INDIA Tube Investments of India Limited

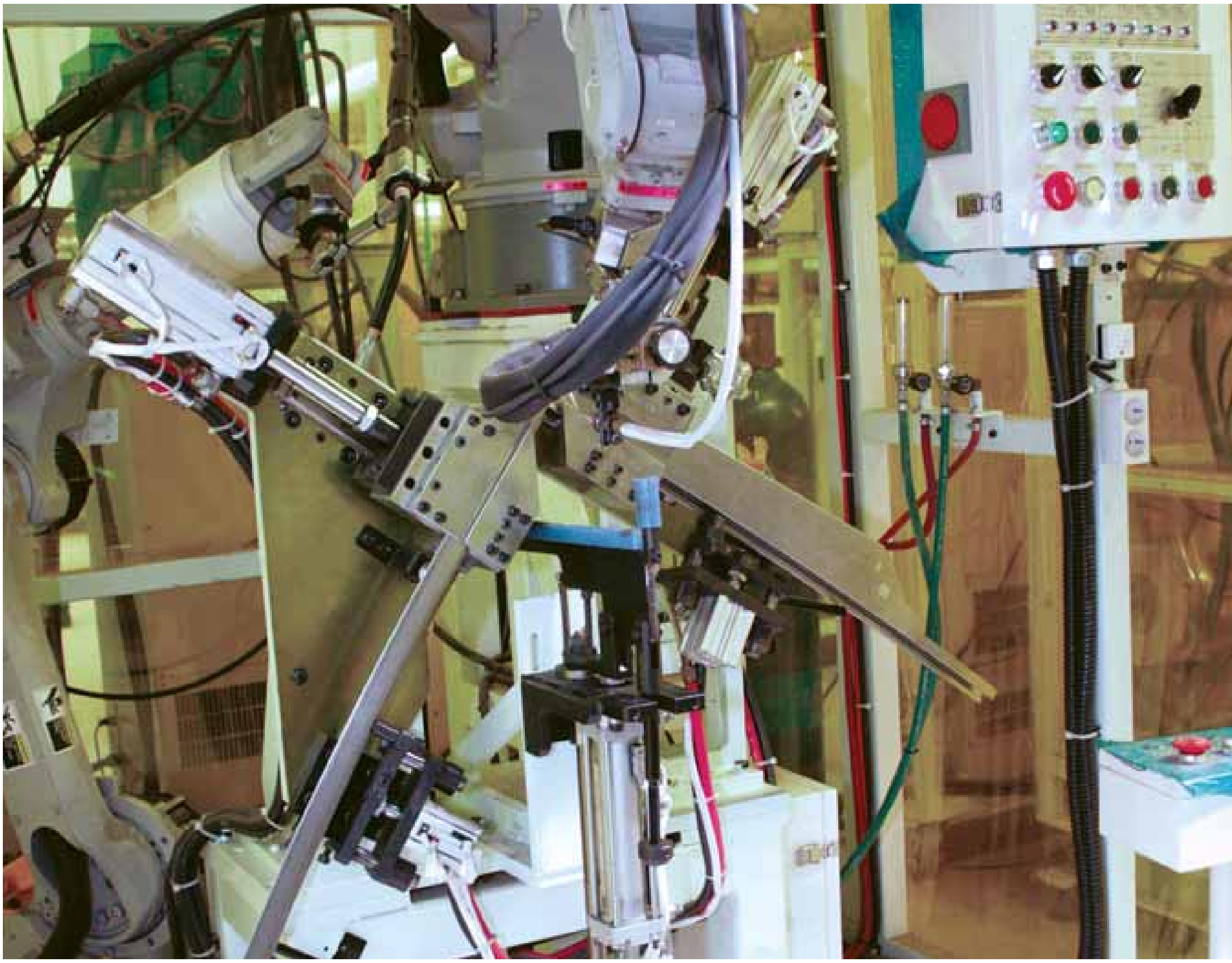
partnering in progress ...

Annual Report 2006-07

Cautionary Statement

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

Contents



Robotic welding of a car doorframe

Leveraging advanced metal-forming and metal-joining technologies for critical, high precision auto applications.

partnering in technology

Technology plays a pivotal role in enhancing customer experience. We, at TI track emerging trends in technologies and adapt them to suit our customers' requirements. The binding effect of advanced technology coupled with the appropriate production practices ensure optimum benefits to our customers.

New doorframe plant coming up at Pune

TI commenced servicing the growing passenger car industry in the mid 90s with a roll formed doorframe plant at Bawal in Haryana. Today, TI has grown with the Indian passenger car industry and has located three more plants adjacent to major car facilities at Chennai, Halol and Pune.

partnering in growth

Customers have always been our growth stimulators and we take immense pride and satisfaction in partnering them in their growth. In the process of growing together, we have partnered many success stories. We provide customer-centric value additions and services to our partners such as dedicated plants, value-add centres and contemporary retail outlets.

The see-feel-try-buy option

Re-engineered the supply chain to service our channel partners “just in time”, releasing valuable space and resources which in-turn resulted in a better buying experience for our customers.

partnering in profitability

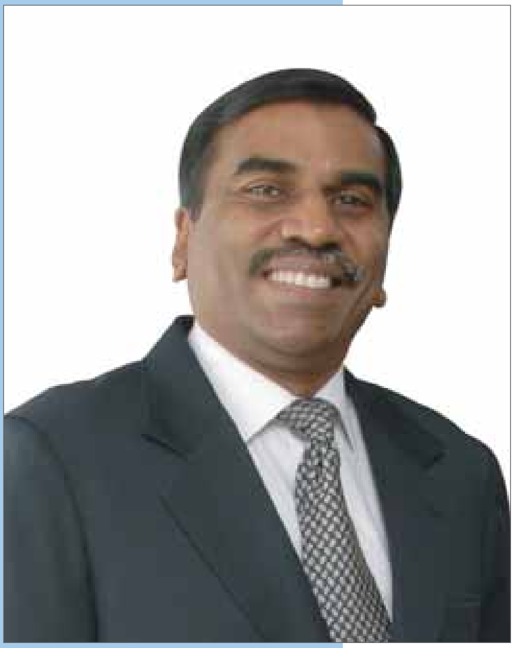
All our endeavours are aimed at improving profitability of our customers, including our channel partners. We, in turn, benefit from it, too. Our profitability is a result of our accountability to bring out the best suitable methodology and application beneficial to our customers, adhering to standards of excellence.

A range of chains, tubular & fine-blanked components

Innovative tube manipulation techniques and leveraging Computer Aided Engineering (CAE) tools have resulted in several value engineering propositions finding commercial acceptance and usage.

partnering in success

We take pride in every success of our customers since we have partnered with them over the years. We not only provide valuable business solutions but also enable their success in every manner possible. All our customer-centric ventures have enabled us forge fruitful relationships in terms of value, growth and profitability and in-turn helped us re-define success.



> Providing valuable business appreciations and building strong relationships with customers will be the corner stones in our continuing journey towards excellence

Dear Shareholders,

It is indeed a great honour and privilege to write to you for the first time as Chairman of your Company. First, I would like to acknowledge and appreciate the immense contribution made towards the successful progress of TI by Mr Alagappan, who stepped down from Chairmanship on 31st October 2006 consequent upon his assuming other responsibilities. On behalf of your Board of Directors, and all of you, I would like to wish him all success.

The Indian economy continued its strong growth trajectory in 2006-07 in almost all sectors. However, the challenges caused by fluctuating inflation, higher interest rates, need for better infrastructure and the strong Rupee continue to have an adverse impact on the economy. Quite naturally, these have a significant impact on your Company's operations as well, particularly with increasing input material costs and strong competition from both, Indian and overseas companies in the markets we serve.

Despite these trends and with a focus on the larger long-term opportunities, all divisions of the Company performed reasonably well during the year under review. The strategic direction of building partnerships through technology, design, and value added services continues. This, in our view will enhance our customer engagement and participate in their progress.

The automobile industry forms an important customer base for your Company. While there has been considerable growth in the passenger car segment, the motorcycle segment has witnessed inventory corrections. Further, there are indications of a lower rate of growth in this segment as also in commercial vehicles. Consequently, our service and product offerings to these segments witnessed similar trends. With the increasing competition impacting the profitability of companies in the automotive manufacturing sector, there was a consequent impact on your Company. Rising input material costs could not be passed on entirely to customers in all product lines viz., tubes, chains and metal forming. However, more comprehensive technology partnerships with all customers have helped maintain business volumes across these product lines.

Given such competitive pressures and with a likelihood of these trends continuing in the future, your Company has embarked on a large capital expenditure programme in 2007-08.

This programme includes new plants in Uttarakhand across product lines serving the automotive and railway sectors, modernisation of existing plants thus enhancing competitiveness, investments in research, development and reliability testing to enhance all round quality and reliability. These investments will stand the Company well to address market opportunities with customers worldwide, again through comprehensive partnerships. To strengthen customer relationships through application support, the North American office was set up in the United States in August 2006. With application specialists based at this office, there is much greater customer interaction and increasing interest in tubes and chains. With these investments in our manufacturing plants and in building and developing the capability of our people, we will see greater opportunities in the Indian markets and worldwide in 2007-08 and beyond.

Our bicycle business had a very good year. Quite apart from enhancing quality standards, our fundamental approach towards marketing and distribution was changed to offer our customers better buying experiences through the BSA-GO retail stores. As of this writing, there are 16 such stores with more to be opened across India during 2007-08. This initiative will provide a platform for the Company to enter the specialist retail segment centered around the bicycling experience. In addition to this initiative, distribution and logistics were strengthened to ensure greater availability of products across the range of customer segments from kids to adults.

Providing valuable business appreciations and building strong relationships with customers will be the corner stones in our continuing journey towards excellence. In this effort we have as a team, and me personally, received much encouragement and support from our Board of Directors. We most appreciate their active involvement with the strategies and operations of the Company. They have challenged us to perform better and also supported us with their vast experiences and wise counsel. I am indeed very grateful to them. Mr N Srinivasan, Director – Finance of the Murugappa Group joined the Board on 29th January 2007. I wish to thank him for accepting our invitation and look forward to his contributions to this Company.

The current year started on a positive note. While the challenges of 2006-07 remain in 2007-08, the TI team has committed itself to improving and enhancing all round performance standards. Cost management and risk mitigation strategies are being put in place while addressing business growth opportunities. Despite many challenges, our outlook remains positive. May I take this opportunity to thank you for your confidence in and support to TI.

Yours sincerely,

M M Murugappan

M M Murugappan
Chairman

10-Year Financials

Rupees in Crores

	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07
OPERATING RESULTS										
Sales (Including Excise Duty)	607.93	677.35	979.93	1,090.02	1,074.47	1,197.13	1,257.34	1,562.58	1,584.18	1,761.84
Profit before Depreciation, Interest & Tax	60.21	65.69	92.80	104.09	98.53	105.82	147.39	178.50	307.09	256.99
Profit before Interest & Tax	40.52	43.46	63.22	70.50	70.72	77.65	117.79	140.69	258.53	206.60
Profit before Tax (PBT)	17.44	21.50	41.34	50.91	55.34	62.45	105.30	126.18	245.63	195.31
Profit after Tax (PAT)	16.01	21.08	32.84	36.16	36.27	45.89	82.49	98.55	182.93	155.78
Dividends	4.92	6.16	9.85	12.31	13.54	16.63	18.47	25.87	86.84	27.71
Dividend Tax	0.49	0.65	1.08	1.26	-	2.13	2.37	3.63	12.18	4.71
Retained Profits	10.60	14.27	21.91	22.59	22.73	27.13	61.65	69.05	83.91	123.36
SOURCES AND APPLICATION OF FUNDS										
SOURCES OF FUNDS :										
Share Capital	24.62	24.62	24.62	24.62	24.62	18.47	18.47	36.95	36.95	36.95
Reserves & Surplus	318.96	318.59	340.33	362.75	347.01	315.18	376.83	411.24	495.15	618.90
Net Worth	343.58	343.21	364.95	387.37	371.63	333.65	395.30	448.19	532.10	655.85
Debt	145.09	137.73	181.16	174.27	174.25	262.20	215.64	228.12	244.30	206.45
Deferred Tax Liability (Net)	-	-	-	-	35.82	31.98	31.79	32.71	41.50	41.83
Funds Employed	488.67	480.94	546.11	561.64	581.70	627.83	642.73	709.02	817.90	904.13
APPLICATION OF FUNDS :										
Gross Fixed Assets	310.55	368.30	391.68	419.06	418.72	406.08	432.30	566.43	626.01	734.06
Depreciation	102.65	124.06	139.02	164.41	175.46	180.75	206.65	282.96	324.44	369.82
Net Fixed Assets	207.91	244.24	252.66	254.65	243.26	225.33	225.65	283.47	301.57	364.24
Capital Work-In-Progress	35.38	5.01	6.68	9.85	2.14	2.93	13.66	21.42	80.49	105.54
Investments	83.16	52.68	66.21	58.58	97.13	174.55	204.17	189.71	235.86	190.55
Gross Current Assets	283.83	288.18	393.48	392.41	412.17	449.78	440.77	516.91	539.62	596.62
Current liabilities & Provisions	122.97	118.20	178.76	165.67	205.96	256.46	262.95	302.49	339.64	352.82
Net Current Assets	160.86	169.98	214.72	226.74	206.21	193.32	177.82	214.42	199.98	243.80
Deferred Revenue Expenditure	1.36	9.03	5.85	11.82	32.96	31.70	21.43	-	-	-
Net Assets Employed	488.67	480.94	546.11	561.64	581.70	627.83	642.73	709.02	817.90	904.13
RATIOS :										
ROCE (%) #	8.29	9.04	11.58	12.55	12.16	12.37	18.33	19.84	31.61	22.85
PBT To Sales (%)	2.87	3.17	4.22	4.67	5.15	5.22	8.37	8.08	15.51	11.09
Return on Networth (%) (+)	4.75	6.41	9.27	9.75	10.71	15.20	22.06	21.99	34.38	23.75
Earnings Per Share (Rs.)	6.50	8.56	13.34	14.69	14.73	19.46	22.32	26.67	9.90	8.43
Dividend Per Share (Rs.)	2.00	2.50	4.00	5.00	5.50	9.00	10.00	7.00	4.70	1.50
Book Value Per Share (Rs.)	136.80	133.64	143.83	150.58	137.55	163.46	202.39	121.28	28.80	35.49
Debt Equity Ratio(%) @ (+)	43.07	41.85	51.15	47.00	51.45	86.83	57.68	50.90	45.91	31.48
Fixed Assets Turnover (times)	2.92	2.77	3.88	4.28	4.42	5.31	5.57	5.51	5.25	4.84
Net Working Capital Turnover (times)	3.78	3.98	4.56	4.81	5.21	6.19	7.07	7.29	7.92	7.23

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.

Corporate Information

BOARD OF DIRECTORS

- M M Murugappan, *Chairman*
- Amal Ganguli
- D Jayavarthanavelu
- Pradeep Mallick
- Ram V Tyagarajan
- S Sandilya
- N Srinivasan
- R Srinivasan
- Tapan Mitra

COMPANY SECRETARY

S Suresh

REGISTERED OFFICE

'Dare House'
234, N S C Bose Road, Chennai 600 001

PLANTS

Tube Products of India, Avadi, Chennai
Tube Products of India, Ambattur, Chennai
Tube Products of India, Shirwal, Satara District
Tube Products of India, Mohali
TIDC India, Ambattur, Chennai
TIDC India, Kazipally, Medak District
TI Metal Forming, Nemilicherry, Chennai
TI Metal Forming, Kakkalur
TI Metal Forming, Bawal
TI Metal Forming, Halol
TI Metal Forming, Pune
TI Cycles of India, Ambattur, Chennai
TI Cycles of India, Nashik
TI Cycles of India, NOIDA

AUDITORS

DELOITTE HASKINS & SELLS
Chartered Accountants

BANKERS

- Bank of America
- Bank of Baroda
- Standard Chartered Bank
- State Bank of India
- The Hongkong & Shanghai Banking Corporation Limited

Directors' Profile

Mr. M M Murugappan, Chairman

Mr. M M Murugappan (51 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. Amal Ganguli, Non-Executive Director

Mr. Amal Ganguli (67 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 Videsh Sanchar Nigam Limited.

Dr. D Jayavarthanavelu, Non-Executive Director

Dr. D Jayavarthanavelu (66 years) is a graduate in Engineering. He also holds B.S. Textiles from Philadelphia College of Textiles and Science, USA. He joined the Board in August 1997. He is currently Chairman and Managing Director of Lakshmi Machine Works Limited. He is also on the Board of various companies including Lakshmi Electrical Control Systems Limited and Lakshmi Mills Limited.

Mr. Pradeep Mallick, Non-Executive Director

Mr. Pradeep Mallick (64 years) holds a 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 (56 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 Ltd. He is on the Board of various companies including Terra Energy Limited and Shreevastava Industries Ltd.

Mr. S Sandilya, Non-Executive Director

Mr. S Sandilya (59 years) is a Commerce Graduate with an MBA from The Indian Institute of Management, Ahmedabad. He joined the Board in January, 2005. He is presently Group Chairman and Chief Executive, Eicher Group. He is on the Board of various companies including Rane Brake Lininings Ltd and GMR Industries Ltd.

Mr. N Srinivasan, Non-Executive Director

Mr. N Srinivasan (49 years) is a Chartered Accountant and Company Secretary. He joined the Board in January, 2007. He is on the Board of Cholamandalam DBS Finance Ltd.

Mr. R Srinivasan, Non-Executive Director

Mr. R Srinivasan (65 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 (67 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.

Management Discussion and Analysis

OVERVIEW

The Company has two distinct businesses viz. the bicycle business and the engineering business. The operating models of these two businesses are different in terms of the nature of the products, customer profile, challenges and growth avenues.

Established five decades ago as an integrated bicycle manufacturer, the bicycle business now operates on a disaggregated manufacturing model with a retail customer focus. TI Cycles is one of the largest players in India with well known brands, including "Hercules" and "BSA".

In the engineering business, the Company is engaged in the manufacture of metal formed intermediate products comprising steel strips & tubes, industrial & automotive chains, car doorframes and fine blanked products. The Company's capabilities in conversion of steel include roll forming, precision welding, stretch-bending, stamping & fine blanking and hydro-forming. The Company is the market leader in high end cold drawn welded tubes enjoying a sizeable share in the Indian auto component market. The Company is the second largest supplier of automotive chains to the two wheeler manufacturers in India and holds a significant share of the after-market. The Company is a large exporter of industrial chains and also the market leader in roll-formed car doorframes catering to most of the car manufacturers in India.

BUSINESS REVIEW

Bicycles

Industry Scenario

India is one of the largest bicycle manufacturing countries in the world. Apart from a few large bicycle manufacturing companies, the industry is filled with a number of smaller players. Many bicycle component manufacturers are located in and around Ludhiana. The annual production of the Indian bicycle industry is estimated to be in excess of 10 Million with the major players accounting for nearly 90 per cent of the market.

The Indian bicycle market is primarily a retail market with innumerable dealers and sub-dealers spread across the country. Apart from the retail market, the institutional segment has been growing in recent years. Many State Governments have recognised the power of the bicycle to give mobility and independence to children, especially girl children, from economically deprived families, and hence started schemes to give free bicycles to such children.

The "Standard" bicycles cater to the transportation needs of the common man while the "Special" bicycles cater to the aspirations of the urban and semi-urban kids and youth. Growth in the standard segment is expected on account of the considerable improvement in the standard of living of the general public, particularly in the rural and semi-urban areas. The changing consumer trends, with increasing preference for life style products and also emphasis on health and leisure, drive the growth for the "specials" category of bicycles.

Some of the major factors that dampen the growth of the Indian bicycle industry are:

- Lack of road infrastructure such as "bicycle lanes" available in the developed countries
- Reluctance among the bicycle dealers to invest in upgradation of retail outlets to provide a better buying experience to the customer similar to that in the case of consumer durables.
- Considerable increase in the price of steel, rubber, nickel and other inputs.

Review of Performance

The performance of the bicycle business during the year under review was promising for a number of reasons. The turnover improved by 9.7 per cent over the previous year with an increase of 5.5 per cent in volume. The Company is conscious that cost control alone would not produce the desired results, unless equal importance is given to quality of product and service levels. The improvement in performance during the last year enhances the commitment to this belief.

The image of the bicycle has undergone a change. Once found in dark and dingy stores in narrow lanes, it has today found its place in the plush retail outlets. The Company has been the forerunner in India in adapting to this change with thirteen dedicated and exclusive outlets under the brand "BSA Go". These outlets provide a richer buying experience with a "see-feel-try-buy" process.

Encouraged by the success of these outlets and the positive feedback from customers, the Company has plans to expand the number of outlets considerably in the year 2007-08. As this initiative has been in collaboration with the dealer network, as a franchise operation, it has been welcomed by the trade partners.

We are in the midst of a major make-over in terms of product offering, branding and marketing. Some of the steps taken to re-position the bicycle business are:

- Enlarging the consumer segment by bringing back adults through appropriate offerings
- Transformation of the product into active lifestyle and fitness statements through improvement in product offerings and features
- Converting the threat of imports into opportunities through appropriate procurement and product offerings
- Associating bicycles with fun, sports and health from an active lifestyle through events like “Moonlight Trails” and “Hercules MTB Himachal Rally”
- Planned introduction of e-bikes (electric bicycles) with appropriate positioning in terms of cost and utility
- Launch of fitness equipment under the brand “BSA Workout”

The achievement in terms of reduction in trade outstanding to less than 30 days is appreciable considering the trade scenario a few years ago. The Company actively discouraged dealers from over-stocking through improved service levels and quicker turnarounds. The Company’s marketing strategy encourages dealers to invest and grow the business with improved profitability. This enabled the marketing team to focus on market development initiatives. The success of this strategy is evident from the fact that the off-take of major dealers has improved considerably with corresponding improvement in their profitability.

Vendor management has been one of the focus areas in recent years. Today, the vendor selection process, manufacturing and logistics handling are much more robust than earlier. This has helped improve the consistency of quality of products, as also the cost competitiveness.

Engineering

TI’s Presence

The focus in the engineering business is in the manufacture of intermediate steel products required by the automobile, boiler, bearings, bicycles, stamping and general engineering industries. The Company is a Tier I supplier of automotive chains and car doorframes and Tier II supplier of strips, tubes, fine blanked and tubular components. Around 70 per cent of the turnover comes from the automotive industry.

Industry Scenario

The steel strip market is dominated by the integrated steel manufacturers and they continue to gain ground over intermediaries like us. As the integrated steel manufacturers are dominant in the base grades with high volume, the Company’s focus is on multiple sizes with low volume and a region specific approach. The size of the market relevant to the Company is estimated at around 1.3 M tonnes.

The market size of welded precision tubes in India is estimated to be around 4 lakh tonnes per annum. Even as the four major players dominate the market, there has been an increase in competition from the integrated steel manufacturers themselves, who have put up tube making capacities in the recent past to enhance their value chain. The welded tube market is also facing competition both from imports of cold drawn welded (CDW) tubes as well as from seamless tubes, in certain applications. Import of auto components from China is increasing and poses a major challenge to the indigenous industry.

The industrial and automotive chains market consists of supplies to Original Equipment Manufacturers (OEMs) as well as sales to the after-market. There are two major players in India and the size of the market is estimated at around 800 lac feet.

Car doors are made either through press-forming or with roll-formed doorframes. The latter is favoured by far Eastern car designers, though it is labour and skill intensive. There are two players in the industry making cold rolled-formed doorframes and the Company holds a major share of the market. With more auto manufacturers setting up facilities in India, some overseas doorframe manufacturers are attempting an entry in the growing Indian car market.

The Indian auto industry has grown impressively in the recent past. In the year 2006-07, the industry has grown at about 16 per cent over previous year. The growth in the passenger segment is expected to reach higher levels. While the growth prospect of commercial vehicles is promising, the motor cycle industry is showing signs of slowing down. India is fast turning to be a sourcing base for the requirements of global auto majors and industrial OEMs.

The buoyancy in the economy and the improved performance of the Indian manufacturing sector in recent times augur well for the growth prospects of other user industries. The high rate of inflation and increase in interest cost threaten the prospects of the automotive industry, which in turn is expected to have an impact on the manufacturing sector as a whole.

The steel price in India has moved up and is fluctuating at higher levels. Higher steel price and weakening of the US Dollar have minimised the price arbitrage hitherto enjoyed by the Indian industries which facilitated higher exports. Availability of different grades of steel, consistency in quality and price stability continue to be concerns for the Indian industry, especially the automotive industry. The quality standards in the auto industry are constantly being upgraded. Today, the Indian automotive industry offers higher opportunities for growth but the flip-side is low margins for the auto OEMs as well as their vendors. This trend is likely to intensify further on account of an increase in the number of players and explosion in the range of offerings with little differentiation.

Review of Performance

In 2006-07, the engineering business clocked reasonable growth in volumes in almost all the product lines. The volume of steel strips (including captive consumption) improved by 4 per cent over last year, while the volume of tubes improved by 10 per cent. The volume growth in chains and doorframes were at 4 per cent and 18 per cent respectively.

With a view to enhancing the value chain of the engineering business as a whole, the strip making facilities were realigned more towards catering to the manufacture of tubes, chains and doorframes. Narrow width (below 350 mm) and wide width (350 mm to 1000mm) steel strip manufacturing capabilities were integrated. Apart from optimisation of capacity, this integration is expected to provide greater cost competitiveness.

In recent times, the product mix was skewed towards cold drawn welded (CDW) tubes, predominantly used by the auto industry. Considering the potential of the electric resistance welded (ERW) tubes and to better utilise the tube making capacity, the Company has plans to enhance the product offering with an appropriate mix of CDW as well as ERW tubes. This will also help the Company to broad-base the user industry and reduce the dependence on the auto sector. The Company has started providing tubular components to the customers. Though the potential in this segment is high, there is a long lead time to get the products accepted.

The higher off-take of automotive chains and fine blanked components came through an improvement in the Company's share of business with the two wheeler manufacturers. The aggressive after-market strategy of the two wheeler manufacturers poses a major challenge to the performance in the after-market. In industrial chains, the sales improved on account of better product offerings at competitive terms. Investment in technology to build efficiencies is the way forward to enhance the range of products and quality in both automotive and industrial chains.

In the year under review, the Company has tied up with its existing car manufacturing customers for supply of doorframes for their new models. The Company has also tied up with one more major car manufacturer for supply of doorframes for their up coming high volume model. In the process of enhancing the customer base, the Company started supplies of roll-formed sections to Indian Railways as well. In hydro-forming, the investment made in a new 1000 tonne facility has enabled the Company to offer hydro-formed parts as an alternative solution for varied auto-industry applications. Customers expect to get better performance from hydro-forming at a lower cost than from conventional processes. Customers also prefer to use hydro-formed products for new models rather than for existing models. Supply of hydro-formed components has started in a small way and is expected to grow in the next few years.

The export of chains, tubes and strips were lower. Since the steel consumption of China was high in the recent past, a one-time window for export of steel strips was available in the previous year. As China has now turned out to be an exporter of steel, the scenario has completely reversed. The Company has now increased its offerings and addresses the special grades as well. Export of automotive chains to South East Asia was affected during the previous year due to the unrest in the region. In tubes, the distribution arrangement with a US based firm was terminated and together with the slowdown in the US markets the volumes were lower. However, considering the size of the North American industry, the Company has established a branch office in the USA to provide sales and application engineering support to North American customers. The Company believes that the physical presence in the USA would enhance the prospects for export of precision tubes and chains to that region. The Company has also established product outlets in Europe and North America. The appreciation of the Indian Rupee in the recent past has posed a new challenge to increased exports.

While there are prospects of growth and opportunity in the engineering business, continuous pressure on margins causes some anxiety as well. Auto engineering intermediaries in India are experiencing difficulty in passing on the input cost increases to the ultimate automobile manufacturers. The Company's engineering business is no exception to this trend. Continuous efforts on cost reduction, considerable improvement in yield and substantial reduction in rejection/waste are more relevant and critical than ever before. Apart from the thrust on these areas, the focus is on quality and timely service to the customer as key differentiators. Transparency on cost/price, quality standards and application engineering support to the customers help the Company to lock in volumes with the customers. As a number of OEMs are establishing manufacturing facilities at Uttarkhand, the Company has plans to establish a green field facility there to cater to the needs of customers in adjacent areas for welded tubes and automotive chains.

The efforts to enhance the volume and profitability in this business include:

- Active application engineering support and assistance to the OEMs in their indigenous and cost saving measures, thereby increasing the volume of business with them
- Recognising the cost imperatives of the customers and working towards meeting them through aggressive cost control measures
- Effective sourcing from China, wherever possible, with a view to countering the threat as well as providing value to the customers while retaining the share of business with them
- Focus on non-automotive based industries as well in order to broaden the customer base

FINANCIAL REVIEW

Operating Profit

Despite Rs.154 crores increase in sales over the previous year, the overall net profit was lower by Rs.27crores. In engineering products, the Company had to bring down prices due to the highly competitive market conditions. Also, the increase in the cost of inputs could not be passed on to the customers in full. In the bicycles business, focus on quality and improvement in service levels resulted in better operating margins.

Finance Cost

During the year, market interest rates increased by nearly 3 per cent. However, the interest cost was lower at Rs.11.29 crores (Rs.12.90 crores), mainly due to lower borrowing. This was possible due to the sale of a part of long term investments for an aggregate value of Rs.78 crores. The finance cost would have been even lower but for the increase in working capital across businesses to the tune of Rs.76 crores. The average cost of borrowing during the year was at 6.96 per cent which is 1.28 per cent higher than the previous year.

Capital Projects

Capital expenditure during the year amounted to Rs.133 crores, primarily to augment capacities in tube making and roll-forming. The revenue from these projects is expected to accrue in the coming year. There were delays in the implementation of certain capital projects, resulting in additional cost, apart from the delay in the revenue stream.

Investments

During the year, 14 lac shares of Mahindra & Mahindra Ltd., were sold and the profit on sale amounted to Rs.71.3 crores.

Arising out of amalgamation of TIDC India Ltd., in 2004-05, 1,01,51,870 shares (20,30,374 shares prior to sub-division of shares) of the company are held in trust. Initially, it was envisaged that the shares would be disposed off within a period of twenty four months from the effective date of amalgamation, i.e., 15th December 2004. The High Court of Madras, on an application by the Company, granted an extension of this period by twenty four months.

By order of the Board

Chennai
27th April 2007

M M Murugappan
Chairman

Risk Analysis and Management

Risk management refers to the formal processes by which risks associated with the "enterprise", as a whole are managed. Our approach to risk management encompasses the following sequence:

- Identification of risks and risk owners
- Evaluation of the risks as to likelihood and consequences
- Assessment of options for dealing with the risks
- Prioritising the risk management efforts
- Development of risk management plans
- Authorisation for the implementation of the risk management plans
- Implementation and review of the risk management efforts

Your Company believes that risk management strengthens the robustness of the business through a 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. Cycles Business

Risk	Why Considered as Risk	Mitigation Plan/Counter Measure
Product obsolescence Risk	• Availability of alternate transport • Increased affordability for motorised vehicles • Less road space for cycling	• Standard bicycle market is sizeable • Strengthen distribution network • Good potential in "special" bicycles • Strong brands backed by appropriate and contemporary product offerings • Encourage cycling for health and leisure
Sourcing Risk	• Failure on the part of the critical and dedicated vendors with regard to quality or supplies	• Vendor Relationship management • Continuous viability check • Rationalisation of vendors • Vendor capability improvement • Active technical support
Low entry barrier Risk	• In recent times, small un-organised sector players have become a force	• Region-specific approach • Continuous enhancement in value proposition to the customers
Import Risk	• Increase in imports from China, especially high-end products and components	• Source, cost effectively, from these markets for our brands • Marketing strategy tuned to this scenario

B. Engineering Business

Risk	Why Considered as Risk	Mitigation Plan / Counter Measure
User Industry Concentration Risk	• Around 70 per cent of the revenue emanates from auto sector • A slow down would adversely affect revenues	• Clear plans and milestones to enhance business from non-auto user industries including textiles, agro accessories, machine tools, hydraulic tubing, boiler, electronic & white goods, railways and other general engineering industries
Raw Material Risk	• Issues relating to special grades of steel	• Procurement of steel from multiple sources in India and overseas • Quarterly price agreements
Technology obsolescence Risk	• The focus of the business is on high-end ERW and CDW tubes. Invention of cheaper alternatives for auto applications would adversely affect the revenue stream	• R&D tracks emerging products and technologies • Strategic alliances with educational / research institutions in India and overseas
Product Risk	• Doorframe revenues are model specific	• Catering to most of the leading car manufacturers and that too for a variety of models
Import Risk	• Imports from China and other ASEAN countries • Free Trade Agreement (FTA) with Thailand and possibility of similar agreement with other ASEAN countries would increase competition	• Strong customer relationships and cost competitiveness • FTAs also present a good opportunity for the Indian industry to export • Continuously moving up the value chain through improved product offering
Business Interruption Risk	• Supplies to the OEMs are to the assembly line of the customers • Requirement of skilled labour	• Established presence close to the customer • Development of multiple categories of labour and conversion of skill oriented operations to non-skill operations

C. General

Risk	Why Considered as Risk	Mitigation Plan/Counter Measure
HR Risk	• Ability to attract talent • Retention of talent	• Corporate brand building, tie-ups with institutions and better pay package • Career planning • Enriching job content
Internal Control Risk	• The businesses are growing and locations increasing	• Internal control systems • Periodic review • Strong internal audit system
Currency Risk	• Foreign currency exposure on account of imports, exports and borrowings	• System to monitor all exposures • Hedge, in line with policy
IT Related Risk	• Confidentiality, integrity and availability	• Access controls • Firewalls • Systems audit • Infrastructure and redundancies

On behalf of the Board

M M Murugappan

Chennai
27th April 2007

M M Murugappan
Chairman

General Shareholder Information

Registered Office

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

Annual General Meeting

Day : Tuesday

Date : 31st July, 2007

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 – 31st July, 2007.

Financial reporting for the first quarter ending 30th June, 2007 – 31st July, 2007.

Financial reporting for the second quarter ending 30th September, 2007 – 31st October, 2007.

Financial reporting for the third quarter ending 31st December, 2007 – Last week of January, 2008.

Financial reporting for the year ending 31st March, 2008 - April / May 2008.

Book Closure for Dividend

Friday, the 13th July, 2007 to Tuesday, the 31st July, 2007 (both days inclusive).

Dividend

The Board of Directors has recommended the payment of a dividend of 75 per cent. The dividend on equity shares will be paid to those members whose names appear in the Register of Members as on 31st July, 2007 and the same will be paid on or before 6th August, 2007.

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

Listing on Stock Exchanges and Stock Code

Equity Shares

National Stock Exchange - TUBEINVEST

The Stock Exchange, Mumbai – 504973

Madras Stock Exchange – TIN

Global Depository Receipts

Luxembourg Stock Exchange

Listing fee for the year ended 31st March, 2007 has been paid to all the stock exchanges.

Market Price Data and Comparison

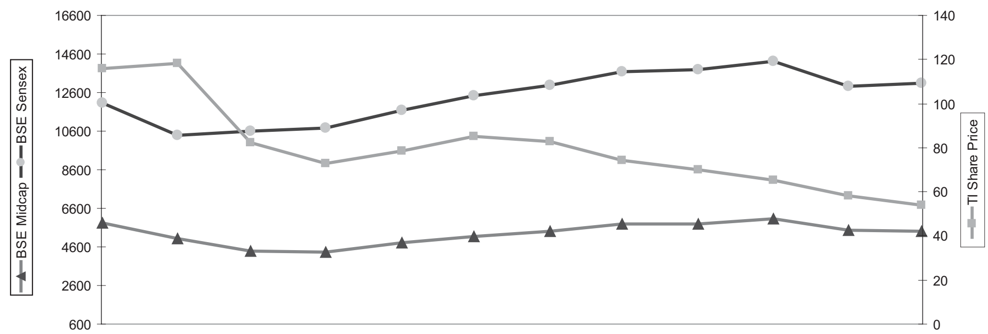
Trading in sub-divided shares commenced on 31st May 2006. Monthly high and low price during 2006-07 are as follows:

	National Stock Exchange		Mumbai Stock Exchange	
Month	HIGH Rs. P	LOW Rs. P	HIGH Rs. P	LOW Rs. P
Apr-06	609.00*	521.00*	614.00*	545.00*
May-06	615.00*	110.00	611.00*	111.00
Jun-06	123.85	61.50	124.00	63.20
Jul-06	86.50	68.50	97.90	68.00
Aug-06	83.00	72.20	83.75	72.00
Sep-06	88.40	78.60	88.40	79.00
Oct-06	95.80	80.80	95.35	81.00
Nov-06	84.45	71.00	84.50	70.10
Dec-06	77.50	65.75	82.00	66.15
Jan-07	71.70	53.65	75.00	63.00
Feb-07	69.20	57.25	70.00	60.05
Mar-07	60.45	48.40	60.45	50.50

Note :

* Face Value - Rs.10 (Pre Split) upto 30th May, 2006

TI Share Price Movement Vs. BSE Midcap and BSE Sensex, April 2006 - March 2007



	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07
BSE Midcap	5843	5052	4381	4303	4798	5148	5396	5775	5805	6045	5466	5384
BSE Sensex	12043	10399	10609	10744	11699	12454	12962	13696	13787	14212	12938	13072
TI Share Price	116	118	83	73	78	85	83	74	70	65	58	54

Note: In view of the sub-division of 1 Equity Share of Rs.10/- into 5 Equity Shares of Rs.2/- each in June 2006, the face value per share of Rs.10/- has been divided by 5 in the months of April and May 2006 for comparison purposes.

Registrar and Share Transfer Agent

Karvy Computershare Private Ltd
Plot No: 17-24 Vithal Rao Nagar
Madhapur, Hyderabad – 500 081
mailmanager@karvy.com and
anildalvi@karvy.com
Phone Nos.040 - 23420818 and 23420828
Fax : 040- 23420814
Contact Person : Mr. Anil Dalvi - Asst. Manager

Share Transfer and Investor Service System

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

Shareholding Pattern as on 31st March 2007

	Category	No of shares held	% of shareholding
A	Promoter Group	8,37,30,080	45.31
B	Non-Promoter Holding		
	1. Institutional Investors		
	a) Mutual Funds and UTI	1,13,47,182	6.14
	b) Banks, Financial Institutions, Insurance Companies	85,10,585	4.61
	c) Foreign Institutional Investors	1,21,83,585	6.59
	2. Others		
	a) Private Corporate Bodies	1,60,42,523	8.68
	b) Indian Public	3,55,09,676	19.22
	c) NRI / OCB	7,04,289	0.38
	d) Bank of New York (GDR holders'Depository)	1,67,52,080	9.07
	Grand Total	**18,47,80,000**	**100.00**

Distribution of Shareholding as on 31st March 2007

Category	No of holders	% to Total	No of shares	% to Total
1-5000	28,086	91.44	1,33,06,496	7.20
5001-10000	1,584	5.16	56,13,826	3.04
10001-20000	527	1.71	37,54,196	2.03
20001-30000	162	0.53	19,88,093	1.07
30001-40000	77	0.25	13,85,150	0.75
40001-50000	46	0.15	10,47,583	0.57
50001-100000	88	0.29	30,68,974	1.66
above 100000	146	0.47	15,46,15,682	83.68
Total	**30,716**	**100.00**	**18,47,80,000**	**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 2007, 1,67,52,080 GDRs were outstanding representing an equal number of underlying equity shares.

Means of Communication

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

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

General Body Meeting

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

Year	Date	Time	Venue
2003-04	29.7.2004	4.00 p.m.	T T K Auditorium, Music Academy T T K Road, Royapettah, Chennai 600 014.
2004-05	29.7.2005	4.00 p.m.	Same as above
2005-06	28.7.2006	4.00 p.m.	Same as above

List of Promoters belonging to the Murugappa Group

1. EID Parry (India) Ltd and its subsidiaries
2. Silkroad Sugar Pvt Ltd
3. Godavari Fertilisers & Chemicals Ltd
4. Parry Enterprises India Ltd
5. New Ambadi Estates Pvt Ltd and its subsidiaries
6. Ambadi Enterprises Ltd and its subsidiaries
7. Carborundum Universal Ltd and its subsidiaries
8. Laserwords Pvt 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 Pvt. Ltd
12. AMM Vellayan Sons Pvt. Ltd
13. MM Muthiah Sons Pvt. Ltd
14. Murugappa & Sons
15. Kadamane Estates Company
16. Yelnoorkhan Group Estates
17. AMM Foundation
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
Plot No. E – 8, MIDC
Malegaon, Sinnar
Nashik Dist 422 103
Tel: (02551) – 230472
Fax No.(02551) - 230183

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
Ambattur
Chennai 600 053
Tel: (044) 42093434
Fax: (044) 4229 2900

Tube Products of India
Avadi, Chennai 600 054
Tel: (044) – 4229 1999
Fax : (044) – 4229 1990

Tube Products of India - IBD
Avadi, Chennai 600 054
Tel: (044) – 4229 1666
Fax : (044) – 4229 1699

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

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
Fax : (044) 2639 0634

TI Metal Forming
Plot No. 245,
Sector 3, Growth Centre,
Bawal, Rewari District
Haryana - 123 501
Tel : (01284) –260707, 260708
Fax : (01284) - 260426

TI Metal Forming
Plot No.501 – B & C
Halol Industrial Estate
Block No. 32 & 34, Village Dunia
Tk Halol, Dist Pachmahals,
Baroda 389 350
Tel : (02676) - 224647
Fax : (02676) – 224035

TI Metal Forming
80/81, SIDCO Industrial Estate
Kakkalur
Thiruvallur – 602 003
Ph. (044) – 2766 7104

TI Metal Forming
Gat No.312
Sablewadi Bahul Post
Chakan - Shikrapur Road
Khed Taluk, Pune - 410 501.

TIDC India
Post Box No.11,
Ambattur, Chennai 600 053
Tel: (040) 4223 5555
Fax : (044) 4223 5406

TIDC India
Kazipally Village, Plot No.1
Jinnaram Mandal
Medak Dist 502 319
Tel : (08458) 277240
Fax: (08458) 277241

Contact Address

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) – 25306711, Fax : (044) - 42110404

For all matters relating to investor services:
Karvy Computershare Pvt Ltd
Plot No. 17-24 Vithal Rao Nagar
Madhapur, Hyderabad 500 081
e-mail : mailmanager@karvy.com and anildalvi@karvy.com
Tel : (040) – 23420818 and 23420828, Fax : (040) - 2342 0814

Report on Corporate Governance

Your Company believes that the fundamental objective of corporate governance is enhancement of long-term shareholder value, while keeping in view the interests of all stakeholders. 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 Board includes excellent, professionally acclaimed independent 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 9 members with knowledge and experience in different fields viz., engineering, manufacturing, finance and business management. Apart from Mr. M M Murugappan, Chairman and Mr. N Srinivasan, Director, the remaining are independent 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. As Mr. Sumit Banerjee, Managing Director has left the services of the Company, due to personal reasons, the Company is in the process of identifying a suitable replacement.

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. Matters such as capital expenditure, recruitment of senior level personnel, safety & environment, HR related development, compliance of statutes, foreign exchange exposures are also reviewed by the Board from time to time.

There were 5 meetings of the Board during the financial year 2006 – 07. The dates of the Board meetings, details of attendance and the number of directorships / committee memberships held by the Directors as on 31st March, 2007 are provided in 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 independent Directors. 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, 2007. The composition of the audit committee and the attendance of each member at these meetings is 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 independent Directors.

The compensation to the erstwhile Managing Director comprised a fixed component and a performance incentive by way of commission. The compensation was determined, based on levels of responsibility and scales prevailing in the industry. The Managing Director was not paid sitting fees for any Board / committee meetings attended by him.

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. 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 scorecard and personal objectives being given appropriate weightage.

The members elect one amongst themselves as Chairman for each meeting. The Committee met 4 times during the year ended 31st March, 2007. The composition of the Committee and the attendance of each member at these meetings is given in Table 3 of the annexure to this report.

The details of remuneration paid, for the year ended 31st March, 2007, 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 is given in Table 5 of the annexure to this report.

Subsidiary Companies

The Company has two subsidiaries viz., Cholamandalam MS General Insurance Company Ltd (CMSGICL) and Tubular Precision Products (Suzhou) Co., Ltd (TPP).

CMSGICL is considered as a ‘material non-listed Indian subsidiary’. Mr. R Srinivasan, independent Director is also holding the position of Director on the Board of CMSGICL.

TPP is a ‘Wholly Foreign-owned Enterprise’ established under the Company Law of People’s Republic of China. Mr. N Srikanth, President of tubes and strips business is the Chairman of the Company. Mr. M M Murugappan holds the position of ‘Supervisor’ to perform the duties under Company Law of China.

The quarterly/annual performance of CMSGICL is placed before the Board for its review. The Board reviews, from time to time, the progress of the project under implementation at Suzhou Industrial Park, China. The minutes of the Board meetings of CMSGICL and TPP 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' complaint(s) / grievance(s) periodically. The Committee met twice during the year ended 31st March, 2007. The composition of the Committee and their attendance at the above meetings is given in Table 6 of the annexure to this report.

The Company received 28 queries / grievances during the year ended 31st March, 2007 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, 2007. There were no transfers pending as at 31st March, 2007.

In order to expedite the redressal of the complaints, the investors are requested to register their complaints and also to take follow up action, as necessary, to the exclusive email ID i.e. investorservices@tii.murugappa.com.

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 Chairman and Chief Financial Officer (CFO) 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.

Whistle Blower Policy

In line with the Company's commitment to the high standards of ethical, moral and legal business conduct and its commitment to open communication, a 'Whistle Blower 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. On introduction of the 'whistle blower' policy, HR personnel rolled out communication meetings across all businesses covering the intent, belief and principles of the policy. The audit committee is vested with the power to review functioning of the 'Whistle Blower' mechanism.

Compliance of Corporate Governance Norms

The Company has complied with all the mandatory requirements of corporate governance norms 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 Chairman highlighting the significant achievements was sent to all the shareholders of the Company enclosing the financial results for the half-year ended 30th September, 2006.

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 Chairman 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 Accounting Standard 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 Shareholder 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 M Murugappan

Chennai
27th April 2007

M M Murugappan
Chairman

(A) Board Meeting Dates and Attendance

The Board of Directors met five times during the financial year 2006 – 07. The dates of the Board meetings were 27th April, 2006, 28th July, 2006, 31st October, 2006, 29th January, 2007 and 20th March, 2007.

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, 2007 are as follows:

TABLE 1

S.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, 2007
1.	Mr. M A Alagappan©	3 (3)	NA	NA	Present	14,11,375
2.	Mr. Amal Ganguli	5 (5)	10	8 (4)	Present	2000
3.	Dr. D Jayavarthanavelu	3 (5)	11 (9)	2	Present	2000
4.	Mr. M M Murugappan	5 (5)	8 (5)	3 (1)	Present	16,04,480
5.	Mr. Pradeep Mallick	4 (5)	5	7 (2)	Present	-
6.	Mr. Ram V Tyagarajan	3 (5)	6 (2)	3 (1)	Not present	-
7.	Mr. R Srinivasan	4 (5)	11	8 (2)	Present	-
8.	Mr. N Srinivasan [(d)]	2 (2)	2	2	Not applicable	-
9.	Mr. S Sandilya	5 (5)	7 (2)	3 (1)	Present	-
10.	Mr. Sumit Banerjee [(e)]	3 (3)	NA	NA	Present	200
11.	Mr. Tapan Mitra	5 (5)	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. M A Alagappan, Chairman resigned w.e.f. 1st November, 2006.
(d) Mr. N Srinivasan was appointed as Director w.e.f. 29th January, 2007.
(e) Mr. Sumit Banerjee, Managing Director resigned w.e.f. 23rd December, 2006.

(B) Composition of Audit Committee and Attendance

The Committee met six times during the year ended 31st March, 2007. The composition of the audit committee and the attendance of each member at these meetings are given below:

TABLE 2

Name of the Member	Number of meetings attended (number of meetings held)
Mr. M A Alagappan [(a)]	3 (3)
Mr. Amal Ganguli [(b)]	3 (3)
Mr. Pradeep Mallick	5 (6)
Mr. R Srinivasan	5 (6)
Mr. Tapan Mitra	6 (6)

(a) Mr. M A Alagappan ceased to be a member w.e.f. 1st November, 2006.
(b) Mr. Amal Ganguli was appointed as a member w.e.f. 31st October, 2006.

(C) Composition of R & N Committee and Attendance

The Committee met four times during the year ended 31st March, 2007. The composition of the remuneration and nomination committee and the attendance of each member at these meetings are given below:

TABLE 3

Name of the Member	Number of meetings attended (Number of meetings held)
Mr. M A Alagappan [a]	3 (3)
Mr. Amal Ganguli	4 (4)
Mr. M M Murugappan [b]	1 (1)
Mr. Tapan Mitra	4 (4)

(a) Mr. M A Alagappan ceased to be a member w.e.f. 1st November, 2006
(b) Mr. M M Murugappan was appointed as a member w.e.f. 31st October, 2006

(D) Remuneration of Executive Directors

The details of remuneration paid to the Managing Director are given below:

TABLE 4 **(Amount in Rs.)**

Name of the Director	Salary	Allowance	Perquisites &Contributions	Total
Mr. Sumit Banerjee [a]	14,30,862	19,61,126	8,62,869	42,54,857

(a) Mr. Sumit Banerjee, Managing Director resigned w.e.f. 23rd December, 2006.

(E) Remuneration of Non-executive Directors

The details of commission / sitting fees provided / paid to non-executive directors for the year ended 31st March, 2007 are as follows:

TABLE 5 (**Amount in Rs)**

Name of the Director	Commission (a)	Sitting fees	Total
Mr. M A Alagappan *	1,17,260	1.35,000	2,52,260
Mr. Amal Ganguli	2,00,000	1,45,000	3,45,000
Dr. D Jayavarthanavelu	2,00,000	45,000	2,45,000
Mr. M M Murugappan	2,00,000	1,45,000	3,45,000
Mr. Pradeep Mallick	2,00,000	1,10,000	3,10,000
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	1,10,000	3,10,000
Mr. N Srinivasan *	33,973	40,000	73,973
Mr. Tapan Mitra	2,00,000	1,75,000	3,75,000

* prorata

(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, 2007. The composition of the shareholders' / investors' grievance committee and their attendance at the above meetings is as follows:

TABLE 6

Name of the Member	Number of meetings attended (Number of meetings held)
Mr. M A Alagappan [a]	2 (2)
Mr. M M Murugappan	2 (2)
Mr. N Srinivasan [b]	N.A

(a) Mr. M A Alagappan, ceased to be a member w.e.f. 1st November, 2006.

(b) Mr. N Srinivasan was appointed as a member w.e.f. 29th January, 2007.

On behalf of the Board

Chennai
27th April 2007

M M Murugappan
Chairman

Certificate on Compliance of Corporate Governance

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 2007, as stipulated in Clause 49 of the Listing Agreement of the Company with the 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 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
27th April 2007

Declaration on Code of Conduct

To the Members of Tube Investments of India Limited

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 2007, as envisaged in Clause 49 of the Listing Agreement with stock exchanges.

M M Murugappan
Chairman

Chennai
27th April 2007

Directors' Report

Your Directors are pleased to present the performance of the Company for the year ended 31st March 2007.

Financial Highlights

Rs. in Crores

	2006-07	**2005-06**
Gross sales and processing charges	1761.84	1584.18
Less : Excise duty on sales	146.80	123.24
Net sales and processing charges	**1615.04**	**1460.94**
Operating Profit before depreciation and interest	**185.30**	**196.59**
Less : Interest	11.29	12.90
Depreciation	50.39	48.56
Operating Profit before tax	**123.62**	**135.13**
Add : Profit on sale of long term investments & non-operating assets	71.69	110.50
Less : Provision for taxation	39.53	62.70
Profit after taxes	**155.78**	**182.93**
Add : Surplus brought forward	143.66	119.75
Dividend on Own Shares held through Trust	4.77	-
Profit available for appropriation	304.21	302.68
Less :		
Transfer to general reserve	15.58	60.00
Special Interim Dividend @ Nil (previous year - 175%)	-	64.67
Tax on Special Interim Dividend	-	9.07
Dividend Proposed - 75% (previous year - 60%)	27.71	22.17
Tax on final dividend	4.71	3.11
Balance carried over to balance sheet	**256.21**	**143.66**

Review of Performance

Sales grew by 11.2 per cent from Rs. 1584 crores to Rs. 1762 crores during the year under review. The increase came through higher volumes and improved realisations across businesses. However, this did not translate into a corresponding increase in profits since the Company had to reduce prices in certain products and also absorb a portion of the increase in the cost of inputs. The profit before tax (PBT) for the year was at Rs. 195 crores as against a PBT of Rs. 246 crores in 2005-06. The profit for the year also includes a one time income of Rs. 71.7 crores on account of sale of a part of the long term investments and sale of land and building. (Previous year Rs. 110.50 crores)

Turnover in the bicycles business crossed the Rs. 500 crore mark for the first time and touched Rs.511 crores against Rs.466 crores in the previous year, representing a growth of 9.7 per cent. This was possible due to the higher volumes achieved in the trade segment. The business also launched the BSA range of fitness equipment during the year under the brand "BSA Workout" and the initial feedback has been encouraging. The operating profit of the business improved due to higher trade sales in the specials segment.

The engineering business grew in turnover from Rs.995 crores to Rs.1104 crores with good contribution from all major product lines namely strips, tubes, automotive & industrial chains and car doorframes. The performance on the export front was encouraging in industrial chains but was lower in steel strips and tubes. The domestic industry continued to be characterised by intense competition, availability of alternatives through cheaper imports, particularly in tubes, and non-acceptance of price increases by customers. As a consequence, margins were lower and the operating profit for the year was at Rs.138 crores against Rs.155 crores last year. Aggressive reduction in cost, reduction in rejections/ wastage and improvement in yields continue to be the main focus areas. The Company is in the process of widening the customer base by addressing applications in other user industries apart from automotive sector.

Dividend

Your Directors are happy to recommend a dividend of 75 per cent (Rs. 1.50 per equity share of Rs.2 each)

Steel Project

The Company had earlier entered into a Memorandum of Understanding (MoU) with the Government of Orissa for establishing a steel plant. Considering the steel scenario, the Company decided not to proceed with the steel project and withdrew from the said MoU with the Government of Orissa.

Directors

Mr. M A Alagappan stepped down as Chairman and Director with effect from 1st November, 2006 after an illustrious tenure of seven years. Your Directors wish to place on record their appreciation of the outstanding contribution, counsel, guidance and leadership given by him. Mr. M M Murugappan, who was Vice Chairman, has taken over as 'Non-executive Chairman' of the Company with effect from 1st November, 2006.

Mr. Sumit Banerjee resigned from the Company due to personal reasons and ceased to be the Managing Director with effect from 23rd December, 2006. The Board places on record its appreciation of his contribution during his brief tenure.

Mr. N Srinivasan was appointed as an additional Director with effect from 29th January, 2007. The appointment of Mr. N Srinivasan is being placed before the shareholders for their approval at the ensuing annual general meeting.

Mr. M M Murugappan, Mr. Tapan Mitra and Mr. Ram Tyagarajan retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

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 thrust on human resources management continues to be high. True to its belief that human resources are the key assets, the Company put in focused efforts to hone the skills of the employees. The senior management team invests considerable time and effort in developing the human resources through specialised training by experts and personal counselling. On the job training, in-company training and sponsorship to external programmes are provided to ensure that the knowledge & skill base is contemporary.

With considerable growth in manufacturing and service sectors in India, retention of trained & skilled resources is becoming more challenging. This is being addressed by identification & rewarding of key & critical resources, career planning for people with good potential and enriching job on an on-going basis.

Employee relations continue to be cordial based on mutual trust and common interest in the growth of the Company. Fair & long-term wage settlements were signed at our Hyderabad and Bawal plants with emphasis on continuous training and enhanced productivity.

Social Commitment

Each year your company contributes a small portion out of its profits to AMM Foundation and Shri AMM Murugappa Chettiar Research Centre (MCRC). AMM foundation is a philanthropic organisation and manages nine institutions in the field of education and health care. The education wing consists of one polytechnic college and four schools with ISO 9001 certification. The health care wing comprises of four hospitals. All institutions are run on a non-profit basis. 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.

Subsidiaries

Cholamandalam MS General Insurance Company Ltd (CMSGICL) has achieved a Gross Written Premium of Rs. 312 Cr. (previous year Rs.220 Cr). During the year, this subsidiary started making profits and achieved a PAT of Rs.12.48 crores. With high growth in our economy and increasing penetration of general insurance, the prospects of this subsidiary are promising. The general insurance industry in India is poised for a major change on account of the de-tariff scenario.

Tubular Precision Products (Suzhou) Co. Ltd, was incorporated as a Wholly Foreign-owned Enterprise in China for the manufacture of precision steel tubes. The project implementation is in progress and we expect to start production by July 2007.

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 as cost auditors for cycles and tubes respectively for the financial year ending 31st March 2008.

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 of the contribution made by all employees of the Company for the performance in the year under discussion.

On behalf of the Board

M M Murugappan

Chennai
27th April 2007

M M Murugappan
Chairman

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	2006-07	2005-06
1	Electricity		
	(a) Purchased		
	Units (Kwh)	25,781,963	23,146,313
	Total Amount (Rs. Cr)	13.78	11.85
	Rate/Unit (Rs.)	5.34	5.12
	(b) Own Generation through Diesel Generator		
	Unit (Kwh)	1,024,955	625,477
	Units per Litre of Diesel Oil (Kwh)	2.89	2.64
	Cost per Unit (Rs.)	10.94	11.67
	(c) Own Generation through Furnace Oil Generator		
	Units (Kwh)	22,106,382	19,466,623
	Units per litre of Furnace oil (Kwh)	4.04	3.94
	Cost Per unit (Rs.)	3.96	3.73
	(d) Own generation through windmills (units)	5,272	9,655
2	Furnace Oil		
	Quantity (kilo litres)	5,472	4,941
	Total Amount (Rs. Cr.)	8.75	7.26
	Average Rate / Kilo litre (Rs.)	15,999	14,683
	Consumption per unit of production (Kwh per tonne)		
	A. Strips & Tubes	235	226
	B. Metal Form	488	694

Conservation of Energy

The energy conservation measures implemented during the year include installation of fan less cooling towers, energy efficient pumps and harmonic reactor.

Research and Development (R & D)

During the year, the Company established an Engineering Design Centre (EDC) equipping it with current analytical software and computing capabilities to address process and product solutions in metal forming and stress analysis.

The Government recognised Research & Development (R&D) Centre has enhanced its capabilities in endurance testing in metallurgy by installation of sophisticated equipments.

The EDC and R&D centres at Avadi complement each other and together facilitate in providing complete solutions to customers on product value engineering and failure analysis.

In Chains, the R&D efforts were on improving the fatigue life of industrial chains, and wear resistance of roller chains.

Expenditure on R & D

	(Rs. in Crores)
Capital Expenditure	3.28
Recurring	2.18
Total	5.46
Total R&D expenditure as a % of total turnover	0.34%

Technology Absorption, Adaptation and Innovation

With a view to being abreast with the latest development in relevant technologies, the Company has established strategic alliances with educational/ research institutes in India and overseas. The Company's technical personnel have regular interaction with these institutes for identifying and absorbing the relevant technologies.

The Company has overseas technical know-how tie-up for the manufacture of roll-formed car doorframes and hydro-formed auto components. The Company has successfully absorbed these technologies.

Foreign Exchange Earnings and Outgo

		Rs. in Crores
i)	Foreign Exchange Earnings (CIF Value)	151
ii)	Foreign Exchange Outgo	126

On behalf of the Board

MM Murugappan

Chennai
27th April 2007

M M Murugappan
Chairman

Directors' Responsibility Statement

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

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

- in the preparation of the Profit & Loss Account for the financial year ended 31st March 2007 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 recognised. 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

MM Murugappan

Chennai
27th April 2007

M M Murugappan
Chairman

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 2007

Name	Designation	Gross Remuneration (Rs)	Qualification & Experience (years in brackets)	Date of Commencement of Employment	Age	Last Employer	Last Designation
Arjun Bharathan	Executive on Deputation	24,19,039	B.A (Eco), PG in International Mgt - IMI (17)	20.09.2004	37	Clickfor Steel Services Ltd	Director & CEO
Balasubramanian K	Chief Financial Officer	34,19,669	B.Sc., ACA (29)	02.09.1991	52	Price Waterhouse Liberia & Ghana	Sr. Consultant
Diwakar M R	General Manager (Taxation)	30,47,651	B.Com (Hons) (35)	03.08.1992	56	Puralator India Ltd	Sr. Manager (Finance)
Natarajan R	Vice President (R&D)	30,07,703	B.Tech (26)	01.07.1981	48	-	-
Ramachandran P	Vice President (Tubes)	29,33,918	B.Tech, PG Dip in Mgt (24)	23.11.1989	48	Asian Paints Ltd	Branch Manager
Ravi Kannan	Vice President (Technology)	26,77,724	B.Tech - Mettalurgy, M.A - SC (27)	09.07.1993	49	Carborundum Universal Limited	DGM - Technical Refractories
Rajeswara Rao A	Vice President - TIDC India	27,23,944	B.Sc., M.A. (PM & IR) (34)	16.01.1985	55	Ashok Leyland Limited	Asst. Manager (Employment)
Raghuram D	Vice President (Operations) - TI Cycles of India	35,94,250	B.Tech, MS & PHD in Mech Engg (18)	12.02.2004	39	EMEA i2	Director (Customer Technologies Support & Services)
Ramprasad G	President - TI Cycles of India	58,00,978	B.Com., PGDM (IIM, Calcutta) (22)	01.04.2005	45	E.I.D - Parry (India) Ltd	Wholetime Director
Srikanth N	President - Tube Products of India	41,40,568	B.Tech, PGDM (27)	13.07.1998	53	Uganda Boati Ltd	General Manager
Suryanarayan A	Vice President - TI Metal Forming	38,18,075	B.Com, ACA, AICWA (31)	25.11.1976	54	-	-
Vaidyanathan S	Vice President - HR	35,19,913	B.Sc, PGDPM-IR (32)	15.12.2004	55	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
Balasubramanian M S	Vice President (Strips & Service centre)	33,30,430	B.E. (Mech) (35)	1.11.2003	58	Carborundum Universal Limited	Vice President (Electro Minerals Div.)
Muthukumar Thanu	Executive on deputation	24,14,755	M.A.(Social Work) (23)	14.07.2003	49	Bharati Infotel Ltd	Vice President - HR
Shiva Prasad G	President - Tube Products of India	30,79,061	B.E. Electrical (36)	26.10.1976	59	Shriram Refrigeration Industries Ltd	Engineer (Maint)
Sundar Srinivasan	General Manager (Supply Chain Mgt)	14,95,916	B.E. (Printing & Tech) MS (Indl Engg) - MBA (MIS & Mktg) (15)	21.01.2004	40	National Supply Chain McDonald's India	Director
Sajiv K Menon	Vice President (Projects)	22,92,522	B.Tech, MBA (25)	10.07.2006	47	Parry Enterprises India Ltd	Vice President

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, 2007 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 M Murugappan

M M Murugappan
Chairman

Chennai
27th April 2007

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 2007, the Profit and Loss Account and also the Cash Flow Statement of the Company 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of 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 2007;

      (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 the 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 2007, 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

Place: Chennai
Date: 27 April 2007

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, Fringe Benefit Tax, Sales Tax, VAT, 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, Fringe Benefit Tax, Sales Tax, VAT, 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 2007 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 Income Tax, Sales Tax, Service Tax and Excise Duty which have not been deposited as on 31 March 2007 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 Act, 1961	Income Tax & Interest	0.08	1992 – 93	Commissioner of Income Tax (Appeals)
		0.90	1996 – 97	High Court of Madras
		0.15	1997 – 98	Income Tax Appellate Tribunal, Chennai
		0.02	1998 – 99	Commissioner of Income Tax (Appeals)
		0.07	1999 – 2000	
		0.08	2003 – 04	
Local Sales Tax Laws – Various States	Sales Tax	0.02	1999-2000	High Court of Punjab
	Sales Tax	0.55	1985-86 to 2004-05	Sales Tax Appellate Tribunal
	Sales Tax	0.03	1996-97	Joint Commissioner
	Sales Tax	0.07	1999-2000 to 2004-05	Deputy Commissioner (Appeals)
	Sales Tax	0.01	2002-03	Assistant Commissioner

Name of Statute	Nature of the Dues	Amount (Rs. In Crores)	Period to which the Amount Relates	Forum where Dispute is Pending
Central Sales Tax Act, 1956	Sales Tax	0.03	1996-97 & 1999-2000	Deputy Commissioner (Appeals)
	Sales Tax	0.07	2001-02 to 2003-04	Assistant Commissioner
	Penalty	0.28	1985-86 to 2004-05	Sales Tax Appellate Tribunal
Finance Act,1994	Service Tax	0.05	1997- 98 to 2002-03	Commissioner of Central Excise (Appeals)
Central Excise Act, 1944	Excise Duty	0.11	2000-01	Customs, Excise & Service Tax Appellate Tribunal
		1.22	2000-01 to 2005-06	
	Penalty	1.22	2000-01 to 2005-06	
		0.01	2000-01 to 2005-06	Deputy Commissioner of Central Excise

(xi) The Company does not have any accumulated losses as at 31 March 2007. 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 banks and debenture holders. The Company has not taken any loans from financial institutions.

(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 secured 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

Place : Chennai
Date : 27 April 2007

Balance Sheet

As at 31st March,	Schedule	2007	Rs. in Crores 2006
SOURCES OF FUNDS			
Shareholders' Funds			
(a) Share Capital	**1**	36.95	36.95
(b) Reserves and Surplus	**2**	618.90	495.15
		655.85	532.10
Loan Funds			
(a) Secured Loans	**3**	138.81	171.85
(b) Unsecured Loans	**4**	67.64	72.45
		206.45	244.30
Deferred Tax Liability (Net)		41.83	41.50
(Refer Note 9 of Schedule 18)			
		904.13	**817.90**
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	**5**	734.06	626.01
Less : Depreciation		369.82	324.44
Net Block		364.24	301.57
Capital Work-in-Progress at Cost (including Capital Advances)		105.54	80.49
(Refer Note 4 of Schedule 18)			
		469.78	382.06
Investments	**6**	190.55	235.86
Current Assets, Loans and Advances			
(a) Inventories	**7**	205.80	165.72
(b) Sundry Debtors	**8**	277.23	206.35
(c) Cash and Bank Balances	**9**	17.25	91.91
(d) Loans and Advances	**10**	96.34	75.64
		596.62	539.62
Less : Current Liabilities and Provisions	**11**		
(a) Current Liabilities		296.82	300.35
(b) Provisions		56.00	39.29
		352.82	339.64
Net Current Assets		243.80	199.98
		904.13	**817.90**
Significant Accounting Policies	**17**		
Notes on Accounts	**18**		

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

On behalf of the Board

K Sai Ram
Partner
M. No. 022360

M M Murugappan
Chairman

Chennai
27th April 2007

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

N Srinivasan
Director

Profit and Loss Account

For the year ended 31st March,	Schedule	2007	Rs. in Crores 2006
Income			
Sales and Processing Charges		1761.84	1584.18
Less : Excise Duty on Sales		146.80	123.24
Net Sales and Processing Charges		1615.04	1460.94
Other Income	**12**	92.74	134.04
		1707.78	**1594.98**
Expenditure			
Raw Materials Consumed (Net)	**13**	976.72	888.92
Accretion to Stock	**14**	(13.82)	(21.87)
Employee Cost	**15**	115.07	97.31
Operating and Other Costs	**16**	372.82	323.53
Depreciation		50.39	48.56
Interest - Debentures and Fixed Loans		7.13	7.44
- Others		4.16	5.46
		11.29	12.90
		1512.47	**1349.35**
Profit Before Taxes		**195.31**	**245.63**
Provision for Taxation			
Income Tax			
- Current Year		35.00	47.50
- Prior Years		-	3.62
Deferred Tax (Net) (Refer Note 9 of Schedule 18)		2.59	8.79
Fringe Benefit Tax		1.94	2.79
Profit After Taxes		**155.78**	**182.93**
Add : Balance Brought Forward from Previous Year		143.66	119.75
Add : Dividend on Own Shares held through Trust (Refer Note 5 of Schedule 18)		4.77	-
Profit Available for Appropriation		**304.21**	**302.68**
Appropriations:			
Transfer to General Reserve		15.58	60.00
Special Interim Dividend @ Nil (Previous year 175%)		-	64.67
Tax on Special Interim Dividend		-	9.07
Dividend Proposed - Final @ 75% (Previous year 60%)		27.71	22.17
Tax on Final Dividend		4.71	3.11
		48.00	159.02
Balance Carried Over to Balance Sheet		**256.21**	**143.66**
Earnings per Share of Rs. 2/- each (Basic / Diluted) - (in Rs.)		8.43	9.90
(Refer Note 20 of Schedule 18)			
Significant Accounting Policies	**17**		
Notes on Accounts	**18**		

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

On behalf of the Board

K Sai Ram
Partner
M. No. 022360

M M Murugappan
Chairman

Chennai
27th April 2007

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

N Srinivasan
Director

Cash Flow Statement

For the Year Ended 31st March,	2007	Rs. in Crores 2006
A. Cash Flow from Operating Activities:		
Net Profit Before Tax	**195.31**	**245.63**
Adjustments for :		
Depreciation	50.39	48.56
Interest and Finance Charges	11.29	12.90
Profit on Sale of Assets (Net)	(0.55)	(21.21)
Profit on Sale of Investments (Net)	(71.41)	(89.06)
Provision For Doubtful Debts and Advances (Net)	0.73	2.18
Interest Income	(0.48)	(0.24)
Dividend Income	(10.28)	(12.84)
Operating Profit before Working Capital Changes	**175.00**	**185.92**
Adjustments for :		
Increase in Inventories	(40.08)	(15.93)
(Increase) / Decrease in Sundry Debtors	(74.20)	79.58
Decrease / (Increase) in Loans and Advances	4.86	(2.78)
Decrease / (Increase) in Current Liabilities and Provisions	73.63	(46.54)
Cash Generated From Operations	**139.21**	**200.25**
Direct Taxes Paid (Net)	(59.91)	(54.18)
Net Cash Flow from Operating Activities	**79.30**	**146.07**
B. Cash Flow from Investing Activities:		
Capital Expenditure (Including Capital Work In Progress)	(139.68)	(131.77)
Sale of Fixed Assets	2.12	27.25
Investments in Subsidiary	(12.54)	(26.30)
Investments in Joint Ventures	-	(3.49)
Purchase of Other Investments	-	(50.00)
Sale of Investments in Associates	-	101.63
Sale of Other Investments	129.26	21.07
Interest Received	0.48	0.24
Dividend on Own Shares held through Trust	4.77	-
Dividend Received	10.28	12.84
Net Cash Used in Investing Activities	**(5.31)**	**(48.53)**
C. Cash Flow from Financing Activities:		
Borrowings	27.91	66.52
Repayment of Borrowings	(65.76)	(50.34)
Interest Paid	(12.24)	(12.63)
Dividends Paid (Including Dividend Tax)	(98.56)	(29.32)
Net Cash Used in Financing Activities	**(148.65)**	**(25.77)**
Net (Decrease) / Increase in Cash and Cash Equivalents [A+B+C]	**(74.66)**	**71.77**
Cash and Cash Equivalents at the Beginning of the Year	**91.91**	**20.14**
Cash and Cash Equivalents as at End of the Year	**17.25**	**91.91**

Note : Capital Expenditure includes and Interest Paid excludes Rs. 0.86 Cr. (Previous Year - Nil) of Interest Capitalised.

The accompanying Schedules 1 to 18 are an integral part of the Accounts.

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

On behalf of the Board

K Sai Ram
Partner
M. No. 022360

M M Murugappan
Chairman

Chennai
27th April 2007

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

N Srinivasan
Director

Schedules Forming Part of the Balance Sheet

01 SHARE CAPITAL

Rs. in Crores

As at 31st March,	2007	2006
Authorised		
21,50,00,000 Equity Shares of Rs.2 each (Previous Year 4,30,00,000 Equity Shares of Rs.10 each)	43.00	43.00
Issued, Subscribed and Paid-up		
18,47,80,000 Equity Shares of Rs. 2 each fully paid up (Previous Year 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 of Rs. 10 each (Before Sub division of Shares) were issued for consideration other than cash.		
(b) 2,73,11,792 shares of Rs. 10 each (Before Sub division of Shares) were issued as bonus shares by capitalisation of Reserves.		
(c) 10,620 shares of Rs. 10 each (Before Sub division of Shares) were issued to the erstwhile share holders of TIDC India Limited on account of Amalgamation. (Refer Note 5 of Schedule 18)		
(2) The above is after adjustment for the cancellation of 61,50,386 shares of Rs. 10 each (Before Sub division of Shares) 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.		
(3) Also Refer Note 3 of Schedule 18		
	36.95	**36.95**

02 RESERVES AND SURPLUS

	As at 31.03.2006	Transitional Adjustment*	Additions	Deductions	As at 31.03.2007
Capital Reserve	0.27	-	-	-	0.27
Securities Premium	94.11	-	-	-	94.11
Capital Redemption Reserve	6.15	-	-	-	6.15
General Reserve	250.96	(4.38)	15.58	-	262.16
	351.49	**(4.38)**	**15.58**	**-**	**362.69**
Balance in Profit and Loss Account	143.66				256.21
Total Reserves	**495.15**				**618.90**

* Effective 1st April 2006, the Company adopted the revised Accounting Standard 15 (AS 15) on Employee Benefits issued by the Institute of Chartered Accountants of India, though not yet mandatory in nature. Pursuant to this, employee benefit obligations of the Company amounting to Rs. 4.38 Cr. (net of Deferred Tax Rs. 2.26 Cr.) as at 31st March 2006 has been adjusted against the opening balance in the General Reserve in line with the transitional provisions of the said Standard.
(Also Refer Note 2 of Schedule 18)

Schedules Forming Part of the Balance Sheet

03 SECURED LOANS

Rs. in Crores

As at 31st March,	2007	2006
Loans and Advances from Banks		
- Foreign Currency Term Loans	-	50.00
- Rupee Term Loans	55.00	55.00
- Cash Credit and Other Borrowings	83.81	66.71
Other Term Loans	-	0.14
	138.81	**171.85**

(1) 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.

(2) Cash Credit and Other Borrowings from Banks, which includes foreign currency borrowings of Rs.Nil (Previous Year Rs. 33.47 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).

(3) Other Term Loans as at 31st March 2006 were secured by a charge on immovable properties situated in the city of Mohali.

04 UNSECURED LOANS

As at 31st March,	2007	2006
Short Term Loans & Advances from Banks		
- Foreign Currency Loan	-	15.62
- Cash Credit and Other Borrowings	40.60	30.00
Other Loans & Advances		
- Sales Tax Deferral	27.04	26.83
	67.64	**72.45**
Repayable within one year	41.23	46.16

05 FIXED ASSETS

	Gross Block at Cost				Depreciation / Amortisation				Net Block	
	As at 31.03.2006	Additions (Note 1)	Deletions	As at 31.03.2007	As at 31.03.2006	Additions (Note 2)	Deletions	As at 31.03.2007	As at 31.03.2007	As at 31.03.2006
Land (Freehold)	9.99	0.11	-	10.10	-	-	-	-	10.10	9.99
Land (Leasehold) (Note 3)	0.73	-	-	0.73	0.04	-	-	0.04	0.69	0.69
Buildings (Note 4)	89.87	13.51	0.45	102.93	25.68	3.10	0.09	28.69	74.24	64.19
Plant & Machinery	510.46	98.70	4.12	605.04	288.46	45.59	3.70	330.35	274.69	222.00
Railway Siding	0.21	-	-	0.21	0.10	0.02	-	0.12	0.09	0.11
Furniture & Fixtures	8.78	0.52	0.03	9.27	7.32	0.59	0.02	7.89	1.38	1.46
Vehicles	5.97	1.79	1.98	5.78	2.84	1.09	1.20	2.73	3.05	3.13
TOTAL	**626.01**	**114.63**	**6.58**	**734.06**	**324.44**	**50.39**	**5.01**	**369.82**	**364.24**	**301.57**
PREVIOUS YEAR	**566.43**	**72.70**	**13.12**	**626.01**	**282.96**	**48.56**	**7.08**	**324.44**	**301.57**	**283.47**

Notes:

1. Additions to Gross Block includes Interest Capitalised amounting to Rs. 0.86 Cr. (Previous Year - Rs. Nil)
2. Includes depreciation amounting to Rs. 6.59 Cr. (Previous Year Rs. 8.15 Cr.) charged additionally on certain assets.
3. Amortisation of Leasehold Land for the year Rs.72,851 (Previous Year Rs.72,851)
4. Net Block includes Improvement to Buildings constructed on Leasehold Land Rs. 3.88 Cr. (Previous Yr Rs. 4.12 Cr.)

06 INVESTMENTS

Rs. in Crores

	Nominal Value (Rs.) / Unit	Number				Amount			
		As at 31.03.2006	Acquired	Sold	As at 31.03.2007	As at 31.03.2006	Acquired	Sold	As at 31.03.2007
Investments - Long Term (At Cost)									
Subsidiary Companies:									
Equity Shares (Fully paid) - Unquoted									
Cholamandalam MS General Insurance Company Ltd.	10	105049900	-	-	105049900	105.05	-	-	105.05
Tubular Precision Products (Suzhou) Co., Ltd	-	-	-	-	-	-	12.54	-	12.54
Trade Investments:									
Equity Shares (Fully paid) - Quoted									
Cholamandalam DBS Finance Ltd.	10	11738498	-	-	11738498	55.77	-	-	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.	10	5585808	-	-	5585808	5.59	-	-	5.59
Cholamandalam MS Risk Management Services Ltd.	10	989979	-	-	989979	0.99	-	-	0.99
Non-Trade Investments:									
Equity Shares (Fully paid) - Quoted									
Carborundum Universal Ltd (Cost - Rs. 23,574 only)	2	3000	-	-	3000	-	-	-	-
ICICI Bank Ltd.	10	11250	-	-	11250	0.03	-	-	0.03
Kartik Investments Trust Ltd.	10	33790	-	-	33790	0.04	-	-	0.04
Coromandel Engg Co. Ltd.	10	42919	-	-	42919	0.04	-	-	0.04
Mahindra and Mahindra Ltd. (includes Bonus Shares)	10	2000000	-	1400000	600000	6.93		4.85	2.08
GIC Housing Finance Ltd.	10	48700	-	-	48700	0.24	-	-	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	-	-	0.01
Southern Energy Development Corporation Ltd.	10	70000	-	-	70000	0.07	-	-	0.07
Murugappa Management Services Ltd.	100	32677	-	-	32677	0.32	-	-	0.32
TI Cycles of India Co-operative 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	-	-	-	-

06 INVESTMENTS (Contd.)

Rs. in Crores

	Nominal Value (Rs.) / Unit	Number				Amount			
		As at 31.03.2006	Acquired	Sold	As at 31.03.2007	As at 31.03.2006	Acquired	Sold	As at 31.03.2007
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	-	-	-	-	-	0.27	-	-	0.27
Total - Long Term						**178.49**	**12.54**	**7.85**	**183.18**
Investments - Short Term (At Cost)									
Equity Shares (Fully paid) - Quoted									
Tube Investments of India Ltd. (Note 1)	2	10151870	-	-	10151870	7.37	-	-	7.37
Others - Unquoted (Note 2)									
Chola FMP -Series 2(Qtrly Plan-I)-Dividend Option	10	43000000	-	43000000	-	43.00	-	43.00	-
Chola FMP -Series 2(Qtrly Plan-II)-Dividend Option	10	7000000	-	7000000	-	7.00	-	7.00	-
Total - Short Term						**57.37**	**-**	**50.00**	**7.37**
						235.86	**12.54**	**57.85**	**190.55**

	As at 31.03.2006	As at 31.03.2007
Quoted		
- Cost	70.42	65.57
- Market Value	503.68	231.30
Unquoted		
- Cost	165.44	124.98

Notes:

1. Own shares held through a Trust - The High Court of Madras vide its order dated 18th December 2006 has sanctioned a further period of 24 months for the sale / disposal of 1,01,51,870 Equity Shares of Rs. 2 each (Pre Split 20,30,374 Equity Shares of Rs.10 each) of the Company held by the Trust. (Refer Note 5 of Schedule 18)
2. During the year, the Company has invested Rs. 566.52 Cr. (Previous Year Rs. 456.66 Cr.) and sold Rs. 566.52 Cr. (Previous Year Rs. 456.66 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,	2007	2006
Raw Materials	107.27	80.70
Work - in - Process	36.31	33.08
Finished Goods	55.86	45.27
Stores and Spare Parts	4.64	5.14
Materials - in - Transit	1.72	1.53
	205.80	**165.72**

08 SUNDRY DEBTORS (Unsecured)

As at 31st March,	2007	2006
Outstanding for Over Six Months		
Considered Good	5.18	7.04
Considered Doubtful	13.06	9.74
	18.24	16.78
Others		
Considered Good	272.05	199.31
	290.29	216.09
Less : Provision for Doubtful Debts	13.06	9.74
	277.23	**206.35**

09 CASH AND BANK BALANCES

As at 31st March,	2007	2006
Cash and Cheques on Hand	0.11	0.10
Balance with Scheduled Banks		
- Current Accounts	16.01	26.40
- Deposit Account	-	0.07
- Unpaid Dividend Account	1.13	65.34
	17.25	**91.91**

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

As at 31st March,	2007	2006
Advances Recoverable in Cash or in Kind or for Value to be Received		
(a) Considered Good	29.89	32.31
(b) Considered Doubtful	0.22	5.81
	30.11	38.12
Less : Provision for Doubtful Advances	0.22	5.81
	29.89	32.31
Sundry Deposits		
(a) With Subsidiary	0.02	0.02
(b) With Others	7.70	8.73
Balance with Customs, Excise and Sales Tax Authorities	15.53	14.35
Advance Taxes Paid	179.62	147.18
Less : Provision for Taxation	136.42	126.95
	43.20	20.23
	96.34	**75.64**

Schedules Forming Part of the Balance Sheet

11 CURRENT LIABILITIES AND PROVISIONS — Rs. in Crores

As at 31st March,	2007	2006
Current Liabilities		
Acceptances	39.41	42.13
Sundry Creditors		
- Dues to Small Scale Industrial Undertakings #	4.19	7.67
- Others	240.65	164.41
	244.84	172.08
Advances and Deposits from Customers / Others	3.35	3.31
Dues to Directors	0.18	0.38
Unpaid Dividends $	1.13	65.34
Tax on Special Interim Dividend Payable	-	9.07
Unpaid Matured Debentures	0.02	0.03
Other Liabilities	7.26	6.43
Interest Accrued but Not Due	0.63	1.58
	296.82	300.35
Provisions		
Provision for Gratuity	13.14	10.94
Provision for Leave Encashment	10.44	3.07
Dividend - Proposed - Final	27.71	22.17
Dividend Tax	4.71	3.11
	56.00	39.29
	352.82	**339.64**

Refer Notes 6 & 7 of Schedule 18

$ Previous Year 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,	2007	2006
Dividend @		
Trade	5.87	9.26
Non Trade	4.41	3.58
	10.28	12.84
Interest Income (Short Term)*	0.48	0.24
Royalty Income	0.51	0.53
Profit on Sale of Assets (Net) #	0.55	21.21
Profit on Sale of Investments (Net) $		
Trade	-	69.40
Non Trade	71.41	19.66
	71.41	89.06
Gain on Exchange Fluctuation (Net)	2.40	-
Provision for Doubtful Advances no longer required	3.00	-
Miscellaneous Income	4.11	10.16
	92.74	**134.04**
* Includes Tax Deducted at Source	0.03	0.02

@ Comprises Rs.7.25 Cr. (Previous Year Rs. 10.82 Cr.) dividend from Long Term Investments and Rs. 3.03 Cr. (Previous Year Rs. 2.02 Cr.) from Short Term Investments

Profit on Sale of Assets includes Profit from Sale of Land and Building of Rs. 0.39 Cr. (Previous Year Rs. 21.42 Cr.)

$ Profit on Sale of Investments includes Profit from Sale of Long Term Investment of Rs. 71.30 Cr. (Previous Year Rs. 89.08 Cr.)

Schedules Forming Part of the Profit and Loss Account

13 RAW MATERIALS CONSUMED (NET)

Rs. in Crores

For the Year Ended 31st March,	2007	2006
Raw Materials Consumed	1064.92	956.01
Less : Scrap Sales	88.20	67.09
Raw Materials Consumed (Net)	**976.72**	**888.92**

14 ACCRETION TO STOCK

For the Year Ended 31st March,	2007	2006
Opening Stock		
Work-in-Process	33.08	25.25
Finished Stock	45.27	31.23
	78.35	56.48
Closing Stock		
Work-in-Process	36.31	33.08
Finished Stock	55.86	45.27
	92.17	78.35
Accretion to Stock	**(13.82)**	**(21.87)**

15 EMPLOYEE COST *

For the Year Ended 31st March,	2007	2006
Salaries, Wages and Bonus	93.04	77.25
Contribution to Provident and Other Funds	8.95	9.07
Welfare Expenses	13.08	10.81
Charge under Voluntary Retirement Scheme	-	0.18
	115.07	**97.31**
* Net of recoveries from other companies	0.05	0.06

16 OPERATING AND OTHER COSTS

For the Year Ended 31st March,	2007	2006
Consumption of Stores and Spares	79.75	63.27
Freight and Carriage Inwards	15.83	10.24
Sub Contract Charges	19.06	16.52
Power and Fuel	60.64	54.99
Rent	3.69	3.95
Repairs to Buildings	1.02	0.54
Repairs to Machinery	26.47	22.63
Insurance	3.56	3.02
Rates and Taxes	5.61	5.53
Travelling and Conveyance	10.67	10.80
Printing, Stationery and Communication	4.28	4.17
Freight, Delivery and Shipping Charges	49.38	42.19
Discounts / Incentives on Sales	32.41	26.11
Advertisement and Publicity	17.57	18.48
Bad Debts Written Off	0.21	1.16
Less : Provision Released	-	1.16
	0.21	-
Provision for Doubtful Debts	3.32	3.34
Advances Written Off	2.59	-
Less : Provision Released	2.59	-
	-	-
Auditors' Remuneration (Refer Note 10 of Schedule 18)	0.25	0.21
Directors' Remuneration (including Managing Director's Remuneration)	0.71	1.23
Loss on Exchange Fluctuation (Net)	-	0.96
Other Expenses (Refer Note 8 of Schedule 18)	38.39	35.35
	372.82	**323.53**
Power and Fuel includes Stores Consumed	44.56	41.18
Directors' Remuneration includes Sitting Fees	0.10	0.11

Schedules Forming Part of the Accounts

17 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 like provision for employee benefits, provision for doubtful debts, allowance for slow/non-moving inventories, useful lives of fixed assets, provision for taxation, etc., 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. Certain assets are treated as Continuous Process Plants based on technical evaluation done by the Management and are depreciated at the applicable rates. 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 (net of allowances) 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 (net of allowances) 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, based on Management estimates.

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 / VAT.

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
(Also refer Note 2 of Schedule 18)

I. Defined Contribution Plans

a. Provident Fund

Contributions are made to the Company's Employees Provident Fund Trust in accordance with the fund rules. The interest rate payable by the Trust to the beneficiaries every year is being notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate and recognizes such obligation as an expense.

b. Superannuation

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 recognizes such contributions as an expense in the year incurred.

II. Defined Benefit Plan

Gratuity

The Company makes annual contribution to a Gratuity Fund administered by trustees and managed by LIC. The Company accounts its liability for future gratuity benefits based on actuarial valuation, as at the Balance Sheet date, determined every year by LIC using the Projected Unit Credit method.

III. Short Term Employee Benefit

Short-term employee benefit includes accumulated compensated absences and is recognized based on the eligible leave at credit on the balance sheet date and is estimated based on the terms of the employment contract.

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. Taxes on Income

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.

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.

13. Impairment of Assets

The carrying amounts of assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset exceeds the recoverable amount.

18 NOTES ON ACCOUNTS

1. Contingent Liabilities

Rs. in Crores

Particulars	As at 31.03.2007	As at 31.03.2006
a) Estimated amount of contracts remaining to be executed on capital account and not provided for (including capital commitment)	58.16	38.44
b) Disputed Income-Tax demands from A.Y. 1993-94 to 2004-05 under appeal/ remand pending before various appellate / assessing authorities against which Rs. 25.18 crores (Previous Year Rs.18.50 crores) has been deposited. Rs.62.94 crores not deposited as at 31st March 2006 included a demand for Rs. 58.17 crores (excluding penalties which had not been quantified) raised in March 2006, in respect of Assessment Year 1998-99. The aforesaid demand being arbitrary and based on assumptions, the Company filed necessary appeal with higher appellate authorities within the statutory time limit available to it. During the current year, the demand of Rs. 58.17 crores was reduced to Rs. 2.59 crores by the appellate authority and the amount of Rs. 2.59 crores has been deposited. The Management is of the opinion that all the above demands are not sustainable.	26.48	81.44
c) Disputed Excise Duty demand amounting to Rs. 1.22 crores plus penalty of Rs. 1.22 crores pertaining to financial years 2000-01 to 2005-06 under appeal pending before the Appellate Tribunal. The same has not been deposited. The demand is arbitrary and the Management is of the opinion that the above demand is not sustainable.	2.44	-
d) Cases decided in favour of the Company against which the department has gone on appeal		
- Income Tax	0.76	1.19
- Excise Duty	0.06	0.16
e) Bills Drawn on Customers and Discounted with Banks	23.30	17.16

Note:

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

2. Change in Accounting Policy – Employee Benefits

Effective 1st April 2006, the Company adopted the revised Accounting Standard 15 (AS 15) on Employee Benefits, issued by the Institute of Chartered Accountants of India (ICAI), though not yet mandatory in nature. Consequent upon the change, Profit before Tax for the year ended 31st March 2007 is lower by Rs.0.29 crores, as estimated by the Management. In accordance with the transitional provision contained in the said Standard, the difference of Rs.4.38 crores (net of Deferred Tax of Rs.2.26 crores) between the liability in respect of certain employee benefits existing on the date of adoption of the Standard and the liability that would have been recognised at the same date under the previous accounting policy has been adjusted against the opening balance in the General Reserve.

In this regard, the Company considers its contribution to the Employee Provident Fund Trust as being in the nature of contributions to a defined contribution scheme though it has an obligation to meet the shortfall, if any, in the specified return on the contributions. Should an alternate view emerge on account of any clarification on this matter by the ICAI, the treatment of the differential obligation, if any, that may arise will be dealt with appropriately in the year of such clarification.

3. Share Capital

a) Sub-Division of Equity Shares

Pursuant to the approval of the Shareholders accorded vide their resolution dated 4th May 2006, every Equity Share of Rs.10 of the Company was split into five Equity Shares of Rs.2 each with effect from 8th June 2006.

b) Status on GDRs

The aggregate number of Global Depository Receipts (GDRs) outstanding as at 31st March 2007 is 1,67,52,080 (Previous Year 33,50,416) each representing one Equity Share of Rs.2/-. The GDRs are quoted on the Luxembourg Stock Exchange.

4. Capital Work-in-Progress (including Capital Advances)

The balance in the Capital Work-in-Progress (including Capital Advances) account as at 31st March 2007 includes the cost of Plant & Machinery amounting to Rs.8.84 Cr. (Previous Year Rs. Nil) being manufactured/manufactured on behalf of the Company's new subsidiary in China, namely, Tubular Precision Products (Suzhou) Company Ltd. The cost of such Plant & Machinery will eventually be converted into Share Capital in the subsidiary on the capitalisation of the same in the books of the subsidiary and on completion of necessary formalities.

5. 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., (TIDC), (formerly a subsidiary of the Company) were transferred to and vested in the Company, as a going concern, effective from 1st April 2004. Accordingly, 1,01,51,870 Equity Shares of Rs.2 each (Pre Split – 20,30,374 Equity Shares of Rs.10 each) held in the Company by TIDC were transferred to a Trust namely, TII Shareholding Trust, created for the purpose. During the current year, the Madras High Court, vide its order dated 18th December 2006, has sanctioned a further period of 24 months for the sale/disposal of the 1,01,51,870 Equity Shares of the Company held by the Trust. Since the beneficiary of the Trust is the Company itself, the dividend distributed to the Trust relating to the Company's shares held by the Trust are credited back to the Profit and Loss Account on receipt of the same from the Trust.

6. Sundry Creditors

Dues to Small Scale Industrial Undertakings

Dues to Small Scale Industrial Undertakings of Rs. 4.19 Cr. (Previous Year Rs.7.67 Cr.) is on the basis of such parties having been identified by the Management based on available information.

18 NOTES ON ACCOUNTS (Contd.)

The names of the parties to whom the dues payable as on 31st March 2007 exceeded 30 days (though within the normal credit period) are given below:

A N H Engineering, A R Springs, Allied Tools And Hardware Marts, Alpha Laser Tek (India) P Limited, Amalgamated Engineers Pvt. Ltd, Amrit Industries, Arctick Industries, ARK Engineering Works, Ason Industries, Aswini Engineering Works, ATS Enterprises, Atwell Engineers, B B Brothers, B J Sales Corporation, Balzers (India) Limited, Bemco Hydraulics Limited, Biren Industries, Break Time, Brilliant Pressings, Buhariya Traders, Bycel Ventures, Casper Industries, Chevron Lubricants India Limited, Choice Electricals, Classic Engineering Corporation, Concord Coatings Private Limited, Concorde Agencies, Cute Cycles Private Limited, Dagger Forst Tools, Daraganath Enterprises, Dee Pee Engineering, Deepam Enterprises, Desire, Diamond Heat Treaters Pvt Ltd, Durable Springs, Dynaspede Integrated Systems (P) Limited, Eagle Plastic Industries, Economy Engineers, Elangovan Electrical Services, Em-Tech Engineering, Equipments And Spares, Espee Marketing, ESS EM KAY Engg. Enterprises, Exact Engineering Enterprises, Excel Enterprises, Excellent Engineering, Factores Limited, Fakhri Engineering Corporation, Famectech, Fibre Board Packagings, Fine Tech Engineering, Fit Right Engineer, Five Star Coating, Fluid Tech Engineering Systems, Flying Stag Bikes, Fomra Electricals (Agencies), Forward Technology Agency Pvt Ltd, Futuro Components, G V Engineering Works, Gaurav Industrial Corporation, Gearcase India, Gem Plastic Industries, Ghaison International, Gursimran International ,H K Wire Products, Hartex Tubes Private Limited, High-Tech Machines, Hightemp Furnaces Limited, Impact Engineers, Indian Auto Servicing Centre, Industrial Tooling Systems, Ionbond Coatings Pvt. Ltd., J J Engineering Enterprises, J J Engineering Works, J P Engineering Works, Jai Ambay Udyog, Jas Carbide Tools, Jassons Diamond Products P Ltd, Jata Autoancillarys, Jaya Springs, JC Surface Treatments, JMD Graphics Co., Joginder Singh Teja Singh, K V K Industries, K V Kapoor Industries, K.Dhandapani & Co Ltd, K.K.Industries, Kaniyo Engineering Technology, Karam Chand Chains Limited, Karam Chand Rubber Inds Pvt Ltd, Karumari Amman Welding Works, Kayson Cycles, Krishna Engineering Industries, Lakshmi Engineering Enterprise, Libra Steels, M R V Industries, Madhu Agencies, Maha Classic Paints Chennai P Ltd, Mahalakshmi Industries, Mahalaxmi Enterprises, Manigandan Wood Packers, Margo Fastners, Mekuba Petroleum India Pvt. Ltd, Miniature Ball Industries, MIP Alloy, Murugan Cottage Industries, Muthupalani Tools, N V Enterprises, N V Industries, National Steels India, Navkar International, New Modern Steel Industries(India), Newall Engineering Works, Nithya Industries, Nutan Art Printers, Omega Enterprises, Opel Packaging, Ortey Engineering, P L Engineering Works, P L Industries, P S Industries, P.S.Engineering Works, PAC Industries (Private) Limited, Pars Tekhnologies Private Limited, Partap Engineers, Phoenix Rubbers, Pioneer Diamond Products, Poongodi Distill Water Industries, Popular Tool Makers, Praxair India Pvt Limited, Push-Kar Cycle Products, Qutbi Industrial Suppliers, Raja Tools, R K M Industries, R R Industries, R.K. Electrical, Rachna Industries, Rubber Age Industries, S L S Packaging, S P Engineering Works, S S Pressings, S V L Enterprises, S&S Engineers, Sarath Industries, SDS Engineering Works, Sekar Industries, Shind Engg Works, Shiva Enterprises, Shri Balaji Fastener Tools, Shri Shakthi Engineering, Shrijaa Engineering Pvt. Ltd., Shrijee Heavy Projects Works Ltd, Sivasakthi Offset Printers, Slidewell, Sober Auto Industries, Sood Industries, Sooriya Screens, Sovereign Industries, Sree Kumaran Engineering Enterprises, Sree Lakshmiram Wires Pvt Ltd, Sree Mahalakshmi Engineering Works, Sreekanth Packaging, Sreeram Engineering Works, Sri Durga Computers & Electronics, Sri Ganesh Engineering Works-Chennai, Sri Lakshmi Screens, Sri R.K. Enterprises, Sri Ram Cold Forgings Pvt Ltd, Sri Sai Krupa Industries, Sri Sairam Engineering Associates, SSM Combines, Star Precision Tools, Sttar Engineering Services, Sudarshan Engineering, Sun Mig Industries, Sun Tech Automobile Products, Sunder Sham Industries, Suprabha Protective Products Pvt. Ltd, Suraj Enterprises, Suresh Engineering Works, Surindera Cycles Private Limited, Swadesh Auto Private Limited Ludhiana, T P M Engineers, T R B Engineers, Taj And Company, Techno Plastics, The Southern Associates, Thermo Electric Furnaces India (P) Ltd, Thirumala Press Components Pvt Ltd, Tool Tech Precision Engg Works, Tools and Hardware Syndicate, Tushar Bikes, Tushar Engineers, Tvashta Engineering Private Ltd, Umaa Tools, United Industries, Universal Reprographics, Usha Fire Safety Equipments (P) Ltd, V.G. Tools, Venkateshwara Industries, Venus Industrial Plastics, Victory Enterprises Ambattur, Vijay Laxmi Timber Depot, Vijay Wheels Private Limited, Viruthyaa Enterprises, Visalakshi Industries, Vishivkarma Industries, VSK Automations, Watson Engineering, We Will Engineering Industries, Western Pressed Components, Wolframite Plus, Y.K.Precision Collets, Young Industrial Corporation.

7. Dues to Micro Small and Medium Enterprises

Based on and to the extent of information received from the suppliers regarding their status under the Micro Small and Medium Enterprises Development Act, 2006, there are no amounts remaining unpaid/ payable as at 31st March 2007 towards principal or interest beyond the permissible credit period.

8. Donations

Other Expenses under Operating and Other Costs (Schedule 16) include

i. Contribution to A M M Murugappa Chettiar Research Centre Rs.0.28 Cr. (Previous Year Rs. 0.18 Cr.)

ii. Contribution to A M M Foundation Rs.0.40 Cr. (Previous Year Rs. 0.50 Cr.)

iii. Contribution to Prime Ministers' /Chief Ministers' Relief Funds - Nil. (Previous Year - Rs. 0.15 Cr.)

9. Deferred Tax Movement

The net deferred tax liability of Rs.41.83 Cr. as at 31st March 2007 (Previous Year - Rs. 41.50 Cr.) has arisen on account of the following:

Rs. in Crores

Nature - (Asset) / Liability	As at 01.04.2006	Transitional Adjustment*	Charged/ (Credited) to P&L	As at 31.03.2007
Deferred Tax Liabilities				
Difference between the written down value of assets as per Books of Account and the Income Tax Act, 1961	49.74	-	0.05	49.79
Total (A)	**49.74**	**-**	**0.05**	**49.79**
Deferred Tax Assets				
Deferred Revenue Expenses	(1.64)	-	1.41	(0.23)
Provision for Doubtful Debts / Advances	(5.23)	-	0.49	(4.74)
Others	(1.37)	(2.26)	0.64	(2.99)
Total (B)	**(8.24)**	**(2.26)**	**2.54**	**(7.96)**
Net Deferred Tax Liability (A-B)	**41.50**	**(2.26)**	**2.59**	**41.83**

* Refer Note 2 above

Rs. in Crores

10. Auditors' Remuneration

Particulars	2006-07	2005-06*
Statutory Audit	0.18	0.12
Tax Audit & Other Services	0.07	0.06
Service Tax	-	0.02
Reimbursement of Expenses	-	0.01
Total	**0.25**	**0.21**

* Includes Rs.0.01 Cr. paid to the Erstwhile Auditors'.

11. Imported and Indigenous Material Consumed

(a) Consumption of Raw Materials (Refer Schedule 13)

Particulars	%	2006-07	%	2005-06
Imported	7.14	75.99	9.96	95.26
Indigenous	92.86	988.93	90.04	860.75
Total	**100.00**	**1064.92**	**100.00**	**956.01**

(b) Consumption of Stores and Spares

Particulars	%	2006-07	%	2005-06
Imported	2.06	2.56	2.87	2.99
Indigenous	97.94	121.75	97.13	101.46
Total	**100.00**	**124.31**	**100.00**	**104.45**

Note:

The above includes Rs. 44.56 Cr. (Previous Year Rs. 41.18 Cr.) of Stores and Spares charged to the Power and Fuel Account (Refer Schedule 16).

12. Value of Imports on CIF Basis

Particulars	2006-07	2005-06
Raw Materials	59.94	95.82
Stores and Spare Parts	8.60	4.91
Finished Goods	35.36	10.40
Capital Goods	17.86	41.91
Total	**121.76**	**153.04**

13. Earnings in Foreign Exchange

FOB Value of Exports	146.57	152.12

18 NOTES ON ACCOUNTS (Contd.)

Rs. in Crores

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

Particulars	2006-07	2005-06
Dividend – Rs. in Cr.	0.027	0.008
Number of Non-resident Shareholders	1	1
Number of Equity Shares Held	56700 of Rs.2 each	11340 of Rs.10 each
Year for which Dividend Remitted	2005-06	2004-05

Note:

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

15. Expenditure in Foreign Currency

Particulars	2006-07	2005-06
Travel	0.94	1.16
Technical Know-how	-	0.34
Interest on Foreign Currency Loans	0.84	0.58
Royalty	0.11	0.07
Others	2.33	5.10
Total	**4.22**	**7.25**

16. Directors' Remuneration

Particulars	2006-07	2005-06
a) Managing Director's Remuneration		
Salaries & Allowances	0.34	0.62
PF, Gratuity & Superannuation	0.05	0.07
Perquisites	0.04	0.05
	0.43	**0.74**
Commission	-	0.20
	0.43	**0.94**
b) Commission to Non-Whole Time Directors	0.18	0.18
c) Directors' Sitting Fees	0.10	0.11
Directors' Remuneration	**0.71**	**1.23**
Profit after Tax as per Profit and Loss Account	155.78	182.93
Add: Provision for Taxation	39.53	62.70
Directors' Remuneration	0.71	1.23
Less: Profit on Sale of Investments	71.41	89.06
Profit on Sale of Assets as per Books	0.55	21.21
Profit as per Section 349 of the Companies Act, 1956	**124.06**	**136.59**
Commission at 1% thereof	**1.24**	**1.37**
Commission to Managing Director restricted to	-	0.20
Commission to Non-Whole time Directors restricted to	0.18	0.18
Total Commission	**0.18**	**0.38**

Note:

Mr. Sumit Banerjee was the Managing Director from 17th April 2006 to 22nd December 2006. Mr. Adhiraj Sarin was the Managing Director during the previous year upto 31st January 2006.

17. Quantitative Particulars **Rs. in Crores**

I. Capacities, Production, Turnover and Stocks

Class of Goods	Unit	Installed Capacity	Production	Opening Stock		Closing Stock		Turnover	
		Qty	Qty	Qty	Value	Qty	Value	Quantity	Value (Net of Excise)
Cycles/Components	Nos.				23.24		29.13	2597558	511.13
					(9.15)		(23.24)	(2461868)	(465.86)
ERW/CDW Tubes	Tons	162850	97868	3050	14.47	3153	17.71	97765	538.57
		(154450)	(89285)	(2673)	(13.05)	(3050)	(14.47)	(88908)	(484.78)
Cold Rolled Strips	Tons	100120	64010	92	0.36	55	0.23	64047	239.45
		(100120)	(67562)	(259)	(1.07)	(92)	(0.36)	(67729)	(239.86)
Metal Formed Products					7.20		8.79		324.73
					(7.96)		(7.20)		(268.84)
Conversion Charges									1.16
									(1.60)
Total					**45.27**		**55.86**		**1615.04**
					(31.23)		**(45.27)**		**(1460.94)**

Notes:

a) Figures in brackets are for the previous year.

b) Licensed Capacity is not applicable. Installed Capacity is as certified by the Management

c) Turnover and Production is exclusive of captive consumption and inter-unit transfers

d) 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.

e) Quantitative particulars are after adjusting the excesses and shortages ascertained on physical count.

II. Consumption of Raw Materials (Refer Schedule 13)

Particulars	Unit	Quantity		Value	
		2006-07	2005-06	2006-07	2005-06
Steel	Lakh Tons	2.49	2.37	699.03	612.45
Rims	Lakh Pairs	26.74	25.08	38.14	33.22
Tyres	Lakh Nos.	48.18	48.99	28.27	24.93
Cycle Tubes	Lakh Nos.	47.36	47.24	11.02	9.02
Leather Top	Lakh Nos.	24.80	25.17	14.09	14.38
Chains	Lakh Nos.	32.39	32.05	8.03	7.74
Frames	Lakh Nos.	24.88	25.67	57.87	58.27
Forks	Lakh Nos.	25.58	26.63	20.24	20.66
Mudguards	Lakh Nos.	27.14	23.89	11.65	9.23
Bicycle Components and Others				176.58	166.11
Total				**1064.92**	**956.01**

Notes:

a) The quantitative details of Bicycle Components and Others, being too numerous, are not listed above.

b) The consumption figures shown above are after adjusting excesses and shortages ascertained on physical count.

18. 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

18 NOTES ON ACCOUNTS (Contd.)

(A) PRIMARY SEGMENT **Rs. in Crores**

	Cycles/ Components		Engineering		Metal Formed Products		Eliminations		Consolidated Total	
	2006-07	**2005-06**	**2006-07**	**2005-06**	**2006-07**	**2005-06**	**2006-07**	**2005-06**	**2006-07**	**2005-06**
REVENUE										
External Sales	511.13	465.86	779.18	726.20	324.73	268.88	-	-	1615.04	1460.94
Inter-Segment Sales	-	-	50.59	33.16	0.14	0.30	(50.73)	(33.46)	-	-
Total Revenue	**511.13**	**465.86**	**829.77**	**759.36**	**324.87**	**269.18**	**(50.73)**	**(33.46)**	**1615.04**	**1460.94**
Unallocated Corporate Expenses									(32.01)	(11.54)
RESULT										
Operating Profit	19.49	12.77	81.73	108.41	55.07	46.84	-	-	124.28	156.48
Profit / (Loss) on Sale of Assets	(0.14)	(0.04)	0.56	0.13	0.21	0.06	-	-	0.63	0.15
Net Operating Profit	**19.35**	**12.73**	**82.29**	**108.54**	**55.28**	**46.90**			**124.91**	**156.63**
Dividend Income	-	-	-	-	-	-	-	-	10.28	12.84
Interest Expense	-	-	-	-	-	-	-	-	(11.29)	(12.90)
Income Taxes	-	-	-	-	-	-	-	-	(39.53)	(62.70)
Profit on Sale of Investments	-	-	-	-	-	-	-	-	71.41	89.06
Net Profit	**19.35**	**12.73**	**82.29**	**108.54**	**55.28**	**46.90**			**155.78**	**182.93**
	As at 31.03.07	**As at 31.03.06**	**As at 31.03.07**	**As at 31.03.06**	**As at 31.03.07**	**As at 31.03.06**	**As at 31.03.07**	**As at 31.03.06**	**As at 31.03.07**	**As at 31.03.06**
ASSETS										
Segment Assets	187.37	159.17	509.94	427.52	264.93	217.26	(11.25)	(8.13)	950.99	795.82
Unallocated Corporate Assets	-	-	-	-	-	-	-	-	305.96	361.72
Total Assets	**187.37**	**159.17**	**509.94**	**427.52**	**264.93**	**217.26**	**(11.25)**	**(8.13)**	**1256.95**	**1157.54**
LIABILITIES										
Segment Liabilities	89.94	70.27	159.99	101.53	60.52	51.89	(11.25)	(8.13)	299.20	215.56
Unallocated Corporate Liabilities	-	-	-	-	-	-	-	-	53.62	124.08
Total Liabilities	**89.94**	**70.27**	**159.99**	**101.53**	**60.52**	**51.89**	**(11.25)**	**(8.13)**	**352.82**	**339.64**
OTHER INFORMATION	**2006-07**	**2005-06**	**2006-07**	**2005-06**	**2006-07**	**2005-06**	**2006-07**	**2005-06**	**2006-07**	**2005-06**
Capital Expenditure	5.04	5.10	48.85	74.58	48.14	46.75	-	-	102.03	126.43
Unallocated Corporate Capital Expenditure	-	-	-	-	-	-	-	-	37.65	5.34
Depreciation	5.41	5.74	24.45	20.58	15.35	12.93	-	-	45.21	39.25
Unallocated Corporate Depreciation	-	-	-	-	-	-	-	-	5.18	9.31

(B) SECONDARY SEGMENT

Revenue by Geographic Market	**2006-07**	**2005-06**
Europe	54.25	45.47
North America	49.68	57.18
India	1464.03	1300.76
Rest of The World	47.08	57.53
TOTAL	**1615.04**	**1460.94**

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

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

a) List of Related Parties

I. Subsidiary
Cholamandalam MS General Insurance Company Limited
Tubular Precision Products (Suzhou) Company Limited (from 28th June 2006)

II. Joint Venture
Borg Warner Morse TEC Murugappa Private Limited
Cholamandalam DBS Finance Limited (Associate upto 3rd January 2006)
Cholamandalam MS Risk Management Services Limited (from 4th January 2006)

III. Key Management Personnel (KMP)
Mr. Sumit Banerjee - Managing Director (17th April 2006 to 22nd December 2006)
Mr. Adhiraj Sarin - Managing Director (Upto 31st January 2006)

Note: Related party relationships are as identified by the Management and relied upon by the Auditors.

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 16 above)

Rs. in Crores

Transaction	Related Party	2006-07	2005-06
Dividend Receipt	Cholamandalam DBS Finance Limited	5.87	9.26
Claims Receipt	Cholamandalam MS General Insurance Company Limited	0.59	2.07
Premium Paid	Cholamandalam MS General Insurance Company Limited	3.42	2.93
Rentals Paid	Cholamandalam DBS Finance Limited	0.29	0.42
	Cholamandalam MS General Insurance Company Limited	0.05	0.05
Rental Income	Borg Warner Morse TEC Murugappa Private Limited	0.05	0.05
	Cholamandalam MS General Insurance Company Limited	0.05	0.05
Sale of Fixed Assets	Cholamandalam MS General Insurance Company Limited	0.03	0.04
Purchase of Copy Right (Intangible) Rs. Nil (Previous Year Rs. 100/- only)	Cholamandalam DBS Finance Limited	-	-
Purchase of Fixed Assets	Cholamandalam DBS Finance Limited	0.95	-

Rs. in Crores

Transaction	Related Party	2006-07	2005-06
Purchase of Investment	Cholamandalam DBS Finance Limited	-	16.49
Subscription to Equity Shares	Borg Warner Morse TEC Murugappa Private Limited	-	2.50
	Tubular Precision Products (Suzhou) Company Limited	12.54	-
Capital Advance	Tubular Precision Products (Suzhou) Company Limited	7.00	-
Purchase of Goods and Services	Borg Warner Morse TEC Murugappa Private Limited	0.53	0.81
	Cholamandalam MS Risk Services Limited	0.06	0.03
Sales and Services	Borg Warner Morse TEC Murugappa Private Limited	1.46	2.31
Reimbursement of Expenses	Cholamandalam DBS Finance Limited	0.03	0.02
	Cholamandalam MS General Insurance Company Limited	0.03	0.01
Recovery of Expenses	Cholamandalam DBS Finance Limited	0.00	0.87
	Cholamandalam MS General Insurance Company Limited	0.00	0.01
Advances paid	Cholamandalam MS General Insurance Company Limited	0.90	0.76
Balance at Year End			
Payable (Net)	Borg Warner Morse TEC Murugappa Private Limited	0.08	0.15
Receivable (Net)	Cholamandalam MS General Insurance Company Limited	-	0.30
	Borg Warner Morse TEC Murugappa Private Limited	0.39	0.36

20. Earnings Per Share

Particulars	2006-07	2005-06
Profit after Taxation – Rs. in Crores	155.78	182.93
Earnings Per Share (Basic & Diluted)		
- Pre Split Face Value per Share of Rs.10	-	49.50
- Post Split Face Value per Share of Rs.2	8.43	9.90
Weighted Average Number of Shares		
- Pre Split	-	3,69,56,000
- Post Split	18,47,80,000	18,47,80,000

21. Information on Joint Venture Entities

The particulars of the Company's Joint Ventures as at 31st March 2007, 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 2007**					**2006 - 07**	
Name of the Joint Venture	**% Holding**	**Assets**	**Liabilities**	**Contingent Liabilities**	**Capital Commitments**	**Income**	**Expenses**
Borg Warner Morse TEC Murugappa Pvt. Limited (Note b)	26.00%	6.53	1.70	-	0.24	6.09	5.55
	(26.00%)	(5.70)	(2.30)	(-)	(-)	(4.98)	(5.06)
Cholamandalam DBS Finance Limited (Note c)	30.93%	1158.58	1063.84	2.82	0.15	135.38	121.29
	(30.93%)	(650.82)	(558.24)	(3.62)	(0.68)	(18.94)	(15.25)
Cholamandalam MS Risk Management Services Limited	49.50%	1.60	0.30	-	-	1.41	1.09
	(49.50%)	(1.22)	(0.11)	(-)	(-)	(0.80)	(0.64)

Notes:

a) Figures in brackets are for the previous year.

b) As the Accounting Year of this company ends on 31st December 2006, the figures as of that date have been considered.

c) During the previous year, this Company was an Associate upto 3rd January 2006.

d) All the above Joint Venture Entities are located in India.

18 NOTES ON ACCOUNTS (Contd.)

22. Employee Benefits

The Company's obligation towards the Gratuity Fund is a Defined Benefit Plan.

Rs. in Crores

Details of Actuarial Valuation as at 31st March 2007	
Change in Benefit Obligation	
Projected Benefit Obligation as at 1st April 2006	10.94
Service Cost	0.64
Interest Cost	0.82
Actuarial Losses / (Gains)	1.46
Benefits Paid	(0.72)
Projected Benefit Obligation as at 31st March 2007	**13.14**
Change in Plan Assets	
Fair Value of Plan Assets as at 1st April 2006	11.76
Expected Return on Plan Assets	0.88
Employer's Contribution	2.10
Benefits Paid	(0.72)
Actuarial Gains / (Losses)	0.17
Fair Value of Plan Assets as at 31st March 2007	**14.19**
Cost of the Defined Benefit Plan for the Year	
Current Service Cost	0.64
Interest on Obligation	0.82
Expected Return on Plan Assets	(0.88)
Net Actuarial Losses / (Gains) Recognised in the Year	1.29
Net Cost Recognised in the Profit and Loss Account	**1.87**
Assumptions	
Discount Rate	7.50%
Future Salary Increase (%)	5.00%
Expected Rate of Return on Plan Assets	7.50%

Note:

The Company has adopted the Accounting Standard 15 (AS-15) Revised with effect from 1st April 2006. Hence, the corresponding figures for the previous year have not been furnished.

The expected return on plan assets is as furnished by Life Insurance Corporation of India.

23. Previous Year's Figures

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

Signatures to Schedules 1 to 18.

On behalf of the Board

Chennai	**S Suresh**	**K Balasubramanian**	**N Srinivasan**	**M M Murugappan**
27th April 2007	Company Secretary	Chief Financial Officer	Director	Chairman

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	31-03-2007		

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	9041261	Total Assets	9041261
Sources of Funds			
Paid up Capital	369560	Reserves & Surplus	6188913
Secured Loans	1388058	Unsecured Loans	676381
Deferred Tax Liability (Net)	418349		
Application of Funds			
Net Fixed Assets	4697849	Investments	1905460
Net Current Assets	2437952	Misc. Expenditure	NIL

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

Turnover (including Other income)	17077771	Total Expenditure	15124703
Profit/(Loss) before Tax	1953068	Profit/(Loss) after Tax	1557762
Earning per share in Rs.	8.43	Dividend Rate(%)	75

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 M Murugappan
Chairman

Chennai
27th April 2007

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

N Srinivasan
Director

Consolidated Financial Statements

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 subsidiaries and joint ventures (the Group) as at 31 March 2007, 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements and other financial information of the subsidiaries and one of the joint ventures, whose financial statements reflect total assets (net) of Rs. 153.09 Crores as at 31 March 2007, total revenue (net) of Rs. 146 Crores and net cash flows of Rs. 27.43 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 subsidiaries 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 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 subsidiaries and joint ventures included in the Consolidated Financial Statements.

5. Based on our audit and on consideration of the reports of the other auditors on the separate financial statements of the subsidiaries 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 2007;

   (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
Membership No. 022360

Place: Chennai
Date: 27 April 2007

Consolidated Balance Sheet

As at 31st March,	Schedule	2007	Rs. in Crores 2006
SOURCES OF FUNDS			
Shareholders' Funds			
(a) Share Capital	1	36.95	36.95
(b) Reserves and Surplus	2	654.13	525.85
		691.08	**562.80**
Minority Interest		**36.06**	**32.82**
Loan Funds			
(a) Secured Loans	3	732.24	467.94
(b) Unsecured Loans	4	469.25	303.50
		1201.49	**771.44**
Deferred Tax Liability			
(Refer Note 5 of Schedule 18)			
Company (Net)		41.83	41.50
Share in Joint Ventures		1.68	0.91
		43.51	**42.41**
		1972.14	**1409.47**
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	757.70	643.26
Less : Depreciation		382.23	333.79
Net Block		375.47	309.47
Share in Joint Ventures		15.22	11.37
		390.69	320.84
Capital Work-in-Progress at Cost (including Capital Advances)			
(Refer Note 3 of Schedule 18)		107.75	80.96
		498.44	**401.80**
Investments	6	**280.61**	**295.94**
Deferred Tax Asset - Share in Joint Ventures		**2.49**	**1.57**
(Refer Note 5 of Schedule 18)			
Current Assets, Loans and Advances			
(a) Inventories	7	206.94	166.45
(b) Sundry Debtors	8	281.05	209.95
(c) Cash and Bank Balances	9	145.95	129.49
(d) Loans and Advances	10	163.68	112.14
(e) Receivables under Financing Activity (Share in Joint Ventures)		1011.33	588.82
		1808.95	1206.85
Less : Current Liabilities and Provisions	11		
(a) Current Liabilities		456.91	397.38
(b) Provisions		162.65	100.52
		619.56	497.90
Net Current Assets		**1189.39**	**708.95**
Miscellaneous Expenditure (to the extent not written off) (Share in Joint Ventures)		**1.21**	**1.21**
		1972.14	**1409.47**
Significant Accounting Policies	17		
Notes on Accounts	18		

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

On behalf of the Board

K Sai Ram
Partner
M. No. 022360

M M Murugappan
Chairman

Chennai
27th April 2007

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

N Srinivasan
Director

Consolidated Profit and Loss Account

Rs. in Crores

For the year ended 31st March,	Schedule	2007	2006
Income			
Sales and Processing Charges		1759.45	1584.18
Income and Sales - Share in Joint Ventures		142.93	20.21
Less : Excise Duty on Sales		146.80	123.24
Excise Duty on Sales - Share in Joint Ventures		0.95	0.55
Net Sales, Income and Processing Charges		1754.63	1480.60
Premium Earned (Net)		123.86	85.47
Other Income	**12**	103.78	146.76
		1982.27	**1712.83**
Expenditure			
Raw Materials Consumed (Net)	**13**	977.86	888.92
Accretion to Stock	**14**	(13.84)	(21.95)
Claims Incurred		71.01	66.86
Employee Cost	**15**	161.55	119.48
Operating and Other Costs	**16**	422.36	337.00
Depreciation		53.77	52.84
Depreciation - Share in Joint Ventures		2.65	0.72
Interest - Debentures and Fixed Loans		7.13	7.44
- Others		4.16	5.46
- Share in Joint Ventures		58.45	7.81
		69.74	20.71
Business Origination Outsourcing - Share in Joint Ventures		19.00	1.35
		1764.10	**1465.93**
Profit Before Taxes		**218.17**	**246.90**
Provision for Taxation			
Income Tax			
- Current Year		35.90	47.50
- Prior Years		-	3.62
Deferred Tax (Net)		2.59	8.79
Fringe Benefit Tax		2.34	3.41
Provision for Taxation - Share in Joint Ventures		5.75	1.04
		46.58	**64.36**
Profit After Taxes		**171.59**	**182.54**
Share in Associate's Profit		-	3.75
Minority Interest in Net Income		(3.24)	0.81
Net Profit after Tax		**168.35**	**187.10**
Add : Balance Brought Forward from Previous Year		169.13	141.05
Add : Dividend on Own Shares held through Trust (Refer Note 4 of Schedule 18)		4.77	-
Profit Available for Appropriation		**342.25**	**328.15**
Appropriations:			
Transfer to General Reserve		15.58	60.00
Special Interim Dividend @ Nil (Previous year 175%)		-	64.67
Tax on Special Interim Dividend		-	9.07
Dividend Proposed - Final @ 75% (Previous year 60%)		27.71	22.17
Tax on Final Dividend		4.71	3.11
		48.00	159.02
Balance Carried Over to Balance Sheet		**294.25**	**169.13**
Earnings per Share of Rs. 2/- each (Basic / Diluted) - (in Rs.)		9.11	10.13
(Refer Note 9 of Schedule 18)			
Significant Accounting Policies	**17**		
Notes on Accounts	**18**		

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

On behalf of the Board

M M Murugappan
Chairman

K Sai Ram
Partner
M. No. 022360

N Srinivasan
Director

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

Chennai
27th April 2007

Consolidated Cash Flow Statement

For the Year Ended 31st March,	2007	Rs. in Crores 2006
A. Cash Flow from Operating Activities:		
Net Profit Before Tax	**218.17**	**246.90**
Adjustments for :		
Depreciation	56.42	53.56
Interest and Finance Charges	69.75	20.71
Profit on Sale of Assets (Net)	(1.09)	(20.96)
Profit on Sale of Investments (Net)	(72.18)	(91.03)
Provision For Doubtful Debts And Advances (Net)	6.08	12.70
Reserve for Un Expired Risk (Incl. Terrorism pool UPR)	31.98	-
Interest Income	(18.88)	(12.98)
Dividend Income	(4.41)	(12.85)
Operating Profit before Working Capital Changes	**285.84**	**196.05**
Adjustments for :		
Increase in Inventories	(40.49)	(15.92)
Increase in Sundry Debtors / Receivables under Financing Activity	(570.11)	(137.36)
Decrease / (Increase) in Loans & Advances	39.58	(7.03)
Increase / (Decrease) in Current Liabilities and Provisions	126.28	(20.06)
Cash Generated From Operations	**(158.90)**	**15.68**
Direct Taxes Paid (Net)	(65.54)	(59.32)
Net Cash Used in Operating Activities	**(224.44)**	**(43.64)**
B. Cash Flow from Investing Activities:		
Capital Expenditure (Including Capital Work In Progress)	(155.10)	(140.29)
Sale of Fixed Assets	3.60	107.27
Purchase of Investments	(428.00)	(1074.64)
Sale of Investments	515.59	1128.22
Interest Received	20.33	14.60
Dividend on Own Shares held through Trust	4.77	-
Dividend Received	4.41	13.55
Net Cash (Used in) / From Investing Activities	**(34.40)**	**48.71**
C. Cash Flow from Financing Activities:		
Borrowings	513.57	175.17
Repayments of Borrowings	(82.62)	(50.34)
Interest Paid	(57.18)	(44.59)
Dividends Paid (Including Dividend Tax)	(99.39)	(37.11)
Issue of Shares - Share of Joint Ventures	0.92	-
Net Cash from Financing Activities	**275.30**	**43.13**
Net Increase in Cash and Cash Equivalents [A+B+C]	**16.46**	**48.20**
Cash and Cash Equivalents at the Beginning of the Year	**129.49**	**29.85**
Cash and Cash Equivalents added on New Joint Ventures	**-**	**51.44**
Cash and Cash Equivalents as at End of the Year	**145.95**	**129.49**

Note : Capital Expenditure includes and Interest Paid excludes Rs. 0.86 Cr. (Previous Year - Nil) of Interest Capitalised.

The accompanying Schedules 1 to 18 are an integral part of the Accounts.

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

On behalf of the Board

K Sai Ram
Partner
M. No. 022360

M M Murugappan
Chairman

Chennai
27th April 2007

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

N Srinivasan
Director

Schedules Forming Part of the Consolidated Balance Sheet

01 SHARE CAPITAL

Rs. in Crores

As at 31st March,	2007	2006
Authorised		
21,50,00,000 Equity Shares of Rs.2 each (Previous Year		
4,30,00,000 Equity Shares of Rs.10 each)	43.00	43.00
Issued, Subscribed and Paid-up		
18,47,80,000 Equity Shares of Rs. 2 each fully paid up		
(Previous Year 3,69,56,000 Equity Shares of Rs. 10 each fully paid up)	36.95	36.95
Pursuant to the approval of the Shareholders accorded		
vide their resolution dated 4th May 2006, every Equity Share		
of Rs. 10 of the Company was split into five Equity Shares		
of Rs. 2 each with effect from 8th June 2006.		
	36.95	**36.95**

02 RESERVES AND SURPLUS

As at 31st March,	2007	2006
Capital Reserve	0.27	0.27
Capital Reserve on Consolidation (Net of Goodwill)	20.35	20.35
Securities Premium	94.11	94.11
Capital Redemption Reserve	6.15	6.15
General Reserve	262.16	250.96
Balance in Profit and Loss Account	294.25	169.13
Adjustments on Consolidation	(23.16)	(15.12)
Total Reserves	**654.13**	**525.85**

Effective 1st April 2006, the Company, its subsidiaries and two of its joint ventures adopted the revised Accounting Standard 15 (AS 15) on Employee Benefits issued by the Institute of Chartered Accountants of India, though not yet mandatory in nature. Pursuant to this, employee benefit obligations of the Company amounting to Rs. 5.25 Cr. (net of Deferred Tax Rs. 2.38 Cr.) as at 31st March 2006 has been adjusted against the opening balance in the General Reserve in line with the transitional provisions of the said Standard.
(Also Refer Note 2 of Schedule 18)

03 SECURED LOANS

As at 31st March,	2007	2006
Loans and Advances from Banks		
- Foreign Currency Term Loans	-	50.00
- Rupee Term Loans	55.00	55.00
- Cash Credit and Other Borrowings	83.81	66.71
Other Term Loans	-	0.14
Share in Joint Ventures	593.43	296.09
	732.24	**467.94**

Schedules Forming Part of the Consolidated Balance Sheet

04 UNSECURED LOANS

Rs. in Crores

As at 31st March,	2007	2006
Short Term Loans & Advances from Banks		
Foreign Currency Loan	-	15.62
Cash Credit and other Borrowings	40.60	30.00
Other Loans & Advances		
Sales Tax Deferral	27.04	26.83
Share in Joint Ventures	401.61	231.05
	469.25	**303.50**

05 FIXED ASSETS

	Gross Block at Cost				Depreciation / Amortisation				Net Block	
	As at 31.03.2006	Additions (Note 1)	Deletions	As at 31.03.2007	As at 31.03.2006	Additions (Note 2)	Deletions	As at 31.03.2007	As at 31.03.2007	As at 31.03.2006
Land (Freehold)	10.92	0.11	-	11.03	-	-	-	-	11.03	10.92
Land (Leasehold) (Note 3)	0.73	-	-	0.73	0.04	-	-	0.04	0.69	0.69
Buildings (Note 4)	91.36	14.76	0.45	105.67	25.75	3.13	0.09	28.79	76.88	65.61
Plant & Machinery	518.40	101.83	4.13	616.10	293.32	47.81	3.70	337.43	278.67	225.08
Railway Siding	0.21	-	-	0.21	0.10	0.02	-	0.12	0.09	0.11
Computer Software	3.30	0.60	-	3.90	2.91	0.34	-	3.25	0.65	0.39
Improvement to Premises (Leasehold and Owned)	0.98	0.99	0.02	1.95	0.51	0.25	-	0.76	1.19	0.47
Furniture & Fixtures	10.37	0.83	0.03	11.17	7.92	0.89	0.02	8.79	2.38	2.45
Vehicles	6.99	2.35	2.40	6.94	3.24	1.33	1.52	3.05	3.89	3.75
TOTAL	**643.26**	**121.47**	**7.03**	**757.70**	**333.79**	**53.77**	**5.33**	**382.23**	**375.47**	**309.47**
PREVIOUS YEAR	**581.60**	**76.06**	**14.40**	**643.26**	**289.21**	**52.84**	**8.26**	**333.79**	**309.47**	**292.39**

Notes:

1. Additions to Gross Block includes Interest Capitalised amounting to Rs. 0.86 Cr. (Previous Year - Rs. Nil)
2. Includes depreciation amounting to Rs. 6.59 Cr. (Previous Year Rs. 8.15 Cr.) charged additionally on certain assets.
3. Amortisation of Leasehold Land for the Year Rs.72,851 (Previous Year Rs. 72,851)
4. Net Block includes Improvement to Buildings constructed on Leasehold Land Rs. 3.88 Cr. (Previous Year Rs. 4.12 Cr.)

06 INVESTMENTS

As at 31st March,	2007	2006
Long Term Investments (At Cost)		
Trade Investments:		
Government Securities	131.52	133.54
Non-Trade Investments:		
Equity Shares (Fully paid) - Quoted	2.43	7.28
Equity Shares (Fully paid) - Unquoted	0.40	0.40
Preference Shares (Fully paid) - Unquoted	-	3.00
Others	71.43	71.84
Total - Long Term	**205.78**	**216.06**
Investments - Short Term (At Cost)		
Equity Shares (Fully paid) - Quoted (Refer Note 4 of Schedule 18)	7.37	7.37
Others	51.82	61.03
Total - Short Term	**59.19**	**68.40**
Share in Joint Ventures (Net of Provision for Dimunition)	15.64	11.48
	280.61	**295.94**

Schedules Forming Part of the Consolidated Balance Sheet

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

Rs. in Crores

As at 31st March,	2007	2006
Raw Materials	107.27	80.70
Work - in - Process	36.31	33.08
Finished Goods	55.86	45.27
Stores and Spare Parts	4.64	5.14
Materials - in - Transit	1.72	1.53
Share in Joint Ventures	1.14	0.73
	206.94	**166.45**

08 SUNDRY DEBTORS (Unsecured)

As at 31st March,	2007	2006
Outstanding for Over Six Months		
Considered Good	5.18	7.04
Considered Doubtful	13.06	9.74
	18.24	16.78
Others		
Considered Good	271.58	198.50
	289.82	215.28
Less : Provision for Doubtful Debts	13.06	9.74
	276.76	205.54
Share in Joint Ventures	4.29	4.41
	281.05	**209.95**

09 CASH AND BANK BALANCES

As at 31st March,	2007	2006
Cash and Cheques on Hand	26.31	7.17
Balance with Scheduled Banks		
- Current Accounts	31.04	32.64
- Deposit Accounts	-	0.07
- Unpaid Dividend Account	1.13	65.34
Share in Joint Ventures	87.47	24.27
	145.95	**129.49**

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

As at 31st March,	2007	2006
Advances Recoverable in Cash or in Kind or for Value to be Received		
(a) Considered Good	67.39	52.85
(b) Considered Doubtful	0.22	5.81
	67.61	58.66
Less : Provision for Doubtful Advances	0.22	5.81
	67.39	52.85
Sundry Deposits	10.14	10.28
Balance with Customs, Excise and Sales Tax Authorities	15.53	14.36
Advance Taxes Paid	179.62	147.18
Less : Provision for Taxation	136.50	126.97
	43.12	20.21
Share in Joint Ventures	27.50	14.44
	163.68	**112.14**

Schedules Forming Part of the Consolidated Balance Sheet

11 CURRENT LIABILITIES AND PROVISIONS **Rs. in Crores**

As at 31st March,	2007	2006
Current Liabilities		
Acceptances	39.41	42.13
Sundry Creditors		
- Dues to Small Scale Industrial Undertakings	4.19	7.67
- Others	343.85	239.70
	348.04	247.37
Advances and Deposits from Customers / Others	3.35	3.31
Dues to Directors	0.18	0.38
Unpaid Dividend $	1.13	65.34
Tax on Special Interim Dividend Payable	-	9.07
Unpaid Matured Debentures	0.02	0.03
Other Liabilities	7.26	6.43
Interest Accrued but Not Due	0.63	1.58
Share in Joint Ventures	56.89	21.74
	456.91	**397.38**
Provisions		
Provision for Gratuity	13.14	10.94
Provision for Leave Encashment	16.17	3.63
Provision for Unexpired Risk	88.45	56.47
Other Provisions - Premium Deficiency	0.24	-
Dividend - Proposed - Final	27.71	22.17
Dividend Tax	4.71	3.11
Share in Joint Ventures	12.23	4.20
	162.65	**100.52**

$ Previous Year 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 Account

12 OTHER INCOME

For the Year Ended 31st March,	2007	2006
Interest and Dividend Income	20.09	25.40
Royalty Income	0.51	0.53
Profit on Sale of Assets (Net) #	0.55	21.21
Profit on Sale of Investments (Net) $	71.95	89.74
Gain on Exchange fluctuation (Net)	2.40	-
Provision for Doubtful Advances No Longer Required	3.00	-
Miscellaneous Income	4.38	7.94
Share in Joint Ventures	0.90	1.94
	103.78	**146.76**

\# Profit on Sale of Assets includes Sale of Land and Building of Rs.0.39 Cr (Previous year Rs.21.42 Cr).

$ Profit on Sale of Investments includes Sale of Long Term Investment of Rs.71.30 Cr (Previous year Rs.89.08 Cr).

Schedules Forming Part of the Consolidated Profit and Loss Account

13 RAW MATERIALS CONSUMED (NET)

Rs. in Crores

For the Year Ended 31st March,	2007	2006
Raw Materials Consumed	1062.93	952.89
Less : Scrap Sales	88.20	67.09
	974.73	885.80
Share in Joint Ventures	3.13	3.12
Raw Materials Consumed (Net)	**977.86**	**888.92**

14 ACCRETION TO STOCK

For the Year Ended 31st March,	2007	2006
Opening Stock		
Work-in-Process	33.08	25.25
Finished Stock	45.27	31.23
	78.35	56.48
Closing Stock		
Work-in-Process	36.31	33.08
Finished Stock	55.86	45.27
	92.17	78.35
Share in Joint Ventures	(0.02)	(0.08)
Accretion to Stock	**(13.84)**	**(21.95)**

15 EMPLOYEE COST

For the Year Ended 31st March,	2007	2006
Salaries, Wages and Bonus	121.86	96.54
Contribution to Provident and Other Funds	8.95	9.07
Welfare Expenses	13.08	10.81
Charge under Voluntary Retirement Scheme	-	0.18
Share in Joint Ventures	17.66	2.88
	161.55	**119.48**

16 OPERATING AND OTHER COSTS

Rs. in Crores

For the Year Ended 31st March,	2007	2006
Consumption of Stores and Spares	79.75	63.27
Freight and Carriage Inwards	15.83	10.21
Sub Contract Charges	19.06	16.52
Power and Fuel	61.64	55.64
Rent	3.69	3.38
Repairs to Buildings	1.39	0.89
Repairs to Machinery	26.47	22.63
Insurance	3.56	0.09
Rates and Taxes	8.92	7.94
Travelling and Conveyance	14.50	13.71
Printing, Stationery and Communication	7.89	7.16
Freight, Delivery and Shipping Charges	49.38	42.22
Discounts / Incentives on Sales	32.41	26.11
Advertisement and Publicity	18.18	19.03
Bad Debts / Advances Written Off	0.21	1.16
Less : Provision Released	-	1.16
	0.21	-
Provision for Doubtful Debts	3.32	3.34
Advances Written Off	2.59	-
Less : Provision Released	2.59	-
	-	-
Auditors' Remuneration	0.36	0.30
Company Directors' Remuneration (Including Managing Director's Remuneration)	0.71	1.23
Loss on Exchange Fluctuation (Net)	-	0.96
Other Expenses	48.03	37.22
Share in Joint Ventures	27.06	5.15
	422.36	**337.00**

17 STATEMENT OF ACCOUNTING POLICIES

1. Principles of Consolidation

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

(i) The Financial Statements of the Company and its Subsidiary Companies 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 material 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) Investments in Associate Companies have 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. Also refer Note 2 below.

(iii) Interests in Joint Ventures have 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. Also refer Note 2 below.

(iv) The Financial Statements of the Subsidiaries, Associates and Joint Ventures used in the Consolidation are drawn up to the same reporting date as that of the Company i.e. 31st March except for one Subsidiary and 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. Also refer Note 2 below.

(v) The excess of Cost to the Company of its Investment in the Subsidiaries 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 Subsidiaries 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 Subsidiaries 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.

17 STATEMENT OF ACCOUNTING POLICIES (Contd.)

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

Company	Relationship	Year end	Country of Incorporation	Proportion of Ownership	
				2006-2007	2005-2006
Cholamandalam MS General Insurance Company Limited (CMSGICL)	Subsidiary	31st March	India	74.00%	74.00%
Tubular Precision Products (Suzhou) Company Ltd (TPPSCL)	Subsidiary (Note 1)	31st December	China	100.00%	-
Cholamandalam DBS Finance Limited (CDFL)	Joint Venture (Note 2)	31st March	India	30.93%	30.93%
Borg Warner Morse TEC Murugappa Private Limited (Borg Warner)	Joint Venture	31st December	India	26.00%	26.00%
Cholamandalam MS Risk Services Limited (CMSRSL)	Joint Venture (Note 3)	31st March	India	49.50%	49.50%

Notes:

1. TPPSCL (foreign subsidiary) was incorporated in China as a 100% Subsidiary Company with effect from 28th June 2006.
2. Cholamandalam DBS Finance Limited (CDFL) was an Associate Company up to 3rd January 2006. Consequent upon the Shareholders Agreement dated 16th June 2005 entered into between DBS Bank Limited and CDFL and the Company and pursuant to DBS Bank Limited acquiring a stake of 37.5% of the total paid up Equity Share Capital of CDFL, CDFL became a Joint Venture with effect from 4th January 2006.
3. 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 like provision for employee benefits, reserve for unexpired risk, provision for receivables, allowance for slow/non-moving inventories, useful lives of fixed assets, provision for taxation, etc., 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.

17 STATEMENT OF 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. Certain assets are treated as Continuous Process Plants based on technical evaluation done by the Management and are depreciated at the applicable rates. 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 following Subsidiary and 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 (Subsidiary)	CDFL (Joint Venture)
Information Technology Equipment	3 Years	-
Computer Software	1 – 3 Years	6 Years
Vehicles	4 Years	-
Office Equipment	4 Years	-
Electrical Fittings	4 Years	-
Improvement to Premises	Primary Lease Period or 5 Years, whichever is lower	5 Years or Lease Period, whichever is lower
Buildings	-	20 Years
Furniture Fittings	5 Years	-

i. In respect of the foreign Subsidiary, fixed assets are depreciated using the Straight Line Method to depreciate their cost over their estimated useful life.

j. 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.

17 STATEMENT OF ACCOUNTING POLICIES (Contd.)

k. Goodwill arising on Consolidation is not amortised.

(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 in one of the Subsidiaries –

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, based on Management estimates.

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 one of the Company's Subsidiaries:

(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 (Cargo) and Miscellaneous business and 100 percent for Marine (Hull) business. In case of Long-term policies, risk reserves are created 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.

17 STATEMENT OF ACCOUNTING POLICIES (Contd.)

(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.

(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.

e. In the case of one of the Company's Joint Ventures:

(i) Loan Interest Charges/Hire Purchase Finance Charges are recognised under the Internal Rate of Return method to provide a constant periodic rate of return on net investment outstanding on the Loan/Hire Purchase contracts.

(ii) In respect of receivables securitised prior to 1st February 2006 and receivables assigned bilaterally with banks, the difference between the book value of the assets securitised or assigned and the sale consideration is recognised as revenue after netting off incidental expenses incurred, provision for contingent losses arising from credit enhancements and costs to be incurred in servicing the contracts. In respect of receivables securitised from 1st February 2006, gains/ (losses) arising thereon are amortised over the life of the related receivables.

(iii) Lease Rentals are accrued over the period of Lease.

(iv) Income from Primary Market Distribution and Stock Broking are recognised based on contractual obligations.

(vii) Retirement Benefits (Also refer Note 2 of Schedule 18)

I. Defined Contribution Plans

a. Provident Fund

Contributions are made to the Company's Employees Provident Fund Trust in accordance with the fund rules. The interest rate payable by the Trust to the beneficiaries every year is being notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate and recognizes such obligation as an expense.

In one of the Subsidiaries, 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. Superannuation

The Company, one of its Subsidiaries and its Joint Ventures contribute 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

17 STATEMENT OF ACCOUNTING POLICIES (Contd.)

benefits other than its annual contribution and recognizes such contributions as an expense in the year incurred.

II. Defined Benefit Plan

Gratuity

The Company, one of its Subsidiaries and its Joint Ventures make annual contribution to a Gratuity Fund administered by trustees and managed by LIC. The Company accounts its liability for future gratuity benefits based on actuarial valuation, as at the Balance Sheet date, determined every year by LIC using the Projected Unit Credit method.

III. Short Term Employee Benefit

Short-term employee benefit includes accumulated compensated absences and is recognized based on the eligible leave at credit on the balance sheet date and is estimated based on the terms of the employment contract.

(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.

(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) Taxes on Income

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

17 STATEMENT OF ACCOUNTING POLICIES (Contd.)

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.

(xiii) Impairment of Assets

The carrying amounts of assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset exceeds the recoverable amount.

18 NOTES ON ACCOUNTS

1. Contingent Liabilities

Rs. in Crores

Particulars	As at 31.03.2007	As at 31.03.2006
a) Estimated amount of contracts remaining to be executed on capital account and not provided for (including Capital Commitment)	58.55	39.01
b) Disputed Income-Tax demands from A.Y. 1993-94 to 2004-05 under appeal / remand pending before various appellate/ assessing authorities against which Rs. 25.18 crores (Previous Year Rs.18.50 crores) has been deposited. Rs.62.94 crores not deposited as at 31st March 2006 included a demand for Rs. 58.17 crores (excluding penalties which had not been quantified) raised in March 2006, in respect of Assessment Year 1998-99. The aforesaid demand being arbitrary and based on assumptions, the Company filed necessary appeal with higher appellate authorities within the statutory time limit available to it. During the current year, the demand of Rs. 58.17 crores was reduced to Rs. 2.59 crores by the appellate authority and the amount of Rs. 2.59 crores has been deposited. The Management is of the opinion that all the above demands are not sustainable.	26.48	81.44
c) Disputed Excise Duty demand amounting to Rs. 1.22 crores plus penalty of Rs. 1.22 crores pertaining to financial years 2000-01 to 2005-06 under appeal pending before the Appellate Tribunal. The same has not been deposited. The demand is arbitrary and the Management is of the opinion that the same is not sustainable.	2.44	-
d) Cases decided in favour of the Company against which the department has gone on appeal		
- Income Tax	0.76	1.19
- Excise Duty	0.06	0.16
e) Bills Drawn on Customers and Discounted with Banks	23.30	17.16
f) Counter Guarantee Provided by one of the Joint Ventures to Banks	1.46	1.43
g) Sales Tax Pending before Appellate Authorities in respect of which one of the Subsidiaries/Joint Ventures are on appeal and expects to succeed based on decision in earlier years	1.87	1.12
h) Other Tax Issues / Statutory Demands in respect of which one of the Joint Ventures is in appeal	-	0.29
i) Disputed claims against one of the Joint Ventures lodged by various parties pending litigation (to the extent quantifiable)	0.70	0.70
j) Cases decided in favour of one of the Subsidiaries/Joint Ventures against which the department has gone on appeal		
- Income Tax	0.23	1.07
k) Disputed Income Tax Demands in respect of one of the Joint Ventures/Subsidiaries	0.60	-

Note :

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

18 NOTES ON ACCOUNTS (Contd.)

2. Change in Accounting Policy – Employee Benefits

Effective 1st April 2006, the Company, one of its Subsidiaries and two of its Joint Ventures adopted the revised Accounting Standard 15 (AS 15) on Employee Benefits, issued by the Institute of Chartered Accountants of India (ICAI), though not yet mandatory in nature. Consequent upon the change, Profit before Tax for the year ended 31st March 2007 is lower by Rs.1.32 crores, as estimated by the Management. In accordance with the transitional provision contained in the said Standard, the difference of Rs.5.25 crores (net of Deferred Tax of Rs.2.38 crores) between the liability in respect of certain employee benefits existing on the date of adoption of the Standard and the liability that would have been recognised at the same date under the previous accounting policy has been adjusted against the opening balance in the General Reserve.

In this regard, the Company and the aforesaid Joint Ventures, consider their contribution to the Employee Provident Fund Trust as being in the nature of contributions to a defined contribution scheme though they have an obligation to meet the shortfall, if any, in the specified return on the contributions. Should an alternate view emerge on account of any clarification on this matter by the ICAI, the treatment of the differential obligation, if any, that may arise will be dealt with appropriately in the year of such clarification.

3. Capital Work-in-Progress (including Capital Advances)

The balance in the Capital Work-in-Progress account as at 31st March 2007 includes the cost of Plant & Machinery amounting to Rs.8.84 Cr (Previous Year – Rs. Nil) being manufactured /manufactured by the Company on behalf of the Company's new Subsidiary TPPSCL. The cost of such Plant & Machinery will eventually be converted into Share Capital in TPPSCL on the capitalisation of the same in the books of TPPSCL and on completion of necessary formalities.

4. Own Shares held through Trust

Investments include Rs 7.37 Cr representing shares in Tube Investments of India Ltd. held through a Trust.

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., (TIDC), (formerly a subsidiary of the Company) were transferred to and vested in the Company, as a going concern, effective from 1st April 2004. Accordingly, 1,01,51,870 Equity Shares of Rs.2 each (Pre Split – 20,30,374 Equity Shares of Rs.10 each) held in the Company by TIDC was transferred to a Trust namely, TII Shareholding Trust (the Trust), created for the purpose. During the current year, the Madras High Court, vide its order dated 18th December 2006, has sanctioned a further period of 24 months for the sale/disposal of the 1,01,51,870 Equity Shares of the Company held by the Trust. Since the beneficiary of the Trust is the Company itself, the dividend distributed to the Trust relating to the Company's shares held by the Trust are credited back to the Profit and Loss Account on receipt of the same from the Trust.

Since the shares are to be disposed of within a period of 24 months pursuant to the High Court Order as mentioned above, it is deemed that Control is intended to be temporary. Hence the Trust has not been considered for Consolidation.

18 NOTES ON ACCOUNTS (Contd.)

5. Deferred Tax

- **Company**

The Deferred Tax position as at 31st March 2007 has arisen on account of the following:

Rs. in Crores

Nature - (Asset) / Liability	As at 31.03.2007	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	49.79	49.74
Total (A)	**49.79**	**49.74**
Deferred Tax Assets		
Deferred Revenue Expenses	(0.23)	(1.64)
Provision for Doubtful Debts / Advances	(4.74)	(5.23)
Others	(2.99)	(1.37)
Total (B)	**(7.96)**	**(8.24)**
Net Deferred Tax Liability before Transitional Adjustment(A-B)	**41.83**	**41.50**
Deferred Tax Asset Relating to AS -15 Transitional Adjustment (Refer Note 2 above)(C)	**-**	**(2.26)**
Net Deferred Tax Liability after Transitional Adjustment(A-B-C)	**41.83**	**39.24**

- **Subsidiary**

Deferred tax assets arising on account of unabsorbed business loss/depreciation and other timing differences have not been recognised in the absence of virtual certainty of their realisation.

- **Share in Joint Ventures**

The Deferred Tax position as at 31st March 2007 has arisen on account of the following:

Nature - (Asset) / Liability	As at 31.03.2007	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	1.27	0.47
Unamortised Miscellaneous Expenditure	0.41	0.44
Total (A)	**1.68**	**0.91**
Deferred Tax Assets		
Provision for Non-performing Assets	(1.35)	(1.15)
Provision for Credit Enhancements and Servicing Costs on Assets De-recognised	(0.49)	(0.13)
Provision for Repossessed Stock	(0.26)	(0.17)
Others	(0.39)	(0.12)
Total (B)	**(2.49)**	**(1.57)**
Net Deferred Tax Asset before Transitional Adjustment (A-B)	**(0.81)**	**(0.66)**
Deferred Tax Asset Relating to AS -15 Transitional Adjustment (Refer Note 2 above) (C)	**-**	**(0.12)**
Net Deferred Tax Asset after Transitional Adjustment(A-B-C)	**(0.81)**	**(0.78)**

18 NOTES ON ACCOUNTS (Contd.)

6. Segment Information

(A) PRIMARY SEGMENT

Rs. in Crores

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
REVENUE														
External Sales	511.13	465.86	779.18	726.20	324.73	268.88	123.86	85.47	139.59	19.66	-	-	1878.49	1566.07
Inter-segment Sales			50.59	33.16	0.14	0.30	3.42	2.93	2.39		(56.54)	(36.39)	-	-
Total Revenue	**511.13**	**465.86**	**829.77**	**759.36**	**324.87**	**269.18**	**127.28**	**88.40**	**141.98**	**19.66**	**(56.54)**	**(36.39)**	**1878.49**	**1566.07**
Unallocated Corporate Expenses	-	-	-	-	-	-	-	-	-	-			25.90	(4.42)
RESULT														
Operating Profit	19.49	12.77	81.73	108.41	55.07	46.84	13.78	(2.50)	14.95	3.78	-	-	210.92	164.88
Profit / (Loss) on Sale of Assets	(0.14)	(0.04)	0.56	0.13	0.21	0.06	-	-	-	-	-	-	0.63	0.15
Net Operating Profit	**19.35**	**12.73**	**82.29**	**108.54**	**55.28**	**46.90**	**13.78**	**(2.50)**	**14.95**	**3.78**	**-**	**-**	**211.55**	**165.03**
Dividend Income	-	-	-	-	-	-	-	-	-	-	-	-	4.41	12.84
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-	(69.74)	(20.71)
Income Taxes	-	-	-	-	-	-	-	-	-	-	-	-	(46.58)	(64.36)
Profit on Sale of Investments	-	-	-	-	-	-	-	-	-	-	-	-	71.95	89.74
Share of Associates Profit / (Loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	3.75
Minority Interest in Net Income	-	-	-	-	-	-	-	-	-	-	-	-	(3.24)	0.81
Net Profit	**19.35**	**12.73**	**82.29**	**108.54**	**55.28**	**46.90**	**13.78**	**(2.50)**	**14.95**	**3.78**	**-**	**-**	**168.35**	**187.10**
Other Information														
Segment Assets	187.37	159.17	509.94	427.52	264.93	217.26	336.00	259.37	1179.16	657.11	(11.72)	(8.94)	2465.68	1711.49
Unallocated Corporate Assets	-	-	-	-	-	-	-	-	-	-	-	-	126.02	195.88
Total Assets	**187.37**	**159.17**	**509.94**	**427.52**	**264.93**	**217.26**	**336.00**	**259.37**	**1179.16**	**657.11**	**(11.72)**	**(8.94)**	**2591.70**	**1907.37**
Segment Liabilities	89.94	70.27	159.99	101.53	60.52	51.89	198.04	133.13	69.17	25.94	(11.72)	(8.94)	565.94	373.82
Unallocated Corporate Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	53.62	124.08
Total Liabilities	**89.94**	**70.27**	**159.99**	**101.53**	**60.52**	**51.89**	**198.04**	**133.13**	**69.17**	**25.94**	**(11.72)**	**(8.94)**	**619.56**	**497.90**
Capital Expenditure	5.04	5.10	48.85	74.58	48.14	46.75	6.57	3.43	8.85	5.09			117.45	134.95
Unallocated Corporate Capital Expenditure	-	-	-	-	-	-	-	-	-	-	-	-	37.65	5.34
Depreciation	5.41	5.74	24.45	20.58	15.35	12.93	3.38	4.28	2.65	0.72	-	-	51.24	44.25
Unallocated Corporate Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	5.18	9.31

18 NOTES ON ACCOUNTS (Contd.)

(B) SECONDARY SEGMENT

Rs. in Crores

Revenue	**2006-07**	**2005-06**
Europe	54.25	45.47
North America	50.24	57.18
India	1726.92	1405.89
Rest Of The World	47.08	57.53
TOTAL	**1878.49**	**1566.07**

Fixed Assets		
Europe	-	-
North America	-	-
India	496.88	401.80
China	1.56	-
Rest Of The World	-	-
TOTAL	**498.44**	**401.80**

7. 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)**

Tube Investments of India Limited (TIIL)
Sumit Banerjee - Managing Director (17th April 2006 to 22nd December 2006)
Adhiraj Sarin - Managing Director (upto 31st January 2006)

Cholamandalam MS General Insurance Company Limited (CMSGICL)
M Anandan - Managing Director
Arun Agarwal - Managing Director (upto 30th April 2006)
Junichi Kitamura - Whole Time Director (upto 31st March 2007)

Note: Related party relationships are as identified by the Management and relied upon by the Auditors.

18 NOTES ON ACCOUNTS (Contd.)

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

Rs. In Crores

Transaction	Related party	2006-07	2005-06
Rentals Received / Recovered	Mitsui Sumitomo Insurance Company Limited.	0.23	0.17
Rental Paid	Mrs. Padma Anandan – Wife of Mr. Anandan, Managing Director of CMSGICL	0.04	-
Management Expenses	Mitsui Sumitomo Insurance Company Limited.		
(a) Paid/Payable		0.59	0.03
(b) Recovery		0.01	0.02
Reinsurance Ceded	Mitsui Sumitomo Insurance Company Limited.	23.68	16.44
Reinsurance Commission Received	Mitsui Sumitomo Insurance Company Limited.	6.93	5.22
Reinsurance Recovery on claims	Mitsui Sumitomo Insurance Company Limited.	19.20	1.75
Cost of Staff on Deputation	Mitsui Sumitomo Insurance Company Limited	-	(0.04)
Remuneration	KMP of CMSGICL	1.17	0.73
	KMP of TIIL	0.71	1.23
Balance at Year End			
Rental Deposit Placed	Mrs. Padma Anandan – Wife of Mr. Anandan, Managing Director of CMSGICL	0.03	-
Receivable (Net) –Due from other Entities Carrying on Insurance Business	Mitsui Sumitomo Insurance Company Limited	0.78	0.22

18 NOTES ON ACCOUNTS (Contd.)

8. Employee Benefits

The obligation of the Company, one of its Subsidiaries and its Joint Ventures towards the Gratuity Fund is a Defined Benefit Plan.

Details of Actuarial Valuation as at 31st March 2007	Rs. in Crores
Change in Benefit Obligation	
Projected Benefit Obligation as at 1st April 2006	11.65
Service Cost	0.79
Interest Cost	0.88
Actuarial Losses / (Gains)	1.36
Benefits Paid	(0.75)
Projected Benefit Obligation as at 31st March 2007	**13.93**
Change in Plan Assets	
Fair Value of Plan Assets as at 1st April 2006	12.21
Expected Return on Plan Assets	0.93
Employer's Contribution	2.53
Benefits Paid	(0.75)
Actuarial Gains / (Losses)	0.17
Fair Value of Plan Assets as at 31st March 2007	**15.09**
Cost of the Defined Benefit Plan for the Year	
Current Service Cost	0.79
Interest on Obligation	0.88
Expected Return on Plan Assets	(0.92)
Net Actuarial Losses / (Gains) Recognised in the Year	1.31
Net Cost Recognised in the Profit and Loss Account	**2.06**
Assumptions	
Discount Rate	7.50%
Future Salary Increase (%)	5.00%
Expected Rate of Return on Plan Assets	7.53%

Note:

The Company, one of its Subsidiaries and two of its Joint Ventures have adopted the Accounting Standard 15 (AS-15) Revised with effect from 1st April 2006. Hence, the corresponding figures for the previous year have not been furnished.

The expected return on plan assets is as furnished by Life Insurance Corporation of India.

18	NOTES ON ACCOUNTS (Contd.)

9. Earnings Per Share

Particulars	2006-2007	2005-2006
Profit after Taxation – Rs. in Crores	168.35	187.10
Earnings Per Share (Basic & Diluted)		
- Pre Split Face Value per Share of Rs.10	-	50.63
- Post Split Face Value per Share of Rs.2	9.11	10.13
Weighted Average Number of Shares		
- Pre Split	-	3,69,56,000
- Post Split	18,47,80,000	-

10. Previous Year's Figures

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

Signatures to Schedules 1 to 18

On behalf of the Board

M M Murugappan
Chairman

Chennai
Date: 27th April 2007

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

N Srinivasan
Director

Information on Subsidiaries

The Ministry of Company Affairs, Government of India has vide its letter No. 47/97/2007-CL-III dated 17th April 2007, exempted the Company from furnishing the annual report of Companies subsidiaries, Cholamandalam MS General Insurance Company Limited (CMSGICL) and Tubular Precision Products (Suzhou) Company Limited (TPP). The Annual Report contains consolidated financial statements of the Company and its subsidiaries prepared in accordance with the relevant Accounting Standards and duly audited by the statutory auditors. The annual reports of CMSGICL and TPP and the related information will be made available to the investors of the Company and its subsidiaries on request and will also be kept for inspection in the respective registered offices.

Statement pursuant to exemption received under Section 212 (8) of the Companies Act, 1956 relating to subsidiary companies

Rs. in Crores

	Particulars	Tubular Precision Products (Suzhou) Co. Ltd.	Cholamandalam MS General Insurance Company Limited	
		For the period ended Dec' 06	For the year ended Mar '07	For the year ended Mar '06
1	Capital	12.40	141.96	141.96
2	Reserves & Surplus (adjusted for debit balance in P&L Account, where Applicable)	-	(4.00)	(15.71)
3	Total Assets (Fixed Assets + Current Assets + Misc. Expenditure not written off)	12.45	81.64	43.40
4	Total Liabilities (Debts + Current Liabilities + Deferred Tax Liability)	0.05	198.04	133.13
5	Investments	-	254.36	215.98
6	Total Income	-	143.98	101.85
7	Profit Before Tax	-	13.78	(2.50)
8	Provision for Tax	-	1.30	0.62
9	Profit After Tax	-	12.48	(3.12)
10	Proposed Dividend and Tax thereon	-	-	-
	Details of Investments (other than in Subsidiaries)			
	Long Term Investments			
	Government Securities and Government Guaranteed Bonds including Treasury Bills	-	131.25	133.27
	Debentures and Bonds	-	25.54	25.60
	Infrastructure and Social Sector Bonds	-	45.75	46.11
	Total (A)	**-**	**202.54**	**204.98**
	Short Term Investments			
	Fixed Deposit with Banks	-	42.50	11.00
	Corporate Bonds	-	5.01	-
	Equity Shares (Net of Fair Value Change)	-	4.31	-
	Total (B)	**-**	**51.82**	**11.00**
	Total (A) + (B)	**-**	**254.36**	**215.98**

Note : Tubular Precision Products (Suzhou) Co. Limited was incorporated in China as a Wholly Owned Subsidiary with effect from 28th June 2006.

On behalf of the Board

Chennai
27th April 2007

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

N Srinivasan
Director

M M Murugappan
Chairman

MURUGAPPA
GROUP

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