining to be executed on capital account and not provided for	38.44	35.56
b) Disputed Income-tax demands from assessment years 1993-94 to 2003-04 under appeal pending before various appellate authorities against which Rs. 18.50 Cr. has been deposited. The Balance of Rs. 62.94 Cr not deposited includes a demand for Rs. 58.17 Cr. (excluding penalties which have not been quantified) raised in March 2006, in respect of Assessment Year 1998-99. The aforesaid demand for Rs. 58.17 Cr. is arbitrary and based on assumptions and the Company has filed necessary appeal with the Income Tax Department. The management is of the opinion that all the above demands are not sustainable.	81.44	26.60
c) Cases decided in favour of the Company against which the department has gone on appeal		
-Income Tax	1.19	-
-Excise	0.16	-
d) Bills Drawn on Customers and Discounted with Banks	17.16	7.09

Note:

Show cause notices received from various Government Agencies pending formal demand notices, have not been considered as contingent liabilities.

Schedules Forming Part of the Accounts

17 NOTES ON ACCOUNTS (Contd.)

2. Share Capital

a. Sub-Division of Equity Shares

The Board of Directors, at their Meeting on 23rd March 2006, have recommended a stock split of 1 Equity Share of Rs. 10 each into 5 Equity Shares of Rs. 2 each, which is subject to the approval of the shareholders.

b. Bonus Shares

The shareholders, at their 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 were allotted during the year ended 31st March 2005.

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 30th November 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 1st April 2004. Accordingly:

- i) The accounts of TIDC India Ltd. (TIDC) effective 1st April 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 Account 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 2004-05.

- 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 as of 31st March 2004 has been adjusted against the Securities Premium Account of the Company. As a result, the profit after tax for the previous year 2004-05 is higher by Rs. 12.52 Cr. due to lower charge to the Profit and Loss Account.

4. Dues to Small Scale Industrial Undertakings

Dues to Small Scale Industrial Undertakings of Rs. 7.67 Cr. (Previous Year Rs.14.95 Cr.) is on the basis of such parties having been identified by the Management based on available information. The names of the parties to whom the dues payable as on 31st March 2006 exceeded 30 days (though within the normal credit period) are given below:

A P Engineering Industries, AP Industries, Abhay Enterprises, Accurate Heat Treaters, Ace Trading Company, Action Instruments, Alfa Products, Allied Tools and Hardwares, Almonard Private Ltd, Alumkal Graphix, Amalgamated Engineers Pvt. Ltd, Anu Extrusions Pvt. Ltd, Appu and Company, Arihant Corporation, Ark Engineering Works, Arun Engineers, Arunkumar Industries, Ascent Interiors, Asia Cycle Industries, Ason Industries, Aswini Engineering Works, Auto Cables Industries, Auto Power, B B Brothers, Ballkings, Bhawana Industry, Biren Industries, Brilliant Pressings, Bycel Ventures, Casper Industries, Cee Jay Tools, Chemi Tech Engineers, Chennai CNC Centre, Chettiar Industrial

Schedules Forming Part of the Accounts

17 NOTES ON ACCOUNTS (Contd.)

Corporation., Choice Electricals, Commercial Packaging, Concord Coatings Pvt Ltd, Corcon Engineering, D S K Paper Tubes, D V S Industries, Daraganath Enterprises, Dee Pee Engineering, Desire, Durable Springs, Durano Process, Dynatherm Alloys Pvt Ltd, Eagle Plastic Industries, Economy Engineers, Elangovan Electrical Services, Em-Tech Engineering, Enterprising Polymer Products Pvt. Ltd, Espee Engg Works, Ess Em Kay Engg Enterprises, Exact Enterprises, Excel Trading Agencies, Famec Tech, Fasteners India, Fibre Board Packaging, Fine Tech Engineering, Flying Stag Bikes, Fomra Electricals, Foster Technologies, G V Engineering Works, G.C. Enterprises, Gaurav Industrial Corporation, Gearcase India, Gee Gee Kay Private Ltd, Gem Plastic Industries, Gobind Cycles (Private) Ltd, Gujranwala Cycle Industries, Gulati Agencies, Gurshiv Printers, Gursimran Internationals, Hepsi Hot Wires, Hightemp Furnaces Limited, HRK Sons, Hyderabad Ammonia & Chemicals Pvt. Ltd, Immanuel Industries, Impact Engineers, Ind Precision Tools, Industrial Tooling Systems, Inteco Precision Springs, ITL Industries Ltd, J J Engineering Works, Jai Ambay Udyog, Janico Chemicals, Janico Paints & Chemicals, Jas Carbide Tools, Jassons Diamond Products P Ltd, Jayant Packaging Pvt Ltd, Jo Enterprises, Joginder Singh Tej, Jost's Engineering, Jyothi Enterprises, K Cone Products, K V K Industries, K.Dhandapani & Co Ltd, K.K.Industries, Kaniyo Engineering Technology, Karam Chand Rubber, Karumari Amman Welding Works, KB Agro Tech Pvt Ltd, Konark Engineers, Kowski Toolings, Krishna Engineering Industries, Lakshmi Durga Enterprises, Laxmi Industries, Libra Steels, Lloyd Insulations, Madhubabu Industries Pvt Ltd, Maha Classic Paints Chennai P Ltd, Mahalakshmi Engineers, Manigandan Wood Packers, Margo Fastners, Margo Polypack, Mars Agencies, Mekuba Petroleum India Pvt. Ltd, Miniature Ball Industries, Mirra And Mirra Industries,

Mitras Auto (India) Pvt Ltd, Murugan Cottage Industries, Muthupalani Tools, National Sales Corporation, Newpack Plastics Pvt Ltd, Nithya Industries, Omega Enterprises, Omega Precision Works, Opel Packaging, Ortey Engineering, P C Chadha and Company, P L Engineering Works, P L Industries, P.S.Engineering Works, PAC Industries Pvt. Ltd, Paras Dyes & Chemicals, Peniel Engineering, Phoenix Rubbers, Phorotech Surfin (India) Pvt. Ltd., Popular Tool Makers, Powerpoint Marketing, Prakash Fig Pumps, Pramod & Co, Praxair India Pvt Limited, Precision Engg Tools, Precitech Industries, Prem Electrical Works, Premier Carbon Industries, Prime Papyrus Products, Primus Engineering, Protochem Industries, Pulsion Industry, Push-Kar Cycle Products, Quality Telecom, R K M Industries, R M Distributors, R R Engineering Works, R R Graphics, R R Industries, Radiant Steels Private Limited, Raghavendra Enterprises, Rahul Enterprises, Raja Tools, Rajni Combustions, Ram Vijay Engineering Works, Reliance Industries, Rubber Age Industries, S L Harikishan And Co, S L S Packaging, S P Engineering Works, S S Products Of India, S V Heat Engineering, S V L Enterprises, S V S Wires Private Ltd, Saroj Enterprises, SDS Engineering Works, Sekar Industries, Seven Hills Fabricators, Shamam Engineering, Shant Seekar Enterprises, Sharmanee Enterprises, Shilpa Engineering, Shind Engg Works, Shiva Enterprises, Shree Balaji Plastics, Shree Dhairiyalakshmi Poly sacks Pvt. Ltd, Shree Ram Enterprises, Shri Ramm Auto Components, Sivasakthi Offset Printers, Sooriya Screens, Sovereign Industries, Sree Kumaran Engineering Enterprises, Sree Lakshmi Industries, Sree Lakshmiram Bright Bars Private Limited, Sree Lakshmiram Wires Pvt Ltd, Sree Mahalakshmi Engineering Works, Sreekanth Packaging, Sreeram Engineering Works, Sri Devi Enterprises, Sri Ganesh Engineering Works, Sri Gopi Surfa Chemicals, Sri Lakshmi Screens, Sri Lakshmi Control Cables

Schedules Forming Part of the Accounts

17 NOTES ON ACCOUNTS (Contd.)

Pvt. Ltd., Sri Raja Rajeswari and Company, Sri Ram Cold Forgings Pvt Ltd, Sri Vinayaga Industries, Srinivasa Cartons, Srishty Engineering, SSM Combines, Star Precision Tools, Sun Tech Automobile Products, Sunlight Packaging, Super Packaging, Suprabha Protective Products Pvt. Ltd, Suresh Engineering Works, Swan Innovations, Swastik Plasto, T R B Engineers, Tamilnad Cartons, Tan Tools and Gauge, Tara Enterprises, Tara Packaging Industries, Techno Plastics, Technofour, Thamarai Industries, Thilagam Engineering, Tool Tech Precision Engg Works, TPM Engineers, Umaa Tools, Union Abrasives, United Industries, Universal Reprographics, Update Prints (India), Usha Fire Safety Equipments Pvt. Ltd, Usha Industry, Victory Enterprises, Vijay Laxmi Timber Depot, Vijay Wheels Private Ltd, Vijayalakshmi Forge And Stamping, Vijayalakshmi Industries, Vinaayakram Plastics, Vishal Cycles Pvt. Ltd, Vishal Hardware, Vishivkarma Industries Pvt Ltd, VSM Aqua Port, Western Pressed Components, Wire X India, Yes Kay

Yes Technocrafts, Yes Vee Enterprises, Yeshwant Engineers, Yonker Skates Pvt. Ltd., Young Industrial Corporation.

5. Donations

Other Expenses under Operating and Other Costs (Schedule 15) include

- i. Contribution to A M M Murugappa Chettiar Research Centre Rs.0.18 Cr. (Previous Year Rs.0.20 Cr.)
- ii. Contribution to A M M Foundation Rs.0.50Cr. (Previous Year Rs. 0.71 Cr.)
- iii. Contribution to PM/CM Relief Funds Rs.0.15 Cr. (Previous Year - 0.20 Cr.)
- iv. Contribution to Political Party – Bharatiya Janata Party – Nil (Previous Year – Rs. 0.15 Cr.)
- v. Contribution to Madras University – Nil (Previous Year – Rs. 0.07 Cr.).

6. Deferred Tax Movement

The net deferred tax liability of Rs.41.50 Cr. as at 31st March 2006 (Previous Year - Rs. 32.71 Cr.) has arisen on account of the following:

Nature - (Asset) / Liability	Rs. in Crores		
	As at 01.04.2005	Charged/ (Credited) to P&L	As at 31.03.2006
Deferred Tax Liabilities			
Difference between the written down value of assets as per Books of Account and the Income Tax Act, 1961	43.97	5.77	49.74
Total (A)	43.97	5.77	49.74
Deferred Tax Assets			
Deferred Revenue Expenses	(5.02)	3.38	(1.64)
Provision for Doubtful Debts / Advances	(4.11)	(1.12)	(5.23)
Others	(1.42)	0.05	(1.37)
Unabsorbed Capital Loss	(0.71)	0.71	-
Total (B)	(11.26)	3.02	(8.24)
Net Deferred Tax Liability (A-B)	32.71	8.79	41.50

Schedules Forming Part of the Accounts

17 NOTES ON ACCOUNTS (Contd.)

7. Auditors' Remuneration		Rs. in Crores	
Particulars	2005-06*	2004-05	
Statutory Audit	0.12	0.09	
Tax Audit & Other Services	0.06	0.04	
Service Tax	0.02	0.01	
Reimbursement of Expenses	0.01	0.01	
Total	0.21	0.15	

* Includes Rs. 0.01 Cr. paid to the erstwhile Auditors

8. Imported and Indigenous Material Consumed

(a) Consumption of Raw Materials

Particulars	%	2005-06	%	2004-05
Imported	9.96	95.26	4.16	40.25
Indigenous	90.04	860.75	95.84	926.85
Total	100.00	956.01	100.00	967.10

Note:

Scrap Sales of Rs. 67.09 Cr. (Previous Year Rs. 70.06 Cr.) has been deducted from Consumption of Raw Materials.

(b) Consumption of Stores and Spares

Particulars	%	2005-06	%	2004-05
Imported	2.87	2.99	1.96	1.69
Indigenous	97.13	101.46	98.04	84.62
Total	100.00	104.45	100.00	86.31

Note:

The above includes Rs. 41.18 Cr. (Previous Year Rs. 24.02 Cr.) of Stores and Spares charged to the Power and Fuel Account.

Schedules Forming Part of the Accounts

17 NOTES ON ACCOUNTS (Contd.)

9. Value of Imports on CIF Basis Rs. in Crores

Particulars	2005-06	2004-05
1. Raw Materials	95.82	38.42
2. Stores and Spare Parts	4.91	3.10
3. Finished Goods	10.40	-
3. Capital Goods	41.91	8.76
Total	153.04	50.28

10. Earnings in Foreign Exchange

Particulars	2005-06	2004-05
FOB Value of Exports	152.12	180.16

11. Amount Remitted in Foreign Currency on account of Dividend Payment to Non Resident Shareholder

Particulars	2005-06	2004-05
Dividend –Rs. in Crores	0.008	0.006
Number of Non-resident Shareholders	1	1
Number of Shares Held	11340	5670
Year for which Dividend Remitted	2004-05	2003-04

Note:

The above excludes remittances to Global Depository Receipt (GDR) holders through the custodian of GDR holders.

12. Expenditure in Foreign Currency

Particulars	2005-06	2004-05
1. Travel	1.16	1.43
2. Technical Know-how	0.34	0.07
3. Interest on Foreign Currency Loans	0.58	0.34
4. Royalty	0.07	0.09
5. Others	5.10	1.61
Total	7.25	3.54

Schedules Forming Part of the Accounts

17 NOTES ON ACCOUNTS (Contd.)

13. Directors' Remuneration

Rs. in Crores

Particulars	2005-06	2004-05
a) Managing Director's Remuneration		
Salaries & Allowances	0.62	0.53
PF, Gratuity & Superannuation	0.07	0.08
Perquisites	0.05	0.08
	0.74	0.69
Commission	0.20	0.24
	0.94	0.93
b) Commission to Non-Whole Time Directors	0.18	0.17
c) Directors' Sitting Fees	0.11	0.09
Directors' Remuneration	1.23	1.19
Profit after Tax as per Profit and Loss Account	182.93	98.55
Add: Provision for Taxation	62.70	27.63
Director's Remuneration	1.23	1.19
Less: Profit on Sale of Investments	89.06	5.37
Profit on Sale of Assets as per Books	21.21	0.96
Profit as per Section 349 of the Companies Act, 1956	136.59	121.04
Commission at 1% thereof	1.37	1.21
Commission to Managing Director restricted to	0.20	0.24
Commission to Non-Whole time Directors restricted to	0.18	0.17
Total Commission	0.38	0.41

Note:

Mr. Adhiraj Sarin was the Managing Director upto 31st January 2006. Mr. Sumit Banerjee was appointed as the Managing Director with effect from 17th April 2006.

14. Quantitative Particulars

I. Capacities, Production, Turnover and Stocks

Class of Goods	Unit	Installed Capacity	Production		Opening Stock		Closing stock		Turnover	
			Qty	Qty	Qty	Value	Qty	Value	Qty	Value (Net of Excise)
Cycles / Components	Nos.				9.15		23.24		2461868	465.86
					(9.20)		(9.15)	(2725222)	(482.40)	
ERW/CDW Tubes	Tons	154450	89285	2673	13.05	3050	14.47	88908	484.78	
		(142200)	(89745)	(2348)	(9.72)	(2673)	(13.05)	(89420)	(449.39)	
Cold Rolled Strips	Tons	100120	67562	259	1.07	92	0.36	67729	239.86	
		(100120)	(76744)	(283)	(0.88)	(259)	(1.07)	(76768)	(263.13)	
Metal Formed Products					7.96		7.20		268.84	
					(0.52)		(7.96)		(253.55)	
Conversion Charges									1.60	
									(1.27)	
Total					31.23		45.27		1460.94	
					(20.32)		(31.23)		(1449.74)	

Schedules Forming Part of the Accounts

17 | NOTES ON ACCOUNTS (Contd.)

Notes:

- Figures in brackets are for the previous year.
- Licensed Capacity is not applicable. Installed Capacity is as certified by the Management.
- Turnover and Production is exclusive of captive consumption and inter-unit transfers.
- Turnover includes 92092 cycles (Previous Year 49756) traded.
- Quantitative particulars for Cycles/ Components and Metal Formed Products have not been furnished, as these are not homogenous in nature and are numerous in variety.
- Quantitative particulars are after adjusting the excesses and shortages ascertained on physical counts.

II. Consumption of Raw Materials

Particulars	Unit	Rs. in Crores			
		Quantity		Value	
		2005-2006	2004-2005	2005-2006	2004-2005
Steel	Lakh Tons	2.37	2.50	612.45	606.83
Rims	Lakh Pair	25.08	29.24	33.22	36.64
Tyres	Lakh Nos.	48.99	51.91	24.93	25.45
Cycle Tubes	Lakh Nos.	47.24	59.37	9.02	11.00
Leather Top	Lakh Nos.	25.17	40.34	14.38	18.71
Chains	Lakh Nos.	32.05	46.59	7.74	10.74
Frames	Lakh Nos.	25.67	28.34	58.27	59.35
Forks	Lakh Nos.	26.63	29.01	20.66	21.26
Mudguards	Lakh Nos.	23.89	29.79	9.23	10.02
Bicycle Components and Others				166.11	167.10
Total				956.01	967.10

Notes:

- The quantitative details of Bicycle Components and Others, being too numerous are not listed.
- The consumption figures shown above are after adjusting excesses and shortages ascertained on physical count.
- Scrap Sales of Rs. 67.09 Cr. (Previous year Rs. 70.06 Cr.) has been deducted from Consumption of Raw Materials.

15. Segment Information

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

Schedules Forming Part of the Accounts

17 NOTES ON ACCOUNTS (Contd.)

(A) PRIMARY SEGMENT

Rs. in Crores

	CYCLES/ COMPONENTS		ENGINEERING		METAL FORMED PRODUCTS		ELIMINATIONS		CONSOLIDATED TOTAL	
	2005- 2006	2004- 2005	2005- 2006	2004- 2005	2005- 2006	2004- 2005	2005- 2006	2004- 2005	2005- 2006	2004- 2005
REVENUE										
External Sales	465.86	482.40	726.20	713.79	268.88	253.55	-	-	1460.94	1449.74
Inter-Segment Sales			33.16	40.56	0.30	0.14	(33.46)	(40.70)	-	-
Total Revenue	465.86	482.40	759.36	754.35	269.18	253.69	(33.46)	(40.70)	1460.94	1449.74
Unallocated Corporate Expenses	-	-	-	-	-	-	-	-	(11.26)	(20.35)
RESULT										
Operating Profit	12.77	20.41	108.41	91.70	46.84	39.59	-	-	156.76	131.35
Profit / (Loss) on Sale of Assets	(0.04)	0.11	0.13	(0.04)	0.06	(0.12)	-	-	0.15	(0.05)
Net Operating Profit	12.73	20.52	108.54	91.66	46.90	39.47	-	-	156.91	131.30
Dividend Income	-	-	-	-	-	-	-	-	12.84	4.02
Interest Expense	-	-	-	-	-	-	-	-	(13.18)	(14.51)
Income Taxes	-	-	-	-	-	-	-	-	(62.70)	(27.63)
Profit on Sale of Investments	-	-	-	-	-	-	-	-	89.06	5.37
Net Profit	12.73	20.52	108.54	91.66	46.90	39.47	-	-	182.93	98.55
	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at
	31.03.06	31.03.05	31.03.06	31.03.05	31.03.06	31.03.05	31.03.06	31.03.05	31.03.06	31.03.05
ASSETS										
Segment Assets	159.17	222.59	427.52	377.46	217.26	172.44	(8.13)	(7.34)	795.82	765.15
Unallocated Corporate Assets	-	-	-	-	-	-	-	-	348.00	246.36
Total Assets	159.17	222.59	427.52	377.46	217.26	172.44	(8.13)	(7.34)	1143.82	1011.51
LIABILITIES										
Segment Liabilities	70.27	107.40	101.53	120.18	51.89	44.35	(8.13)	(7.34)	215.56	264.59
Unallocated Corporate Liabilities	-	-	-	-	-	-	-	-	110.36	37.90
Total Liabilities	70.27	107.40	101.53	120.18	51.89	44.35	(8.13)	(7.34)	325.92	302.49
OTHER INFORMATION	2005- 2006	2004- 2005	2005- 2006	2004- 2005	2005- 2006	2004- 2005	2005- 2006	2004- 2005	2005- 2006	2004- 2005
Capital Expenditure	5.10	8.66	74.58	29.86	46.75	9.52	-	-	126.43	48.04
Unallocated Corporate Capital Expenditure	-	-	-	-	-	-	-	-	5.34	5.89
Depreciation	5.74	4.86	20.58	18.86	12.93	10.21	-	-	39.25	33.93
Unallocated Corporate Depreciation	-	-	-	-	-	-	-	-	9.31	3.88

Schedules Forming Part of the Accounts

17 NOTES ON ACCOUNTS (Contd.)

(B) SECONDARY SEGMENT

Revenue by Geographic Market	Rs. in Crores	
	2005-06	2004-05
Europe	45.47	45.78
North America	57.18	58.32
India	1300.76	1260.14
Rest of the world	57.53	85.50
TOTAL	1460.94	1449.74

All the Fixed Assets of the Company are located in India.

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

a) List of Related Parties

I. Subsidiary

Cholamandalam MS General Insurance Company Limited

II. Joint Venture

Borgwarner Morse TEC Murugappa Private Limited

Cholamandalam DBS Finance Limited (Associate upto 3rd January 2006)

(Formerly Cholamandalam Investment and Finance Company Limited)

Cholamandalam MS Risk Management Services Limited (from 4th January 2006)

III. Key Management Personnel (KMP)

Mr Adhiraj Sarin - Managing Director (Upto 31st January 2006)

b) During the year the following transactions were carried out with the aforesaid related parties in the ordinary course of business: (Details of remuneration to Key Management Personnel are given in Note 13 of Schedule 17)

Transaction	Related Party	Rs. in Crores	
		2005-06	2004-05
Dividend Receipt	Cholamandalam DBS Finance Limited	9.26	-
Claims Receipt	Cholamandalam MS General Insurance Company Limited	2.07	-
Premium Paid	Cholamandalam MS General Insurance Company Limited	2.93	2.80
Rentals Paid	Cholamandalam DBS Finance Limited	0.42	0.42
	Cholamandalam MS General Insurance Company Limited	0.05	0.05
Rental Income	Borgwarner Morse TEC Murugappa Private Limited	0.05	-
	Cholamandalam MS General Insurance Company Limited	0.05	-
Sale of Fixed Assets	Cholamandalam MS General Insurance Company Limited	0.04	-
Purchase of Copy Right (Intangible) – Rs. 100/=	Cholamandalam DBS Finance Limited	-	-
Purchase of Investment	Cholamandalam DBS Finance Limited	16.49	-
Subscription of Equity Shares	Borgwarner Morse TEC Murugappa Private Limited	2.50	-
	Cholamandalam DBS Finance Limited	-	33.81

Schedules Forming Part of the Accounts

17 NOTES ON ACCOUNTS (Contd.)

		Rs. in Crores	
Transaction	Related Party	2005-06	2004-05
Purchase of Goods and Services	Borgwarner Morse TEC Murugappa Private Limited	0.81	0.92
	Cholamandalam MS Risk Services Limited	0.03	-
Sales and Services	Borgwarner Morse TEC Murugappa Private Limited	2.31	0.64
Reimbursement of Expenses	Cholamandalam DBS Finance Limited	0.02	0.02
	Cholamandalam MS General Insurance Company Limited	0.01	-
Recovery of Expenses	Cholamandalam DBS Finance Limited	0.87	-
	Cholamandalam MS General Insurance Company Limited	0.01	-
Advances paid	Cholamandalam MS General Insurance Company Limited	0.76	-
Balance at Year End			
Payable	Cholamandalam MS General Insurance Company Limited	-	0.02
	Borgwarner Morse TEC Murugappa Private Limited	0.15	0.17
Receivable	Cholamandalam MS General Insurance Company Limited	0.30	0.01
	Borgwarner Morse TEC Murugappa Private Limited	0.36	0.22

17. Earnings Per Share

Particulars	2005-2006	2004-2005
Profit after Taxation – Rs. in Crores	182.93	98.55
Earnings Per Share (Basic & Diluted)	49.50	26.67
Weighted Average Number of Shares	3,69,56,000	3,69,56,000
Face Value per Share – Rs	10	10

18. Information on Joint Venture Entities

The particulars of the Company's Joint Ventures as on 31st March 2006, its percentage holding and its proportionate share of assets, liabilities, income and expenditure of the Joint Venture Entities are given below:

		Rs. in Crores					
Particulars		As at 31 March 2006				2005 - 06	
		% Holding	Assets	Liabilities	Contingent Liabilities	Capital Commitments	Income
Borgwarner Morse TEC Murugappa Private Limited (Note b)	26.00%	5.70	2.30	-	-	4.98	5.06
	(26.00%)	(4.42)	(2.51)	(-)	(-)	(3.03)	(4.09)
Cholamandalam DBS Finance Limited (Note c)	30.93%	650.82	558.24	3.62	-	18.94	15.25
	(48.81%)	(-)	(-)	(-)	(-)	(-)	(-)
Cholamandalam MS Risk Management Services Limited	49.50%	1.22	0.11	-	-	0.80	0.64
	(-)	(-)	(-)	(-)	(-)	(-)	(-)

Schedules Forming Part of the Accounts

17 NOTES ON ACCOUNTS (Contd.)

Notes:

- a) Figures in brackets are for the previous year.
- b) As the Accounting Year of this company ends on 31st December 2005, the figures as of that date have been considered
- c) Formerly known as Cholamandalam Investment and Finance Company Limited, which was an Associate upto 3rd January 2006.

19. Previous Year's Figures

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

Signatures to Schedules 1 to 17.

Chennai
27th April 2006

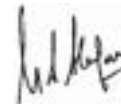


S Suresh
Company Secretary

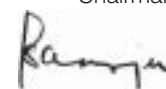


K Balasubramanian
Chief Financial Officer

On behalf of the Board



M A Alagappan
Chairman



Sumit Banerjee
Managing Director


Section 212

Statement of Holding Company's interest in Subsidiaries (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	31.03.2006
3. Number of	
a) Equity shares each fully paid in the subsidiary company held by Tube Investments of India Limited on the above date	10,50,49,900 Rs.10 each
b) Preference shares each fully paid in the subsidiary company held by Tube Investments of India Limited 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 Limited by way of dividends on the shares held in the subsidiaries:	
a. for the subsidiary's financial year ended on 31.3.2006	-
b. for the previous financial years of the subsidiary since it became subsidiary of Tube Investments of India Limited.	-
ii) not dealt with in the accounts of Tube Investments of India Limited	
a. for the subsidiary's financial year ended on 31.3.2006	(2.31)
b. for the previous financial years of the subsidiary since it became subsidiary of Tube Investments of India Limited.	(9.32)

On behalf of the Board


M A Alagappan
Chairman

Chennai
27th April 2006


S Suresh
Company Secretary


K Balasubramanian
Chief Financial Officer


Sumit Banerjee
Managing Director

The Ministry of Company Affairs, Government of India has vide its letter No.47/103/2006-CL-III dated 16th March, 2006 exempted the Company from furnishing the annual report of Company's subsidiary, Cholamandalam MS General Insurance Company Ltd (MSGICL). The Annual Report contains 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 MSGICL 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 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)	(15.71)
3 Total Assets (Fixed Assets + Current Assets + Misc. Expenditure not written off)	43.40
4 Total Liabilities (Debts + Current Liabilities + Deferred Tax Liability)	133.13
5 Investments	215.98
6 Total Income	88.40
7 Profit Before Tax	(2.50)
8 Provision for Tax	0.62
9 Profit After Tax	(3.12)
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	31-03-2006		

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

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

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

Total Liabilities	8178988	Total Assets	8178988
-------------------	---------	--------------	---------

Sources of Funds

Paid up Capital	369560	Reserves & Surplus	4951438
Secured Loans	1718517	Unsecured Loans	724516
Deferred Tax Liability (Net)	414957		

Application of Funds

Net Fixed Assets	3820637	Investments	2358593
Net Current Assets	1999758	Misc. Expenditure	NIL

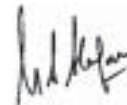
IV.Performance of the Company(Amount in Rs. thousands)

Turnover (including Other income)	15950130	Total Expenditure	13493835
Profit/(Loss) before Tax	2456295	Profit/(Loss) after Tax	1829250
Earning per share in Rs.	49.50	Dividend Rate(%)	235

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



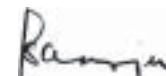
M A Alagappan
Chairman



S Suresh
Company Secretary



K Balasubramanian
Chief Financial Officer



Sumit Banerjee
Managing Director

Chennai
27th April 2006

Consolidated Accounts

Auditors' Report on Consolidated Financial Statements

To the Board of Directors of Tube Investments of India Limited

1. We have audited the attached Consolidated Balance Sheet of **Tube Investments of India Limited** (the Company), its subsidiary, associate and joint ventures as at 31 March 2006, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statement for the year ended on that date, both 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 the auditing standards generally accepted in India. Those standards require that we plan the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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. We did not audit the financial statements and other financial information of the subsidiary and one of the joint ventures, whose financial statements reflect total assets (net) of Rs. 128.59 Crores as at 31 March 2006, total revenue (net) of Rs. 103.46 Crores and net cash flows of Rs. 4.78 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, insofar as it relates to the amounts included in respect of the aforesaid subsidiary and joint venture, is based solely on the reports of the other auditors.
4. We report that the Consolidated Financial Statements have been prepared by the Company's Management in accordance with the requirements

of Accounting Standard 21 Consolidated Financial Statements, Accounting Standard 23 Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard 27 Financial Reporting of Interests in Joint Ventures, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company, its subsidiary, associate and joint ventures included in the Consolidated Financial Statements.

- (a) Based on our audit and on consideration of the reports of the other auditors on the separate financial statements and on the other financial information of the subsidiary and joint venture referred to in paragraph 3 above, and to the best of our information and according to the explanations given to us, we are of the opinion that the aforesaid Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2006;
 - (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants



K Sai Ram
Partner

Chennai
27 April 2006

Membership No. 022360

Consolidated Balance Sheet


As at 31st March,	Schedule	2006	Rs. in Crores 2005
SOURCES OF FUNDS			
Shareholders' Funds			
(a) Share Capital	1	36.95	36.95
(b) Reserves and Surplus	2	525.85	464.36
		562.80	501.31
Minority Interest		32.82	58.19
Loan Funds			
(a) Secured Loans	3	467.94	192.19
(b) Unsecured Loans	4	303.50	37.23
		771.44	229.42
Deferred Tax Liability (Net)		40.84	32.71
(Refer Note 2 of Schedule 17)		1407.90	821.63
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	643.26	581.60
Less : Depreciation		333.79	289.21
Net Block		309.47	292.39
Share in Joint Ventures		11.37	2.73
		320.84	295.12
Capital Work-in-Progress at Cost (including Capital Advances)		80.96	21.46
		401.80	316.58
Investments	6	295.94	367.91
Current Assets, Loans and Advances			
(a) Inventories	7	166.45	150.53
(b) Sundry Debtors	8	209.95	288.71
(c) Cash and Bank Balances	9	129.49	29.85
(d) Loans and Advances	10	98.42	73.68
(e) Receivables under Financing Activity (Share in Joint Ventures)		588.82	-
		1193.13	542.77
Less : Current Liabilities and Provisions	11		
(a) Current Liabilities		397.67	374.92
(b) Provisions		86.51	30.71
		484.18	405.63
Net Current Assets		708.95	137.14
Deferred Revenue Expenditure (Share in Joint Ventures)		1.21	-
		1407.90	821.63
Significant Accounting Policies	16		
Notes on Accounts	17		

The Schedules referred to above form an integral part of the Accounts.

As per our report of even date attached.

For **Deloitte Haskins & Sells**

Chartered Accountants



K Sai Ram
Partner
M. No. 022360

Chennai
27th April 2006




S Suresh
Company Secretary

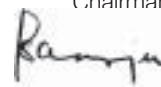


K Balasubramanian
Chief Financial Officer

On behalf of the Board



M A Alagappan
Chairman



Sumit Banerjee
Managing Director

Consolidated Profit and Loss Account

Rs. in Crores

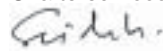
For the year ended 31st March,	Schedule	2006	2005
Income			
Sales and Processing Charges		1584.18	1562.58
Share in Joint Ventures		19.66	3.03
Less : Excise Duty on Sales		123.24	112.84
Net Sales, Processing Charges and Services		1480.60	1452.77
Premium Earned (Net)		85.47	68.24
Other Income	12	146.79	29.18
		1712.86	1550.19
Expenditure			
Raw Materials Consumed (Net)		885.80	897.04
Raw Materials Consumed - Share in Joint Ventures		3.12	1.88
Accretion to Stock	13	(21.95)	(6.42)
Claims Incurred		66.86	54.72
Employee Cost	14	119.48	102.60
Operating and Other Costs	15	336.75	323.05
Depreciation		52.84	40.75
Depreciation - Share in Joint Ventures		0.72	0.19
Interest on - Debentures and Fixed Loans		7.44	7.47
- Others		5.74	7.03
- Share in Joint Ventures		7.81	0.10
		20.99	14.60
Business Process Outsourcing - Share in Joint Ventures		1.35	-
		1465.96	1428.41
		246.90	121.78
Profit Before Taxes			
Provision for Taxation			
Income Tax			
- Current Year		47.50	37.00
- Earlier Years		3.62	-
Deferred Tax (Net)		8.79	(9.37)
Fringe Benefit Tax		3.41	-
Share in Joint Ventures		1.04	0.04
		64.36	27.67
		182.54	94.11
Share in Associate's Profit		3.75	15.03
Minority Interest in Net Income		0.81	1.49
Net Profit after Tax		187.10	110.63
Add : Balance Brought Forward from Previous Year		141.05	99.13
Add : Profit Transfer on Amalgamation		-	10.79
		328.15	220.55
Profit Available for Appropriation			
Appropriations:			
Transfer to General Reserve		60.00	50.00
Special Interim Dividend @ 175% (Previous year NIL)		64.67	-
Tax on Special Interim Dividend		9.07	-
Dividend Proposed - Final @ 60% (Previous year 70%)		22.17	25.87
Tax on Final Dividend		3.11	3.63
		159.02	79.50
Balance Carried Over to Balance Sheet		169.13	141.05
Earnings per Share of Rs. 10/- each (Basic / Diluted) - (in Rs.)			
(Refer Note 5 of Schedule 17)		50.63	29.94
Significant Accounting Policies	16		
Notes on Accounts	17		

The Schedules referred to above form an integral part of the Accounts.

As per our report of even date attached.

For **Deloitte Haskins & Sells**

Chartered Accountants



K Sai Ram

Partner

M. No. 022360

Chennai

27th April 2006



S Suresh

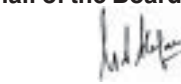
Company Secretary



K Balasubramanian

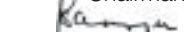
Chief Financial Officer

On behalf of the Board



M A Alagappan

Chairman



Sumit Banerjee

Managing Director

Consolidated Cash Flow Statement

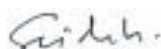
	Rs. in Crores	
For the year ended 31st March,	2006	2005
A. Cash Flow from Operating Activities:		
Net Profit Before Tax	246.90	121.78
Adjustments for :		
Depreciation	53.56	40.94
Interest and Finance Charges	20.99	14.60
Profit on Sale of Assets (Net)	(20.96)	(0.94)
Profit on Sale of Investments (Net)	(91.03)	(6.69)
Provision For Doubtful Debts And Advances (Net)	12.70	25.97
Interest Received	(12.98)	(9.67)
Dividend Income	(12.85)	(4.02)
Operating Profit before Working Capital Changes	196.33	181.97
Adjustments for :		
Increase in Inventories	(15.92)	(29.04)
Increase in Sundry Debtors / Receivables under Financing Activity	(137.36)	(32.48)
(Increase) / Decrease in Loans & Advances	(7.03)	2.36
(Decrease) / Increase in Current Liabilities	(20.06)	35.09
Cash Generated From Operations	15.96	157.90
Direct Taxes Paid	(59.32)	(37.73)
Net Cash (Used in)/ From Operating Activities	(43.36)	120.17
B. Cash Flow from Investing Activities:		
Capital Expenditure (Including Capital Work In Progress)	(140.29)	(59.19)
Sale of Fixed Assets	107.27	2.58
Purchase of Investments	(1,074.64)	(632.11)
Sale of Investments	1,128.22	582.42
Dividend Received	13.55	4.02
Interest Received	14.60	11.73
Net Cash From/(Used in) Investing Activities	48.71	(90.55)
C. Cash Flow from Financing Activities:		
Borrowings	175.17	42.81
Repayments on Borrowings	(50.34)	(52.75)
Dividends Paid (Including Dividend Tax)	(37.11)	(22.41)
Interest Paid	(44.87)	(14.56)
Net Cash From/(Used in) Financing Activities	42.85	(46.91)
Net Increase / (Decrease) in Cash and Cash Equivalents	48.20	(17.29)
Cash and Cash Equivalents at the Beginning of the Year	29.85	44.88
Cash and Cash Equivalents added on New Joint Ventures	51.44	-
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	129.49	29.85

The accompanying Schedules 1 to 17 are an integral part of the Accounts.

As per our report of even date attached.

For **Deloitte Haskins & Sells**

Chartered Accountants



K Sai Ram
Partner
M. No. 022360

Chennai
27th April 2006

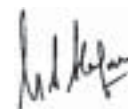


S Suresh
Company Secretary

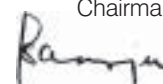


K Balasubramanian
Chief Financial Officer

On behalf of the Board



M A Alagappan
Chairman



Sumit Banerjee
Managing Director

Schedules Forming Part of the Consolidated Balance Sheet

01 SHARE CAPITAL

As at 31st March,

Rs. in Crores

	2006	2005
Authorised		
4,30,00,000 Equity Shares of Rs.10 each	43.00	43.00
Issued, Subscribed and Paid-up		
3,69,56,000 Equity Shares of Rs. 10 each fully paid up	36.95	36.95
	36.95	36.95

02 RESERVES AND SURPLUS

As at 31st March,

2006

2005

Capital Reserve	0.27	0.27
Capital Reserve on Consolidation	19.69	28.28
Securities Premium	94.11	94.11
Capital Redemption Reserve	6.15	6.15
Debenture Redemption Reserve \$	-	15.41
General Reserve	250.96	175.55
Balance in Profit & Loss Account	169.13	141.05
Adjustments on Consolidation	(14.46)	3.54
Total Reserves	525.85	464.36

\$ The amount of Rs. 15.41 Cr. has been transferred from Debenture Redemption Reserve to the General Reserve pursuant to the Redemption of Debentures.

03 SECURED LOANS

As at 31st March,

2006

2005

Non Convertible Debentures (Privately Placed)		
6.40 % Debentures	-	20.00
Loans and Advances from Banks		
- Foreign Currency Term Loans	50.00	61.03
- Rupee Term Loans-Banks	55.00	25.00
- Cash Credit and Other Borrowings	66.71	85.88
Other Term Loan	0.14	0.28
Share in Joint Ventures	296.09	-
	467.94	192.19

04 UNSECURED LOANS

As at 31st March,

2006

2005

Short Term Loans & Advances from Banks		
Foreign Currency Loan	15.62	13.60
Other Borrowings	30.00	-
Other Loans & Advances		
Sales Tax Deferral	26.83	22.33
Share in Joint Ventures	231.05	1.30
	303.50	37.23

Schedules Forming Part of the Consolidated Balance Sheet

05 FIXED ASSETS

	Rs. in Crores											
	Gross Block at Cost					Depreciation / Lease Amortisation					Net Block	
	As at 31.03.2005	Additions on Amalgamation	Additions	Deletions	As at 31.03.2006	As at 31.03.2005	Additions on Amalgamation	Additions (Note 1)	Deletions	As at 31.03.2006	As at 31.03.2006	As at 31.03.2005
Land (Freehold)	10.93	-	-	0.01	10.92	-	-	-	-	-	10.92	10.93
Land (Leasehold)	0.73	-	-	-	0.73	-	-	0.04	-	0.04	0.69	0.73
Buildings (Note 2)	83.12	-	8.81	0.57	91.36	21.98	-	4.06	0.29	25.75	65.61	61.14
Plant & Machinery	465.05	-	62.55	9.20	518.40	255.03	-	43.63	5.34	293.32	225.08	210.02
Railway Siding	0.21	-	-	-	0.21	0.08	-	0.02	-	0.10	0.11	0.13
Computer Software	2.85	-	0.45	-	3.30	1.59	-	1.32	-	2.91	0.39	1.26
Improvement to Premises	1.43	-	0.15	0.60	0.98	0.94	-	0.17	0.60	0.51	0.47	0.49
Furniture & Fixtures	11.05	-	1.33	2.01	10.37	7.72	-	1.26	1.06	7.92	2.45	3.33
Vehicles	6.23	-	2.77	2.01	6.99	1.87	-	2.34	0.97	3.24	3.75	4.36
TOTAL	581.60	-	76.06	14.40	643.26	289.21	-	52.84	8.26	333.79	309.47	292.39
PREVIOUS YEAR	443.94	96.00	51.21	9.55	581.60	211.16	45.07	40.75	7.77	289.21	292.39	232.78

Notes:

1. Includes depreciation amounting to Rs. 8.15 Cr. (Previous Year Rs. 0.76 Cr.) charged additionally on certain assets.
2. Net Block includes Improvement to Buildings constructed on Leasehold Land Rs. 4.12 Cr. (Prev Yr Rs. 3.94 Cr.)

Schedules Forming Part of the Consolidated Balance Sheet

06 INVESTMENTS	Rs. in Crores	
As at 31st March,	2006	2005
Long Term Investments (At Cost)		
Trade Investments:		
Equity Shares (Fully paid) - Quoted -Associates	-	149.87
Equity Shares (Fully paid) - Quoted -Others	-	15.99
Government Securities	133.54	140.57
Non-Trade Investments:		
Equity Shares (Fully paid) - Quoted	7.28	-
Equity Shares (Fully paid) - Unquoted	0.40	0.32
Preference Shares (Fully paid) - Unquoted	3.00	3.00
Others	71.84	58.16
Total - Long Term Investments - Short Term (At Cost)	216.06	367.91
Equity Shares (Fully paid) - Quoted	7.37	-
Others	61.03	-
Total - Short Term	68.40	-
Share in Joint Ventures	11.48	-
Total Investments	295.94	367.91

07 INVENTORIES (Lower of Cost (Net of Allowances) and Net Realisable Value)

As at 31st March,	2006	2005
Raw Materials	80.70	84.71
Work - in - Process	33.08	25.25
Finished Goods	45.27	31.23
Stores and Spare Parts	5.14	5.33
Materials - in - Transit	1.53	3.27
Share in Joint Ventures	0.73	0.74
	166.45	150.53

08 SUNDRY DEBTORS (Unsecured)

As at 31st March,	2006	2005
Outstanding for Over Six Months		
Considered Good	7.04	3.90
Considered Doubtful	9.74	7.56
	16.78	11.46
Others		
Considered Good	198.50	284.21
	215.28	295.67
Less : Provision for Doubtful Debts	9.74	7.56
	205.54	288.11
Share in Joint Ventures	4.41	0.60
	209.95	288.71

Schedules Forming Part of the Consolidated Balance Sheet

09 CASH AND BANK BALANCES

As at 31st March,	Rs. in Crores	
	2006	2005
Cash and Cheques on Hand	7.17	4.50
Balance with Scheduled Banks		
- On Current Accounts	97.98	25.08
- On Deposit Accounts	0.07	0.07
Share in Joint Ventures	24.27	0.20
	129.49	29.85

10 LOANS AND ADVANCES (Unsecured, Considered Good unless otherwise stated)

As at 31st March,	2006	2005
Advances Recoverable in Cash or in Kind or for Value to be Received		
(a) Considered Good	18.57	40.47
(b) Considered Doubtful	26.37	5.81
	44.94	46.28
Less : Provision for Doubtful Advances	5.81	5.81
	39.13	40.47
Sundry Deposits	14.25	8.41
Balance with Customs and Central Excise Authorities	10.39	4.69
Advance Taxes Paid	147.18	151.44
Less : Provision for Taxation	126.97	131.48
	20.21	19.96
Share in Joint Ventures	14.44	0.15
	98.42	73.68

Schedules Forming Part of the Consolidated Balance Sheet

11 CURRENT LIABILITIES AND PROVISIONS

As at 31st March,	Rs. in Crores	
	2006	2005
Current Liabilities		
Acceptances	42.13	26.39
Sundry Creditors		
- Dues to Small Scale Industrial Units	7.67	14.95
- Others	239.99	321.01
	247.66	335.96
Advances and Deposits from Customers / Others	3.31	3.68
Dues to Directors	0.38	0.41
Unpaid Dividend \$	65.34	0.51
Tax on Special Interim Dividend Payable	9.07	-
Unpaid Matured Debentures	0.03	0.01
Other Liabilities	6.43	6.65
Interest Accrued but Not Due	1.58	1.31
Share in Joint Ventures	21.74	-
	397.67	374.92
Provisions		
Dividend - Proposed - Final	22.17	25.87
Dividend Tax	3.11	3.63
Provision for Unexpired Risk	56.47	-
Provision for Leave Encashment	0.56	-
Share in Joint Ventures	4.20	1.21
	86.51	30.71

\$ Includes Special Interim Dividend of Rs. 64.67 Cr. declared by the Board on 23rd March, 2006.

Schedules Forming Part of the Consolidated Profit and Loss Accounts

12 OTHER INCOME

For the year ended 31st March,	2006	2005
Interest and Dividend Income	25.40	13.71
Royalty Income	0.53	0.66
Profit on Sale of Assets (Net) #	21.21	0.96
Profit on Sale of Investments (Net) \$	89.74	6.69
Miscellaneous Income	7.97	7.16
Share in Joint Ventures	1.94	-
	146.79	29.18

Profit on Sale of Assets includes Sale of Land and Building of Rs.21.42 Cr (Previous year Rs.1.25 Cr).

\$ Profit on Sale of Investments includes Sale of Long Term Investment of Rs.89.08 Cr (Previous year Rs.5.20 Cr).

Schedules Forming Part of the Consolidated Profit and Loss Accounts

13 ACCRETION TO STOCK

For the year ended 31st March,	Rs. in Crores	
	2006	2005
Opening Stock		
Work-in-Process	25.25	20.25
Finished Stock	31.23	20.32
	56.48	40.57
Taken Over on Amalgamation	-	9.41
Closing Stock		
Work-in-Process	33.08	25.25
Finished Stock	45.27	31.23
	78.35	56.48
Share in Joint Ventures	(0.08)	0.08
Accretion to Stock	(21.95)	(6.42)

14 EMPLOYEE COST

For the year ended 31st March,	2006	2005
Salaries, Wages and Bonus	96.54	82.64
Contribution to Provident and Other Funds	9.07	8.67
Welfare Expenses	10.81	10.22
Charge under Voluntary Retirement Scheme	0.18	-
Share in Joint Ventures	2.88	1.07
	119.48	102.60

Schedules Forming Part of the Consolidated Profit and Loss Accounts

15	OPERATING AND OTHER COSTS
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For the year ended 31st March,	Rs. in Crores	
	2006	2005
Consumption of Stores and Spares	63.27	62.29
Freight and Carriage Inwards	10.24	10.12
Sub Contract Charges	16.52	16.37
Power and Fuel	55.64	45.38
Rent	3.38	2.77
Repairs to Buildings	0.89	2.13
Repairs to Machinery	22.63	19.19
Insurance	0.09	0.06
Rates and Taxes	7.94	10.17
Travelling and Conveyance	13.71	12.30
Printing, Stationery and Communication	7.16	6.44
Freight, Delivery and Shipping Charges	42.22	42.14
Discounts / Incentives on Sales	26.11	27.20
Advertisement and Publicity	19.03	23.56
Bad Debts /Advances Written Off	1.16	2.62
Less : Provision Written Back	1.16	2.62
	-	-
Provision for Doubtful Debts	3.34	1.72
Provision for Doubtful Advances	-	5.81
Auditors' Remuneration	0.30	0.25
Directors' Remuneration (Including Managing Director's Remuneration)	1.23	1.19
Loss on Exchange Fluctuation	0.96	0.94
Other Expenses	36.94	32.26
Share in Joint Ventures	5.15	0.76
	336.75	323.05

Schedules Forming Part of the Consolidated Accounts

16 STATEMENT OF ACCOUNTING POLICIES

1. Principles of Consolidation

The Consolidated Financial Statements relate to Tube Investments of India Limited (the Company) and its Subsidiary Company, Associate and Joint Ventures.

- (i) The Financial Statements of the Company and its Subsidiary Company have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions, resulting in unrealised profits or losses as per Accounting Standard 21 – Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
- (ii) Investment in the Associate has been accounted under the Equity method as per Accounting Standard 23 – Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
- (iii) Interest in Joint Ventures has been accounted by using the proportionate consolidation method as per Accounting Standard 27 – Financial Reporting of Interests in Joint Ventures issued by the Institute of Chartered Accountants of India.
- (iv) The Financial Statements of the Subsidiary, Associate and Joint Ventures used in the Consolidation are drawn upto the same reporting date as that of the Company i.e. 31st March 2006 except for one Joint Venture for which the financial statements as on the reporting date are not available and hence, have been consolidated based on the latest available financial statements.
- (v) The excess of Cost to the Company of its Investment in the Subsidiary Company and Joint Ventures over the Company's portion of the Equity is recognised in the Financial Statement as Goodwill.
- (vi) The excess of the Company's portion of Equity of the Subsidiary Company and Joint Ventures on the acquisition date over its Cost of Investment is treated as Capital Reserve.
- (vii) Minority Interest in Net Assets of the Consolidated Subsidiary consist of:
 - a) The amount of Equity attributable to Minorities at the date on which the investment in the Subsidiary is made: and
 - b) The Minorities' share of movements in Equity since the date the Parent Subsidiary relationship came into existence.
- (viii) Minority Interest share of Net Profit for the year of the Consolidated Subsidiary is identified and adjusted against the Profit after Tax of the Group.
- (ix) Intra Group Balances and Intra Group Transactions and resulting unrealised Profit / Losses have been eliminated.

Schedules Forming Part of the Consolidated Accounts

16 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

2. The list of Subsidiary Companies, Associates and Joint Ventures and the Company's holding therein are as under:

Company	Relationship	Country of Incorporation	Proportion of Ownership	
			2005-2006	2004-2005
Cholamandalam MS General Insurance Company Limited (MSGICL)	Subsidiary	India	74.00%	55.47%
Cholamandalam DBS Finance Limited (CDFL) (formerly known as Cholamandalam Investment and Finance Company Limited)	Joint Venture (Note 1)	India	30.93%	48.81%
Borg Warner Morse TEC Murugappa Private Limited (Borg Warner)	Joint Venture	India	26.00%	26.00%
Cholamandalam MS Risk Services Limited (CMSRSL)	Joint Venture (Note 2)	India	49.50%	-

Notes:

- Cholamandalam DBS Finance Limited (CDFL) (formerly known as Cholamandalam Investment and Finance Company Limited (CIFCL)) was an Associate Company upto 3rd January 2006. Consequent upon the Shareholders Agreement dated 16th June 2005 entered into between DBS Bank Limited, the erstwhile CIFCL and the Company and pursuant to DBS Bank Limited acquiring a stake of 37.5% of the total paid up Equity Share Capital of the erstwhile CIFCL, CDFL has become a Joint Venture with effect from 4th January 2006.
- CMSRSL became a Joint Venture of the Company with effect from 4th January 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

(i) Accounting Convention

The financial statements are prepared under historical cost convention in accordance with the generally accepted accounting principles in India.

One of the Company's Joint Ventures follows prudential norms for income recognition and provisioning of non-performing assets as prescribed by Reserve Bank of India for Non-Banking Finance Companies.

(ii) Use of Estimates

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates.

Schedules Forming Part of the Consolidated Accounts

16 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

(iii) Fixed Assets and Depreciation / Amortisation

- a. All assets are stated at cost (net of CENVAT/VAT as 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 acquired from abroad 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, furniture and fixtures and motor cars is provided under the 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, furniture and fixtures are depreciated over five years and motor cars are depreciated over four 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 also has a system of providing additional depreciation, where in the opinion of the management, the recovery of the asset is likely to be affected by the variation in demand and/or their condition/usability.
- f. Individual assets whose actual cost does not exceed Rs. 5,000/- are fully depreciated in the year of acquisition.
- g. Lease hold land is amortised over the remaining period of the lease.
- h. Depreciation on fixed assets for the Subsidiary / Joint Venture are provided based on the Straight Line Method (SLM) at the rates and in the manner prescribed in the Schedule XIV of the Companies Act, 1956 except for the following based on the management's assessment of the estimated useful life of these assets.

	CMSGICL	CDFL
Information Technology Equipment	3 years	-
Computer Software	1 – 3 Years	-
Vehicles	4 Years	-
Office Equipment	4 Years	-
Electrical Fittings	4 Years	-
Improvement to Premises	-	5 Years
Buildings	-	20 Years
Furniture Fittings	4 Years	-

In one of the Company's Joint Ventures, leased assets are fully depreciated over the primary lease period (ranging between 2 and 9 years), by a method under which the interest rate implicit in the lease is calculated and is applied on the outstanding investment on lease to calculate the finance earnings for the period and the difference between the lease rentals and finance earnings is charged as depreciation which is adequate to cover the requirement of statutory depreciation under Section 205(2)(b) of the Companies Act, 1956.

Goodwill arising on Consolidation is not amortised.

Schedules Forming Part of the Consolidated Accounts

16	SIGNIFICANT ACCOUNTING POLICIES (Contd.)
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(iv) Investments

- a. Long term investments are carried at cost. Diminution in the value of investments, other than temporary, is provided for.
- b. Current investments are carried at lower of cost and fair value.
- c. Equity and Derivative Instruments of Subsidiary –
 - i. Listed and Actively traded Equity Securities – Stated at Lowest of the Last day's quoted price on the National Stock Exchange. The change in the value is credited / (debited) to the "Fair Value Change Account".
 - ii. Unlisted and Not-actively Traded - stated at their cost of acquisition less provision for diminution in the value.

(v) 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 and VAT.
- b. Work-in-process and finished goods 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. Due allowance is estimated and made for slow/ non-moving items.
- d. In one of the Joint Ventures, tools are written off over a period of 24 months.

(vi) Revenue Recognition

- a. Sales are recognised on shipment or on unconditional appropriation of goods in accordance with the terms of the sale and comprise amounts invoiced for the goods, including excise duty, but net of sales tax.
- b. Export benefits are accounted for in the year of exports based on eligibility and when there is no uncertainty in receiving the same.
- c. Dividend income on investments is accounted for when the right to receive the payment is established.
- d. In the case of the Company's subsidiary:
 - (i) 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.
 - (ii) 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 and 100 percent for marine (Hull) business. In case of Long-term policies, risk reserves are crested on actuarial valuation.
 - (iii) Interest income is recognised on accrual basis and is net of accretion of discount or amortisation of premium over the balance period of maturity / holding.
 - (iv) Reinsurance premium ceded is accounted in the year of commencement of risk in accordance with treaty arrangements with re insurers. Non-promotional reinsurance cost is recognised when incurred and included in the premium on reinsurance ceded.
 - (v) 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.

Schedules Forming Part of the Consolidated Accounts

16 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

- (vi) Claims incurred (net) are net of salvage value and other recoveries, if any.
- (vii) 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, and includes provision for solatium fund.
- (viii) 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.
- (ix) In respect of incoming co-insurance, claims are accounted based on intimations received from co-insurers.
- (x) Premium deficiency is calculated based on actuarial studies duly certified by the Appointed Actuary.

(vii) Retirement Benefits

- a. Contributions are made to the Company's Employees Provident Fund Trust in accordance with the fund rules. In its Subsidiary, Provident Fund and Employee Pension Scheme Contributions are remitted to the Regional Provident Fund Authority at the prescribed rate and are charged to the revenue account as incurred.
- b. The Company contributes a sum equivalent to 15% of eligible employees salary to a Superannuation Fund administered by trustees and managed by Life Insurance Corporation of India (LIC). The Company has no liability for future superannuation fund benefits other than its annual contribution and recognises such contribution as an expense in the year incurred.
- c. The Company makes annual contribution to a Gratuity Fund administered by trustees and managed by LIC. The Company accounts for the liability for future gratuity benefits based on actuarial valuation determined every year by LIC.
- d. The Company makes annual contribution to the Group Leave Encashment Scheme managed by LIC. The Company accounts for its liability for future leave encashment on the basis of an actuarial valuation determined every year by LIC.
- e. Payment of compensation to employees under Voluntary Retirement Scheme is expensed in the period in which it is incurred.

(viii) Foreign Currency Transactions

Foreign Currency Transactions are accounted at the exchange rates ruling on the date of the transactions. Foreign currency monetary items as at the Balance Sheet date are restated at the closing exchange rates. Exchange differences arising on actual payments/realisations and year-end restatements are dealt with in the profit and loss account.

The Company enters into forward exchange contracts and other instruments that are in substance a forward exchange contract to hedge its risks associated with foreign currency fluctuations. The premium or discount arising at the inception of a forward exchange contract or similar instrument is amortised as expense or income over the life of the contract. Exchange differences on such a contract are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation of a forward exchange contract or similar instrument is recognised as income or expense for the year.

Schedules Forming Part of the Consolidated Accounts

16 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

(ix) Research and Development

Revenue expenditure on research and development is expensed when incurred. Capital expenditure on research and development is capitalised under fixed assets and depreciated in accordance with Item 3(iii) above.

(x) Income Tax

Current tax is the amount of tax payable on the taxable income for the year and determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised if there is virtual certainty that there will be sufficient future taxable income available to realise such losses. Other deferred tax assets are recognised if there is reasonable certainty that there will be sufficient future taxable income available to realise such assets.

(xi) Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

(xii) Segment Accounting

- a. The generally accepted accounting principles used in the preparation of the financial statements are applied to record revenue and expenditure in individual segments.
- b. 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 of the segments.
- c. Expenses that are directly identifiable to segments are considered for determining the segment result. Expenses which relate to the Group as a whole and are not allocable to segments are included under unallocated corporate expenses.
- d. Segments assets and liabilities include those directly identifiable with the respective segments. Unallocated corporate assets and liabilities represent the assets and liabilities that relate to the Group as a whole and not allocable to any segment.

Schedules Forming Part of the Consolidated Accounts

17 NOTES ON ACCOUNTS

1. Contingent Liabilities

Particulars	Rs. in Crores	
	As at 31.03.2006	As at 31.03.2005
a) Estimated amount of contracts remaining to be executed on capital account and not provided for	38.44	35.56
b) Disputed Income-tax demands from assessment years 1993-94 to 2003-04 under appeal pending before various appellate authorities against which Rs. 18.50 Cr. has been deposited. The balance of Rs. 62.94 Cr. not deposited includes a demand for Rs. 58.17 Cr. (excluding penalties which have not been quantified) raised in March 2006, in respect of Assessment Year 1998-99. The aforesaid demand for Rs. 58.17 Cr. is arbitrary and based on assumptions and the Company has filed necessary appeal with the Income Tax Department. The management is of the opinion that all the above demands are not sustainable.	81.44	26.60
c) Cases decided in favour of the Company against which the department has gone on appeal		
- Income Tax	1.97	-
- Excise	0.16	-
d) Bills Drawn on Customers and Discounted with Banks	17.16	7.09
e) Counter Guarantee Provided to Banks	1.43	0.84
f) Sales Tax Pending before Appellate Authorities in respect of which the JV is in appeal and expects to succeed based on decision in earlier years	1.13	1.13
g) Other Tax Issues / Statutory Demands in respect of which the JV is in appeal	0.29	0.25

Note:

Show cause notices received from various Government Agencies pending formal demand notices, have not been considered as contingent liabilities.

2. Deferred Tax Movement

The net deferred tax liability of Rs.40.84 Cr. as at 31st March 2006 (Previous Year - Rs. 32.71 Cr.) comprises the following:

Nature - (Asset) / Liability	As at 31.03.2006
Deferred Tax Liabilities	
Difference between the written down value of assets as per Books of Account and the Income Tax Act, 1961	50.21
Unamortised Miscellaneous Expenditure	0.44
Provision for Leave Encashment	0.00
Total (A)	50.65

Schedules Forming Part of the Consolidated Accounts

17	NOTES ON ACCOUNTS (Contd.)
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Nature - (Asset) / Liability	Rs. in Crores
	As at 31.03.2006
Deferred Tax Assets	
Deferred Revenue Expenses	(1.64)
Provision for Doubtful Debts / Advances	(5.25)
Provision for Non-performing Assets	(1.15)
Provision for Credit Enhancements and Servicing Costs on Assets De-recognised	(0.13)
Provision for Repossessed stock	(0.17)
Others	(1.47)
Total (B)	(9.81)
Net Deferred Tax Liability (A-B)	40.84

Schedules Forming Part of the Consolidated Accounts

17 NOTES ON ACCOUNTS (Contd.)

PARTICULARS	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
	Rs. in Crores													
REVENUE														
External sales	465.86	482.40	726.20	713.79	268.88	253.55	85.47	68.24	19.66	3.03	-	0.00	1566.07	1521.01
Inter-segment sales	-	0.00	33.16	40.56	0.30	0.14	2.93	2.80	-	-	(36.39)	(43.50)	0.00	(0.00)
Total Revenue	465.86	482.40	759.36	754.35	269.18	253.69	88.40	71.04	19.66	3.03	(36.39)	(43.50)	1566.07	1521.01
Unallocated Corporate expenses	-	-	-	-	-	-	-	-	-	-	-	-	(4.14)	(20.25)
RESULT														
Operating profit	12.77	20.41	108.41	91.70	46.84	39.59	(2.50)	(3.34)	3.78	(1.06)	-	0.00	165.16	127.05
Profit/(Loss) on Sale of Assets	(0.04)	0.11	0.13	(0.04)	0.06	(0.12)	-	-	-	-	-	-	0.15	(0.05)
Net Operating Profit	12.73	20.52	108.54	91.66	46.90	39.47	(2.50)	(3.34)	3.78	(1.06)	0.00	0.00	165.31	127.00
Dividend income	-	-	-	-	-	-	-	-	-	-	-	-	12.84	4.02
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	(20.99)	(14.61)
Income taxes	-	-	-	-	-	-	-	-	-	-	-	-	(64.36)	(27.67)
Profit on Sale of Investments	-	-	-	-	-	-	-	-	-	-	-	-	89.74	5.37
Share of Associates Profit / (Loss)	-	-	-	-	-	-	-	-	-	-	-	-	3.75	15.03
Minority Interest in Net Income	-	-	-	-	-	-	-	-	-	-	-	-	0.81	1.49
Net profit	12.73	20.52	108.54	91.66	46.90	39.47	(2.50)	(3.34)	3.78	(1.06)	0.00	0.00	187.10	110.63
OTHER INFORMATION														
Segment assets	159.17	222.59	427.52	377.46	217.26	172.44	259.37	231.56	657.11	4.42	(8.94)	(7.59)	1711.49	1000.88
Unallocated corporate assets	-	-	-	-	-	-	-	-	-	-	-	-	180.58	226.38
Total assets	159.17	222.59	427.52	377.46	217.26	172.44	259.37	231.56	657.11	4.42	(8.94)	(7.59)	1892.08	1227.26
Segment liabilities	70.27	107.40	101.53	120.18	51.89	44.35	133.13	102.18	25.94	1.21	(8.94)	(7.59)	373.82	367.73
Unallocated corporate liabilities	-	-	-	-	-	-	-	-	-	-	-	-	110.36	37.90
Total Liabilities	70.27	107.40	101.53	120.18	51.89	44.35	133.13	102.18	25.93	1.21	(8.94)	(7.59)	484.18	405.63
Capital expenditure	5.10	8.66	74.58	29.86	46.75	9.52	3.43	5.24	5.09	0.02	-	-	134.95	53.30
Unallocated corporate capital expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	5.74	4.86	20.58	18.86	12.93	10.21	4.28	2.94	0.72	0.19	-	-	5.34	5.89
Unallocated corporate depreciation	-	-	-	-	-	-	-	-	-	-	-	-	9.31	3.88

Schedules Forming Part of the Consolidated Accounts

17 NOTES ON ACCOUNTS (Contd.)

(B) SECONDARY SEGMENT

Revenue	Rs. in Crores	
	2005-06	2004-05
Europe	45.47	45.78
North America	57.18	58.52
India	1405.89	1331.21
Rest of the world	57.53	85.50
TOTAL	1566.07	1521.01

All the Fixed Assets are located in India.

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

a) List of Related Parties

I. Company having substantial interest in Voting Power in Cholamandalam MS General Insurance Company Limited

Mitsui Sumitomo Insurance Company Limited.

II. Key Management Personnel (KMP)

Adhiraj Sarin - Managing Director (Upto 31st January 2006)

Arun Agarwal

Junichi Kitamura

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

Transaction	Related party	Rs. in Crores	
		2005-06	2004-05
Rentals Received / Recovered	Mitsui Sumitomo Insurance Company Limited.	0.17	0.17
Management Expenses (a) Paid/Payable (b) Recovery	Mitsui Sumitomo Insurance Company Limited.	0.03 0.02	0.17 0.03
Reinsurance Ceded	Mitsui Sumitomo Insurance Company Limited.	16.44	9.98
Reinsurance Commission Received	Mitsui Sumitomo Insurance Company Limited.	5.22	3.29
Reinsurance Recovery on claims	Mitsui Sumitomo Insurance Company Limited.	1.75	3.42
Cost of Staff on Deputation	Mitsui Sumitomo Insurance Company Limited.	(0.04)	0.53
Remuneration	Arun Agarwal –Managing Director	0.73	0.63
Balance at Year End			
Payable (Net) – Claims Outstanding	Mitsui Sumitomo Insurance Company Limited.	-	1.14
Receivable (Net) – Due from other Entities Carrying on Insurance Business	Mitsui Sumitomo Insurance Company Limited.	0.22	-

Schedules Forming Part of the Consolidated Accounts

17 | NOTES ON ACCOUNTS (Contd.)

5. Earnings Per Share

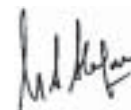
Particulars	2005-2006	2004-2005
Profit after Taxation – Rs. in Crores	187.10	110.63
Earnings Per Share (Basic & Diluted)	50.63	29.94
Weighted Average Number of Shares	3,69,56,000	3,69,56,000
Face Value per Share – Rs.	10	10

6. Previous Year's Figures

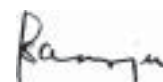
Figures for the previous year have been re-grouped wherever necessary.

Signatures to Schedules 1 to 17.

On behalf of the Board



M A Alagappan
Chairman



Sumit Banerjee
Managing Director



S Suresh
Company Secretary



K Balasubramanian
Chief Financial Officer

Chennai
27th April 2006

Values & Beliefs

- Adhere to ethical norms in all dealings with shareholders, employees, customers, suppliers, financial institutions and government.
- Provide value-for-money to customers through quality products and services.
- Treat our people with respect and concern; provide opportunities to learn, contribute and advance, recognise and reward initiative, innovativeness and creativity.
- Maintain:
 - An organisational climate conducive to trust, open communications and team spirit.
 - A style of operation befitting our size, but reflecting moderation and humility.
- Manage the environment effectively for harnessing opportunities.
- Discharge responsibilities to various sections of society and preserve the environment.
- Grow in an accelerated manner, consistent with values and beliefs, by continuous organisational renewal.

“The fundamental principle of economic activity is that no man you transact with will lose; then you shall not.”

- Arthasasthra