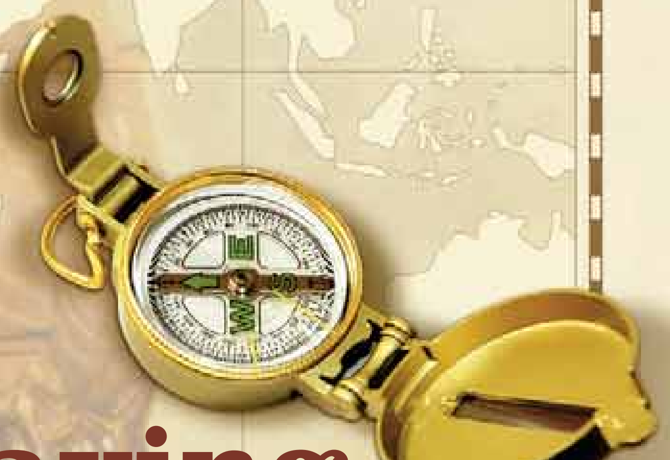
INDIA

Tube Investments of India Limited
Annual Report 2008-09

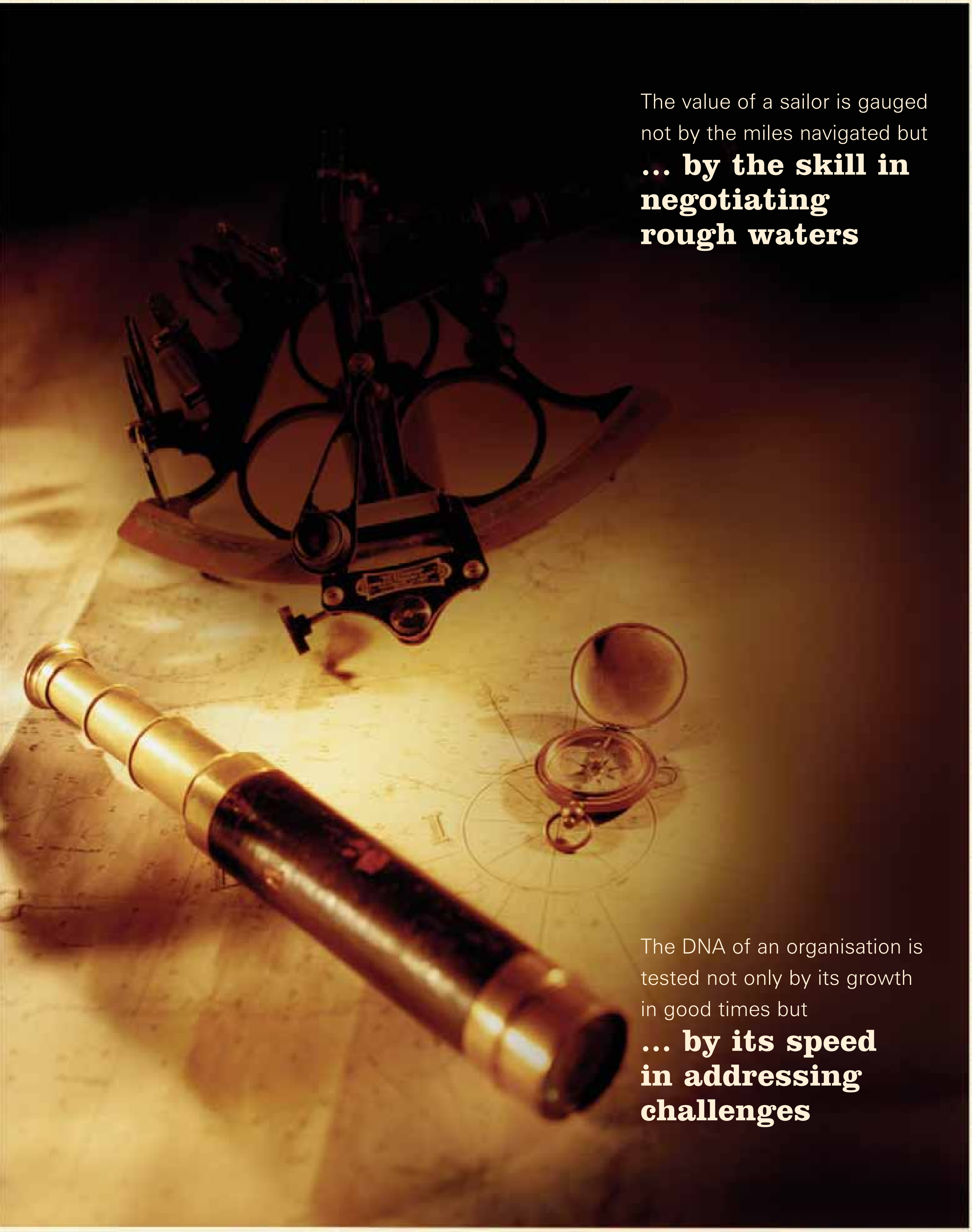


Staying on course

Cautionary Statement

Certain expectations and projections regarding the future performance of the Company referenced in the Annual Report constitute forward looking statements. These expectations and projections are based on currently available competitive, financial and economic data along with the Company's operating plans and are subject to certain future events and uncertainties, which could cause actual results to differ materially from those indicated by such statements.

Contents



The value of a sailor is gauged not by the miles navigated but

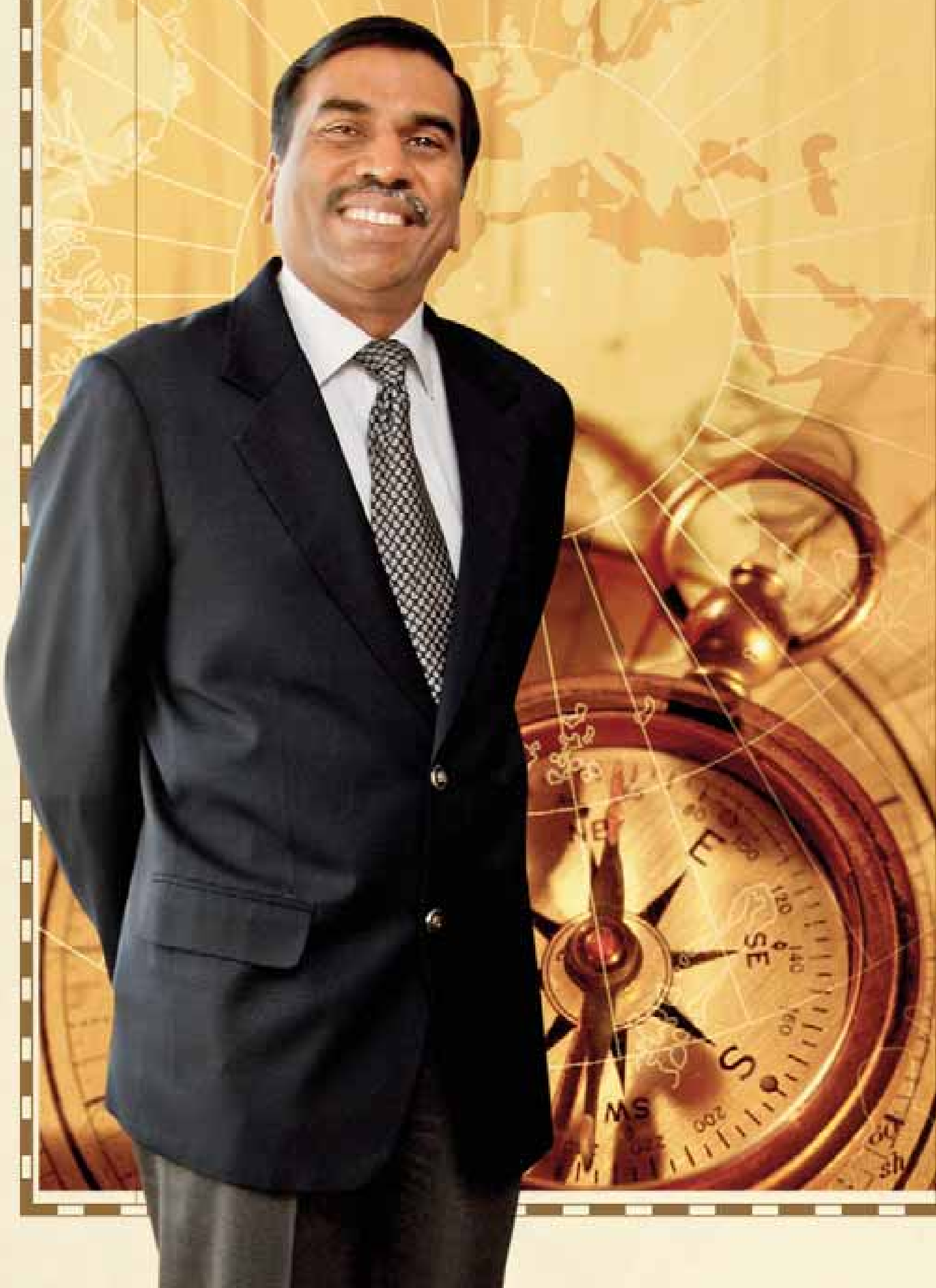
... by the skill in negotiating rough waters

The DNA of an organisation is tested not only by its growth in good times but

... by its speed in addressing challenges

Message from the Chairman

"As experienced sailors, we utilised every opportunity to strengthen our engines."



Dear Shareholders

As the world witnesses one of the most challenging periods in nearly eight decades, India was relatively insulated on account of its regulated financial system and large consumption-driven economy. However, global turbulence did interrupt India's growth; GDP growth declined from 9% in 2007-08 to 6.7% in 2008-09. Even at this lower growth rate, India retained its position as the world's second fastest growing economy.

The global – and Indian – economy was marked by contrasting halves in 2008-09. The first half was marked by input cost volatility: rising steel and crude oil prices, greater inflation and a depreciating rupee. So even as demand increased, cost-push inflation and currency fluctuations impacted our margins.

The second half of the year was in complete contrast. Global financial institutions collapsed and liquidity became scarce. As it turned out, the automotive sector was among the worst affected, as most sectoral players encountered sluggish demand, declining realisations and increasing inventory. Besides, currency write-offs, following a depreciating Indian currency vis-à-vis the US dollar, dampened profitability.

The global environment impacted TI, especially the engineering business, with a drop in export volume, lower demand from the automotive segment and increased finance cost. These tough business conditions warranted bold steps to "stay on course" towards profitable growth.

Bicycle business

TI redefined the bicycle business in India with a clear long-term focus on retail by establishing a network of exclusive retail outlets. TI entered into a distribution tie-up with two well-known international brands for super premium bicycles and launched relevant products through the Track & Trail outlets. This initiative will enable us to cater to a wide customer cross-section – children to racing enthusiasts – on one hand and enhance realisations on the other. In 2008-09, we launched electric scooters catering to a growing market for environment-friendly and cost-effective transportation.

Engineering business

TI strengthened its leadership in the precision welded tube segment through an extension into value-added components and by leveraging its expertise in metallurgy. We are evolving ways to replace certain conventional components with tubes for key clients, thus enhancing our market share. Most importantly, TI is in the process of making its business model flexible to stay profitable under different business conditions.

Metal forming business

Growth in revenue, from supply of sections for wagons and coaches, act as a de-risking measure from the dependence on the automotive sector. In the automotive chain segment, the creation of facilities at Uttarakhand in close proximity to automotive hubs will enhance returns. In industrial chains, TI is determined to establish itself as a quality supplier to address multiple user segments in the global market.

Investments in financial services

The Company's subsidiary, Cholamandalam MS General Insurance Company Limited, recorded a 31% growth in 2008-09 amidst difficult business environment. This subsidiary is taking steps to consolidate its position in the industry.

The difficult conditions prevailing in financial services market necessitated further capital infusion in the Company's joint venture viz., Cholamandalam DBS Finance Ltd (CDFL). A sum of Rs. 150 crore each was invested, both by us and our joint venture partner, DBS Bank Limited, Singapore. This timely infusion of capital is expected to stand CDFL in good stead over the years.

Recovery

As the current year starts, there are signs of recovery with a growth (1.4%) in the Index of Industrial Production (IIP), 13% growth in two-wheeler segment and 4% growth in passenger cars in April, 2009. We anticipate that a full recovery may not be likely for some more time to come. It would be our endeavour to quickly adapt to the changed environment and become capable of delivering in varying economic conditions.

Human resources

In our quest to 'stay on course', we recognise the need to develop our people across all levels at TI to work together as a team in pursuit of a common vision and goal. We do this through various structured training programmes and experiential learning. Mr. L Ramkumar, our Managing Director, led the entire team in this journey. I wish to acknowledge his and the TI team's efforts in a year that was most difficult.

Directors

Mr. Tapan Mitra will be retiring at this Annual General Meeting and has expressed his desire not to seek re-election. Mr. Mitra has been associated with TI since October, 2000 and has contributed immensely to the Company's growth, both as a senior member of the Board and as Chairman of the Audit Committee. His wisdom and experience have been a source of inspiration to us. I take this opportunity to express our most grateful thanks and wish him the very best.

Our Board of Directors have always been a great source of encouragement and support to the Company's management team and to me personally. I deeply value their wisdom and wise counsel and thank them for their involvement and participation.

I also take this opportunity to express my gratitude to all shareholders for their continued confidence in the Company.

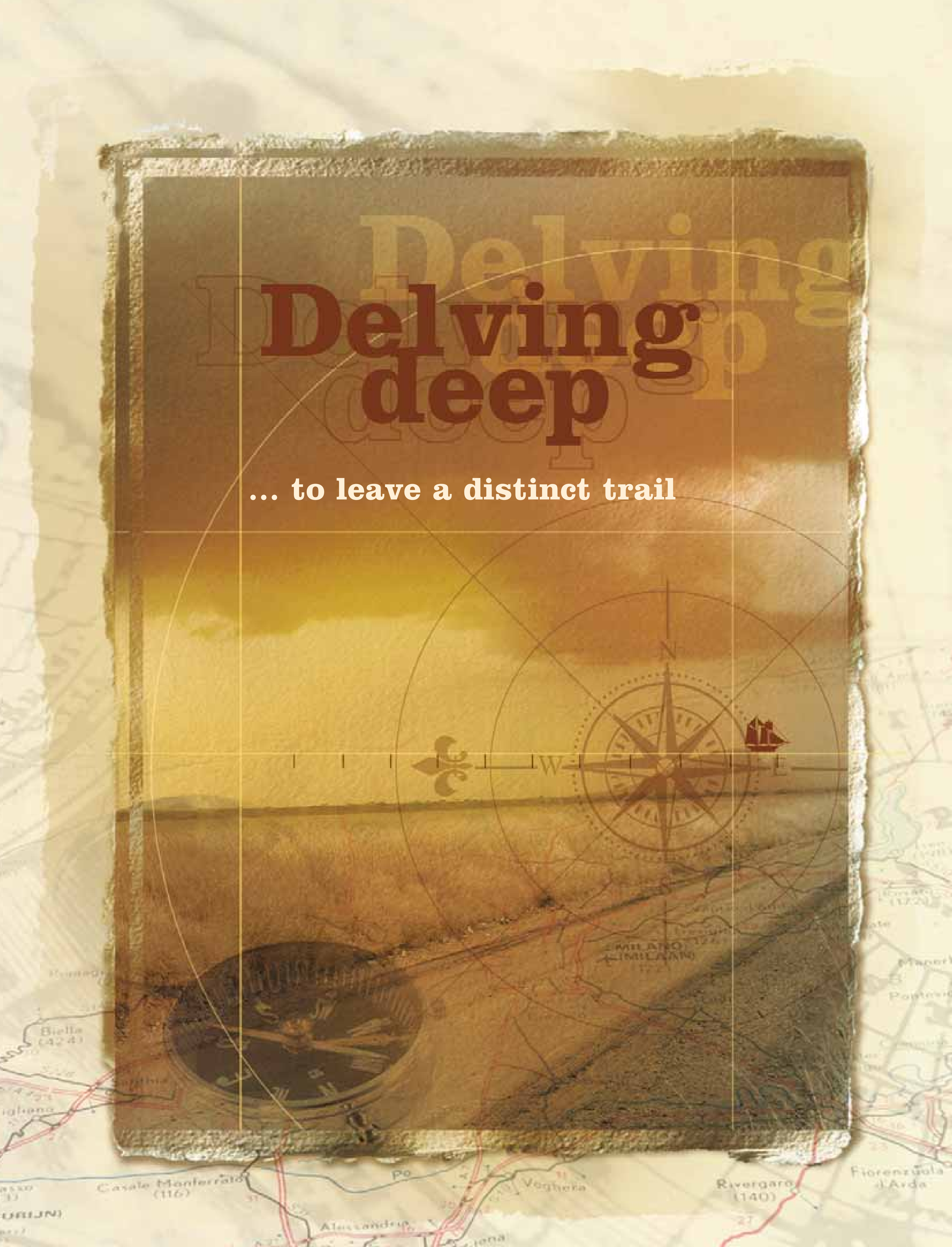
Sincerely yours,

M M Murugappan

M M Murugappan

Delving deep

... to leave a distinct trail



AS A SEASONED MARINE TEAM, WE REVISITED OUR VOYAGES, MAPPED OUR EXPERIENCES AND WORKED OUT SOLUTIONS TO ATTRACT BUSINESS PARTNERS.

- **Bicycles:** We leveraged our decades-rich experience in managing supply chain complexities while addressing a demand spurt. Result: Market share grew 200 bps in 2008-09.

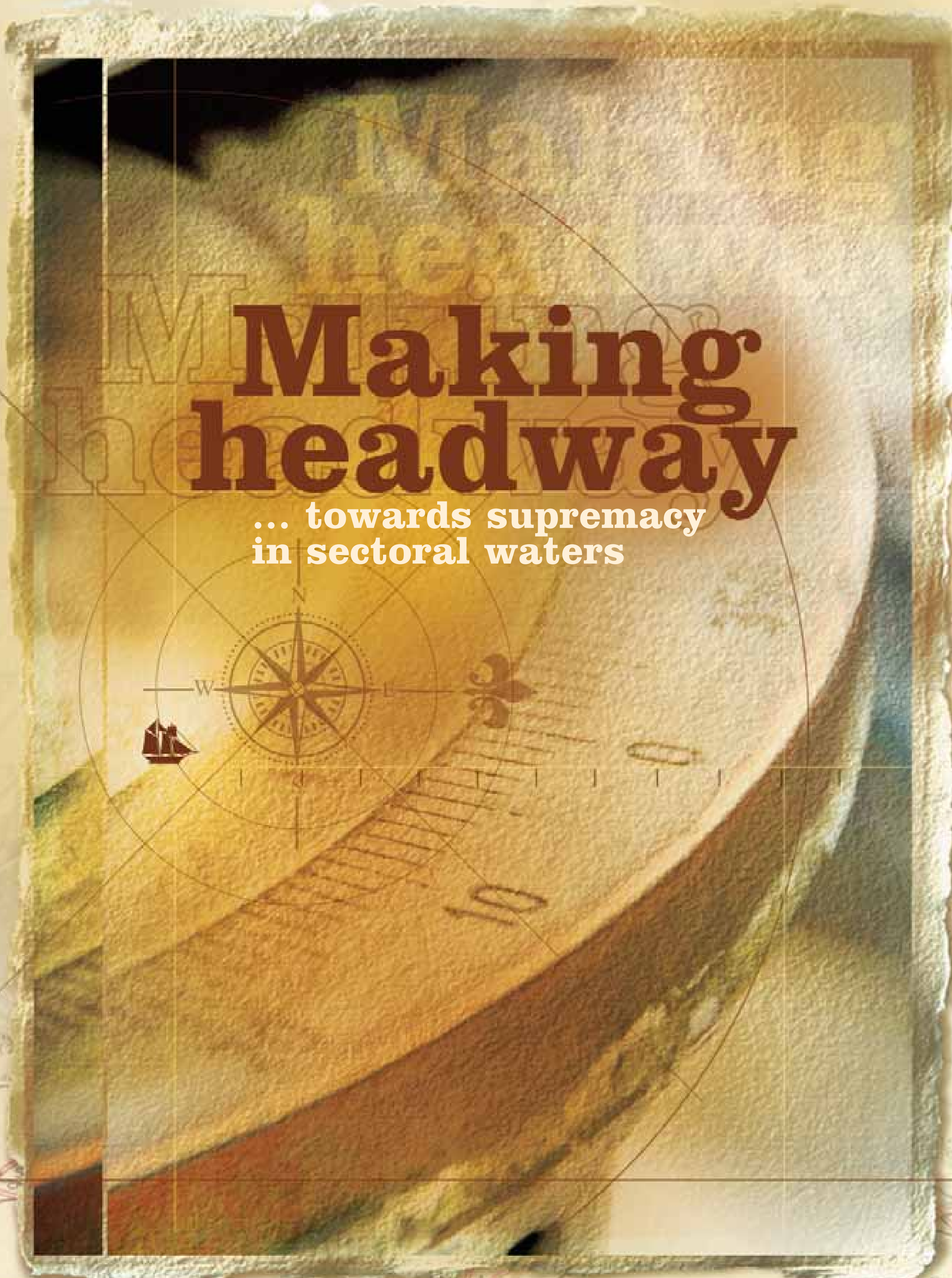
- **Engineering:** We banked on our understanding of customer needs and continued our supplies, despite adverse changes in steel prices that resulted in under realisations. Result: We improved our credentials with OEMs and laid the basis for enhanced market share.

- **Metal forming:** We built on our reputation as a 'quality supplier' with superior customer service in the high-precision car doorframe and automotive chain segments among discerning OEMs. Result: We now partner with most leading OEMs in the automotive segment.

We expect to keep putting nautical miles between us and the competition.

Making headway

... towards supremacy in sectoral waters



AS INGENIOUS SAILORS, WE FOCUSED ON CONTINUED CAPTAINSHIP IN CALM AND CHOPPY WATERS.

Bicycles

• We introduced 44 models, primarily in the growing specials category; expanded the range of products in the fitness segment.

• We introduced super premium bicycles (Rs. 25,000 to Rs. 2 lakhs) in tie-up with leading global brands through a pioneering premium cycle destination store called 'Track & Trail'.

• We extended the retail footprint of BSA Go and Hercules Express outlets from 33 in 2007-08 to 80 in 2008-09.

Engineering

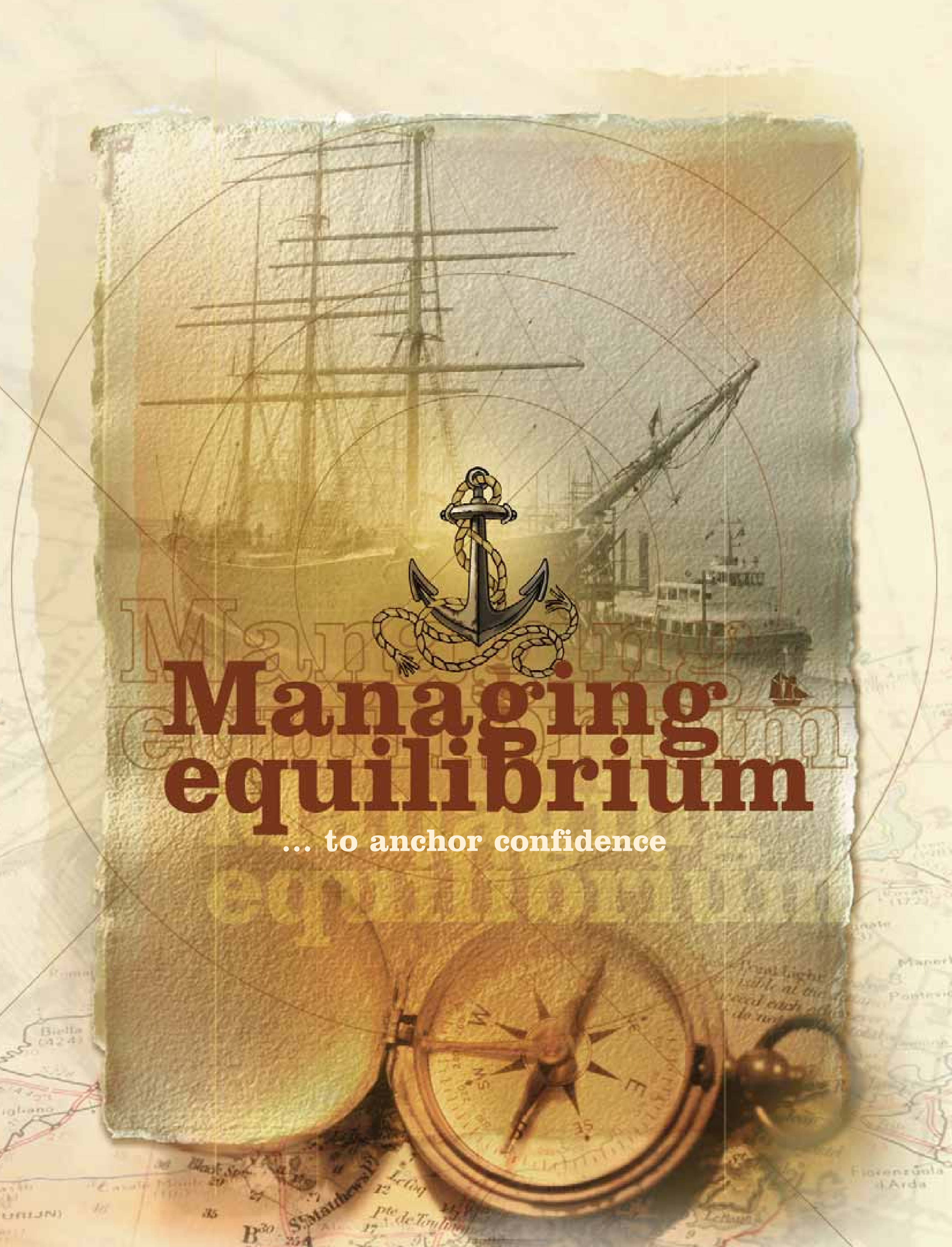
• We graduated our capability to provide ready-to-use tubes and tubular components; established three value-added centres proximate to consumer hubs.
Result: Value- added components grew by 27%.

• We implemented steps to improve man-machine productivity and cost-effective supply chain management.

Metal forming

• We focused on technology to manufacture world-class industrial chains, catering to high-growth sectors like agriculture and infrastructure, among others.

• We established a business development network across Europe, North America, South America and Southeast Asia to capitalise on emerging opportunities.


Managing equilibrium
... to anchor confidence

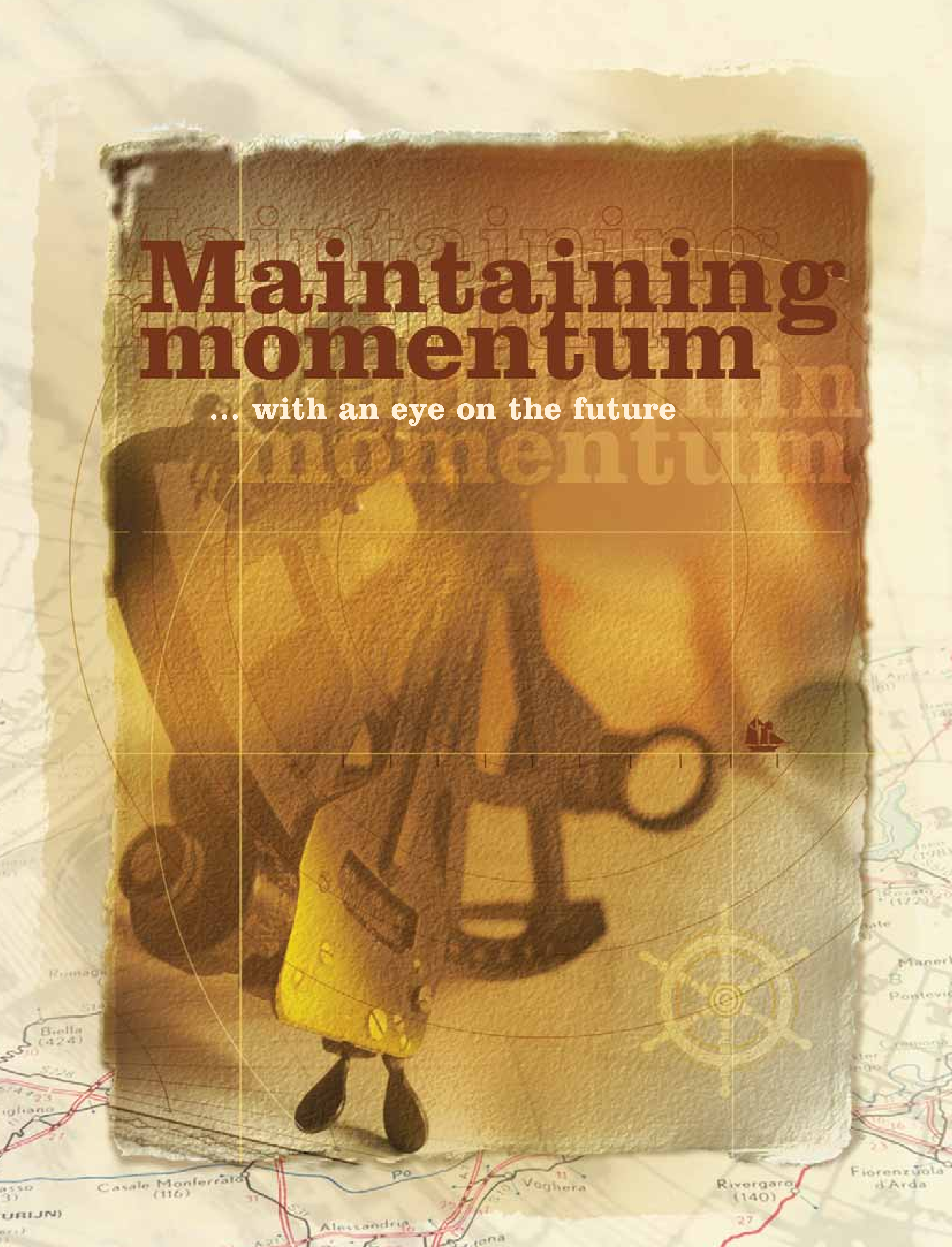
AS PRUDENT SEAFARERS, WE CREATED AN UNSINKABLE BUSINESS MODEL WITH MULTI-GEARED GROWTH ENGINES TO MAINTAIN OUR MOMENTUM AGAINST UNFAVOURABLE TIDES.

- **Bicycles:** We deepened our presence in the standard segment; extended market leadership in the specials range and launched e-scooters.
- **Engineering:** We focused on maintaining our leadership in CDW tubes, catering primarily to auto OEMs while augmenting our presence in ERW tubes with varied user segments.
- **Metal forming:** We supplemented our existing revenues from the auto sector by increasing supplies substantially to the railways.

Our all-weather business model possesses the capability to cruise along its growth trajectory.

Maintaining momentum

... with an eye on the future



AS EXPERIENCED MEN AT SEA, WE CONTINUE TO STRENGTHEN OUR CARRIER'S FOUNDATION TO SAIL US THROUGH ANY UNCHARTERED TURMOIL IN THE ECONOMIC ENVIRONMENT.

• We consolidated our presence in the wagon segment of the Indian Railways; improved section design to increase load-bearing capacity and established a plant in Uttarakhand.

• We commercialised e-scooters – a new vertical – with the launch of five models in 27 locations.

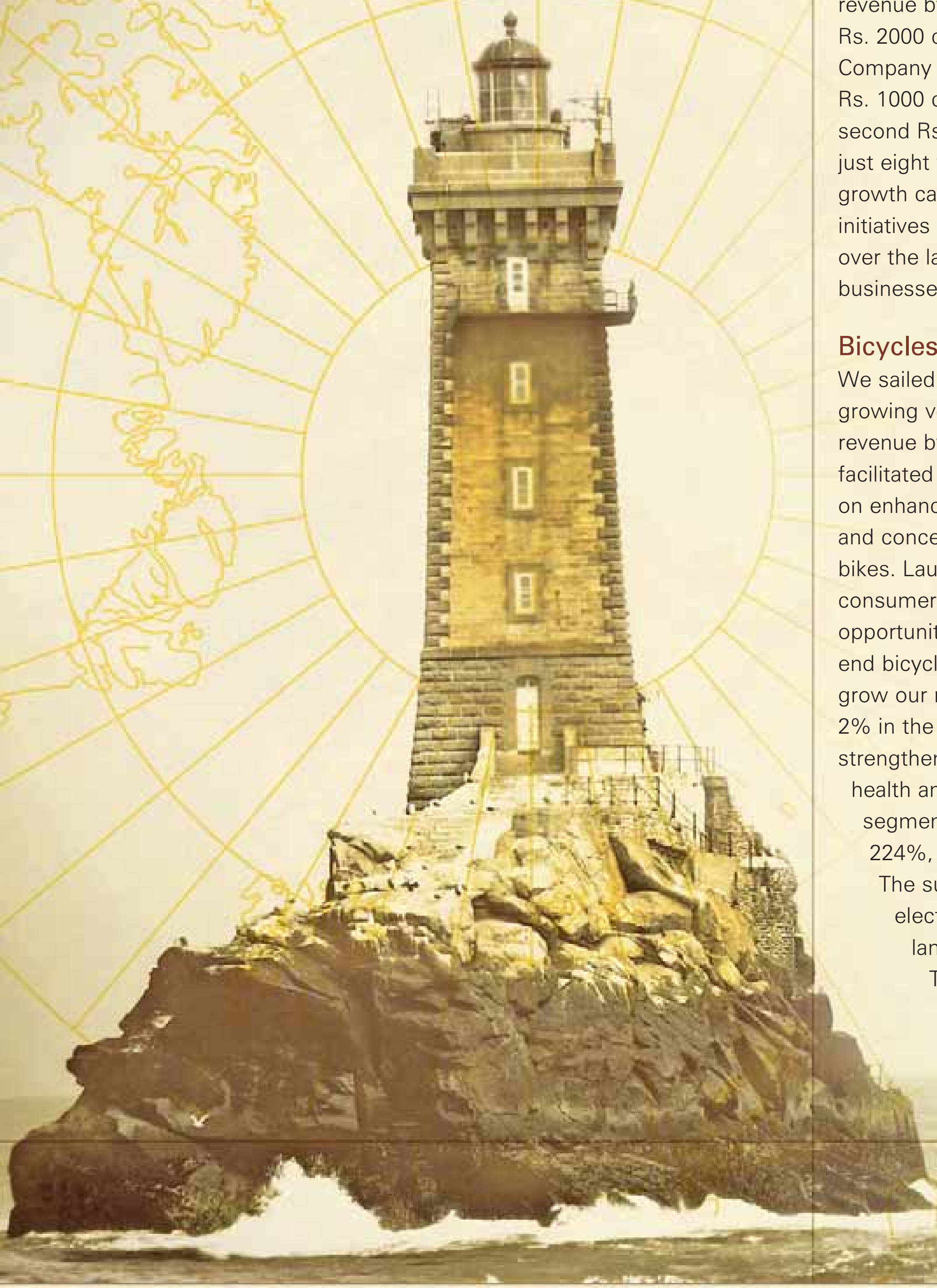
• We strengthened our capability to commence supplies of passenger coach sections to the Indian Railways.

• We deployed resident knowledge to cater to the growing requirements of India's Defence forces.

These initiatives are expected to sustain the corporate vessel's momentum unhindered over the high seas.

Managing Director's message

"The seafarer's mettle enabled TI to stay on course in a challenging 2008-09."



Dear Shareholders

The year 2008-09 was one of the most challenging.

Even as a turbulent global environment destroyed demand and squeezed margins, TI grew its revenue by 18% and crossed the Rs. 2000 crore mark. While the Company achieved a turnover of Rs. 1000 crores in 52 years, the second Rs. 1000 crores came in just eight years. This profitable growth came due to the various initiatives taken by the Company, over the last few years in its businesses.

Bicycles

We sailed ahead in this division growing volumes by 8% and revenue by 26%. This was facilitated by the continued focus on enhancing our retail presence and concentrating on speciality bikes. Launch of products based on consumer insights and identifying opportunities in the growing high-end bicycles segment helped us grow our market share by another 2% in the current year. We also strengthened our presence in the health and fitness equipments segment, growing revenues by 224%, although on a low base. The successful launch of the electric scooter was another landmark for the division. These initiatives led to the division posting a higher level of profitability.

Engineering

This business segment was affected by the global crisis owing to a collapse of the automotive markets and volatility in steel prices. During the first half of the last financial year, customers did not compensate us adequately for the rise in steel prices. This had a severe impact on our profitability. During the second half, a downward price revision became imperative to retain share in a shrinking market. We responded to this quickly with rationalisation of capacities, tightening of the supply chain, improvement in efficiencies and reducing working capital.

The silver lining was the 50% growth in the value-added tubular components. We continue to focus on these value-added products, provide ready-to-use material and offer superior service through our value-add centres. Further, to de-risk, we will also broad-base our sectoral exposure to non-automotive revenue verticals.

Metal formed products

The turnover of this business division grew 30% in 2008-09. This was on account of growing volumes in the car doorframe segment, an increased presence in the newly created wagon section business and a growth in the automotive chains in the domestic market despite an industry decline. Commencement of supplies from facilities proximate to customers and entry into sections for passenger coaches will help drive revenues in this segment.

The challenges of the current year were also gave an opportunity to re-visit our business processes and focus on the future. Investments in new businesses, capability building and improvement in operational efficiencies continue to receive attention and are expected to help contribute to the Company's profitable growth.

We are at an exciting juncture for a number of reasons:

- We rely on our efficiencies and customer focus as the key factors for preparing our businesses to counter the downturn. We have retained or improved our market share in all business verticals.
- We are investing in new technologies and product development to enhance our product range.
- We are strengthening our proximity to customers in the bicycles and e-scooters segments through a stronger retail network and ground level activities.

We expect these initiatives will enable us to improve our performance and capitalise effectively on the economic rebound.

Yours sincerely,

L Ramkumar

Key anchors

1. Multi-mode test equipment to test the wear-life of a chain by simulating actual driving conditions.
2. State-of-the-art stretch bending equipment used to manufacture precision car doorframes.
3. Side wall of a passenger coach made from cold-rolled sections.
4. & 5. 'Track & Trail', the destination store for high-end bicycles.
6. E-scooters catering to the growing market for cost-effective transport.

Corporate Information

BOARD OF DIRECTORS	M M Murugappan, *Chairman* L Ramkumar, *Managing Director* Amal Ganguli D Jayavarthanavelu Pradeep Mallick 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	Bicycles & E-Scooters: TI Cycles of India, Ambattur, Chennai TI Cycles of India, Nashik TI Cycles of India, NOIDA BSA Motors, Ambattur, Chennai Engineering: Tube Products of India, Avadi, Chennai Tube Products of India, Shirwal, Satara District Tube Products of India, Mohali Metal Formed Products: TIDC India, Ambattur, Chennai TIDC India, Kazipally, Medak District TIDC India, Uttarakhand TI Metal Forming, Nemilicherry, Chennai TI Metal Forming, Kakkalur, Chennai TI Metal Forming, Bawal TI Metal Forming, Halol TI Metal Forming, Pune
AUDITORS	Deloitte Haskins & Sells Chartered Accountants
BANKERS	Bank of America Standard Chartered Bank State Bank of India The Hongkong & Shanghai Banking Corporation Limited

Directors' Profile

Mr. M M Murugappan, Chairman

Mr. M M Murugappan (53 years) holds a Masters degree 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. L Ramkumar, Managing Director

Mr. L Ramkumar (53 years) is a Cost Accountant and has a Post Graduate Diploma in Management from Indian Institute of Management, Ahmedabad. He joined the Board in February 2008. He has over 30 years of experience in management including 15 years in the Company itself in different capacities.

Mr. Amal Ganguli, Non-Executive Director

Mr. Amal Ganguli (69 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 Suzuki India Limited and Tata Communications Limited.

Dr. D Jayavarthanavelu, Non-Executive Director

Dr. D Jayavarthanavelu (68 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 July 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 (66 years) holds a Bachelors degree in Engineering from Indian Institute of Technology, Madras and a diploma in Business Management (UK). He is a Fellow of the Institution of Engineering & Technology, 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 ESAB India Limited.

Mr. S Sandilya, Non-Executive Director

Mr. S Sandilya (61 years) is a Commerce Graduate with a Post Graduate Diploma in Management from Indian Institute of Management, Ahmedabad. He joined the Board in January, 2005. He is Group Chairman, Eicher Group. He is on the Board of various companies including Rane Brake Lining Limited and GMR Industries Limited.

Mr. N Srinivasan, Non-Executive Director

Mr N Srinivasan (51 years) is a Chartered Accountant and Company Secretary. He joined the Board in January, 2007. He is on the Board of Cholamandalam DBS Finance Limited and Cholamandalam MS General Insurance Company Limited and some other Murugappa Group companies.

Mr. R Srinivasan, Non-Executive Director

Mr. R Srinivasan (67 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 Sundram Fasteners Limited and Cholamandalam MS General Insurance Company Limited.

Mr. Tapan Mitra, Non-Executive Director

Mr. Tapan Mitra (70 years) is a Fellow of the 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 was formerly Managing Director of Indian Aluminium Company Limited. He is currently a Member of the West Bengal State Planning Board. He is also on the Board of Thermax Limited and Essel Propack Limited.

Management Discussion and Analysis

OVERVIEW

The Indian economy continues to grow at a healthy rate of about 6%. Mainly due to the steep decline in the global markets, this rate of growth is lower than the rates we have been used to for the last few years. The year under review was marked by high volatility in commodity and oil prices, capital and currency markets and the collapse of several hitherto glorious financial institutions. All these factors impacted economies across the world in varying degrees. Governments across the world have acted in a timely manner and the Government of India has pro-actively tried to ensure that the Indian economy does not decline sharply. The stimulus packages announced by the Government are beginning to make an impact and we hope to see the benefits of this in the year ahead.

The Company's performance during the year has to be viewed against this background. During the first half of the year, the revenues of the Company increased 37% year on year and the EBITDA increased 38%. However, this performance could not be maintained in the second half due to the decline in demand arising out of the factors mentioned above. For the full year, revenue (Net of Excise) grew 18% to Rs.2061 Crores and EBITDA fell 18% to Rs.124 Crores.

Consequent to the demand receding in the second half of the year, the Company has been focusing on consolidation of operations, cost reduction and substantially increasing operating efficiencies. In parallel, long term initiatives like building capability, acquiring technology and seeking out new business opportunities continue to be pursued.

BUSINESS REVIEW

Bicycles

Industry Scenario

The bicycle industry in India has been largely static with an annual demand of around 10 M bicycles, excluding the share of the unorganized sector. Three major players contribute about 90% of the market and the Company's bicycle division, TI Cycles of India (TICI), has a significant share in this. The last few years have witnessed a steady off-take of bicycles from various state governments who use this medium to uplift the status of the less privileged.

While the high volume standards segment has been declining, the specials segment, including Mountain Terrain Bikes (MTB) and Kids' bicycles, has been growing over the last few years. Despite the depreciating Rupee, there has been an increase in the import of bicycles. There is a nascent market for high-end bicycles and this need to be nurtured.

Review of Performance

The Division recorded a growth of 27% in turnover and 73% in Profit Before Interest and Tax. This was possible due to the focus on value added products, introduction of new models based on consumer insights and a continuing thrust on the retail initiative resulting in a growth of market share by 2%. The number of 'BSA Go' exclusive outlets grew to 44 during the year and 36 'Hercules Express' outlets were also opened. The revenue from these formats, currently at 19%, is expected to increase significantly.

As an extension of the fun, freedom and fitness platform, the Division commenced the sale of fitness equipment a couple of years ago. This business has also grown at 224%, though on a low base, and the number of BSA Workouts outlets selling fitness equipment has increased to 3. The fitness industry continues to grow at a scorching pace and plans are afoot to capitalize on this opportunity.

In order to cater to the needs of the cycling enthusiast and also provide a quality riding experience on par with international standards, the Division entered into a tie-up with Cannondale & Bianchi, two of the world's leading bicycle manufacturers. The bicycles under these brands are being marketed under the destination store for premium bicycles, 'Track & Trail'.

During the year, the Division launched its range of electric scooters fulfilling a long felt need of the Indian consumer for a cost effective motorized form of transport. There are currently five models in the range and 1327 electric scooters were sold during the year. This product has been received well in the market. The number of outlets selling these scooters is currently at 27 and this number is expected to increase substantially during the current year.

Engineering

Tube Products of India (TPI), the Engineering Division of your Company, manufactures precision steel tubes viz., Cold Drawn Welded tubes (CDW) and Electric Resistance Welded tubes (ERW). TPI also has a regional presence in cold rolled steel strips. TPI primarily caters to the requirements of the automotive, boiler, bicycles and general engineering industries.

Industry Scenario

The Indian automotive industry went through a turbulent time and witnessed a year of extremes. While the first half of the year was good with growth in most segments, barring commercial vehicles, the second half of the year saw a huge decline in demand in all the segments of the industry. The two wheeler segment grew 31% in the first half but declined 10% in the second; passenger cars grew 12% in the first half but declined 9% in the second half. The commercial vehicles segment declined 10% and 55% respectively in the two halves. There was also intense competition in the industry with new entrants using price to gain a foothold in the market.

The markets in the rest of the world were affected to a greater degree and the large consuming markets of North America and Europe declined very steeply. The automotive sector of the United States too witnessed its biggest decline, raising doubts on the very existence of many of the big manufacturers.

Steel price volatility continued to be a bugbear for the industry. Caught between the steel suppliers on the one hand and customers unwilling to compensate increases on the other, most players were under pressure during the year.

The Cold Rolled Steel Strips segment witnessed increasing competition, especially from the integrated steel manufacturers who are increasingly moving closer to customers to offer them just-in-time supplies.

Review of Performance

During the year under review, the turnover increased by 6% mainly due to the increase in prices in the first half of the year. There was no growth in volume during the year, due to the decline in demand. The Division however improved its position in the tubular components market and grew in value by 50%.

In the phase when steel prices were rising, the Division experienced difficulties in passing on all input costs to auto makers who were reluctant to grant price increases. The increasing price trend reversed in the second half and international and Indian prices of steel declined. This coupled with the reduction in demand drove prices down to retain market share. The demand reduction also led to increased inventory at higher prices necessitating write down of some inventory to estimated realizable value. All these factors impacted the profitability of this Division and the Profit Before Interest & Tax declined by 61%.

The Division has established value-add centers at three cities to cater to the specific requirements of its customers. This initiative together with the focus on tubular components and solutions, improving internal efficiencies, enhanced quality and better service levels are expected to help improve profitability.

Metal Formed Products

Automotive and industrial chains, fine blanked products, roll-formed car doorframes and cold rolled formed sections for railway wagons constitute the Metal Formed products of the Company. Your Company is one of two major players manufacturing chains in India.

Industry Scenario

The two-wheeler segment of the auto industry witnessed no growth during the year. The decline in the financial services industry led to the withdrawal of financing for two wheelers. This together with lower priced entry level cars and the launch of the low cost car 'Nano' pose a threat to the growth of this industry. With almost all two wheeler manufacturers establishing a base at Uttarakhand, this has emerged as a hub for two wheelers and component suppliers. The stimulus packages will however forge a recovery of this industry.

The domestic passenger car segment remained stagnant during the year, despite the higher growth in the first half of the year. The emergence of India as an auto components hub has also helped the growth of this industry. The Company's prospects in the doorframe business is directly associated with the success of the models to which it caters. The number of models being introduced is on the increase providing a variety of options to the customer. This will however result in the volumes per model declining and with greater variety coming into play, there is the added risk of some models not succeeding. There are only two roll-formed doorframe manufacturers in India, but the industry has started experiencing competition from overseas.

The Government of India has embarked on a programme of increasing the freight carried by the Railways. The growth of almost all sectors has led to increasing freight volumes. The higher outlay for the increase in number of wagons has also spurred growth in this segment.

Review of Performance

The turnover in this business was higher by 29%. Higher domestic volumes in automotive chains, doorframes and a near three fold increase in sections for railway wagons contributed to this improvement.

Despite the slowdown in the two-wheeler segment, the sale of automotive chains increased due to the improved performance of our customers as well as an increase in the share of business. The procurement of chains for the replacement market by the OEM's also helped growth.

The export market for industrial chains was affected by the recession in the European markets. Consequently, volumes shrunk 15% compared to the previous year.

With the improved performance of some of the auto models and success of newly introduced models, the volume of doorframes sold increased 17%. The Division is also in the process of establishing facilities to cater to the requirements of some new models slated for launch during this year. The sale of sections for Railway Wagons increased 164% on the strength of superior design and quality.

The profitability in this business too was affected due to the lag in passing on input costs to customers. The Profit Before Interest & Tax declined by 8% during the year.

FINANCIAL REVIEW

Steel Price

The price of basic grade of HR coil which was Rs.35,000/- per ton on 1st April 2008 touched a peak of Rs.47,000/- in September 2008, before it started declining and dropped to Rs.28,000/- by March 2009. As a consequence of this unprecedented price volatility, increased costs could not be recovered. On the contrary, customers drove prices down once steel prices started declining. This feature was noticed in most businesses, resulting in a reduction in the profit as well as profitability as explained in the foregoing sections.

Capital Expenditure

The Company continued to invest in facilities for manufacture of products specific to customer requirements such as doorframes as well as in enhancing capacity, improving productivity and quality parameters. The total capital expenditure incurred during the year was Rs. 114 Crores. The policy of estimating the useful life of the assets and depreciating assets accordingly, continued, leading to a higher charge for depreciation than the minimum specified by law.

Interest Cost

Due to the steep increase in the price of key raw materials in the first half of the year, the working capital levels were much higher than in the previous year. These were however reduced appreciably in the second half of the year. In addition to the high investment in capital expenditure, the Company has also invested Rs. 192 Crores in financial services. As a consequence, the interest expenditure for the year was significantly higher at Rs.28.19 Crores as against Rs.21.29 Crores in the previous year. The average rate of borrowing during the year was slightly lower at 7.28% against 7.68% last year, despite higher interest rates by judicious use of foreign currency borrowings, appropriate tenor and better sourcing of funds.

Exchange Differences on International Trade & Borrowings

The Company has entered into forward contracts and derivatives to hedge the foreign exchange fluctuation risk arising out of exports and repayment of long term foreign currency borrowings.

From the year 2007-08, the Company opted to account for such exposures in line with the method prescribed in Accounting Standard 30 (AS 30). Applying the criteria laid down for Hedge Accounting, Rs.6.60 Crores has been charged to the Profit & Loss Account and a sum of Rs. 32.02 Crores taken to the Hedge Accounting Reserve. The amount in the Reserve account will be reversed when the transaction occurs and the actual loss / gain is accounted for.

The Company has opted not to capitalise the difference arising from the movement in exchange rates due to the restatement of its long term foreign currency borrowings. The difference on this account is charged to Profit & Loss Account in keeping with the Company's current policy.

Investments

During the year, the Company invested Rs.41.82 Crores in the equity shares of Cholamandalam DBS Finance Ltd (CDFL) by exercising the rights attached to 44,01,975 warrants into equal number of equity shares at a price of Rs.95 per warrant/ share. The Company also subscribed Rs. 150 Crores in 1% Fully Convertible Cumulative Preference Shares (FCCPS) offered by CDFL on a preferential basis. The FCCPS are convertible into equity shares within a period of 18 months from the date of allotment.

The Company infused additional equity of US $ 0.8 M into Tubular Precision Products (Suzhou) Co., Limited, the Company's wholly-owned subsidiary in China. The aggregate investment in the capital of this company is US $ 8.05 M.

During the first quarter of financial year 2009, the Company sold 6,00,000 equity shares of Mahindra & Mahindra Limited at an average price of Rs.565.25 per share. (Cost price Rs.34.64).

During the second quarter of financial year 2009, the Company divested its entire equity holding of 26% in BorgWarner Morse Tec Murugappa Pvt. Ltd for a value of Rs.20.40 Crores (Cost Rs.5.59 Crores) in favour of its joint venture partner BorgWarner Morse Tec Inc., USA.

TII Shareholding Trust

Arising out of the amalgamation of TIDC India Ltd with the Company, TII Shareholding Trust was vested with 1,01,51,870 shares of the Company. Out of this, 57,50,000 shares were sold in 2007-08. The balance shares will be disposed of at an appropriate time.

On behalf of the Board

Chennai
1st May, 2009

L. Ramkumar
Managing Director

Enterprise Risk Analysis and Management

Risk management refers to the formal processes whereby risks associated with the "enterprise", as a whole are managed. 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 mitigating 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

Risk management strengthens the robustness of the business. The Company has an established risk assessment and minimisation procedure. There are normal constraints of time, efficiency and cost.

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 based on management's perception.

A. Bicycles

Risk	Why considered as Risk	Mitigation Plan / Counter Measure
Obsolescence Risk	• Availability of alternatives • Increased affordability for motorized vehicles • Less road space for cycling	• Products based on customer need • "Cycling" as a concept – leisure, fitness, fun & recreation • Higher variety, especially of premium bikes
Trade Channel Risk	• Disinterest / Discontinuation of business by some of the dealers	• Distribution model • Exclusivity and association with brand • Company owned outlets
Sourcing Risk	• Dependence on vendor base • Consistent quality and supplies	• Upgrading vendor capability • Relationship building • Imports from quality sources

B. Engineering

Risk	Why considered as Risk	Mitigation Plan / Counter Measure
User Industry Concentration Risk	• Significant exposure to auto sector • Lag in pass through of input cost changes • Demand declining in global markets	• Widen customer base spanning non-auto industry • New products / applications to existing / new customers • Leverage application engineering skills for tubular solutions • Leverage relationship with customers • Drive operational efficiencies vigourously
Technology Obsolescence Risk	• Cheaper alternatives for auto applications affecting revenue streams	• Strategic alliance with educational / research institutions • Technology tie-up with global major • Imbibing new and relevant technologies
Raw Material Risk	• Volatility in steel price • Inconsistency in quality • High inventory holding	• Alliance with steel producers • Global sourcing • Rationalisation and standardisation of grades
Competition Risk	• Competition from integrated steel mills • New entrants with financial strength • Imports	• Consistent quality & timely delivery • Project range of offering leveraging all businesses of the Company • Innovate on products, process and applications • Leveraging metallurgy skills

C. Metal Formed Products

Risk	Why considered as Risk	Mitigation Plan / Counter Measure
Product Risk	• Revenues are model specific	• Increase in customer base and models • Indigenisation of equipment
User Industry Concentration Risk	• Dependence on auto sector	• Diversification into Railway products • Focus on industrial applications
Customer Retention Risk	• Availability of alternative source • Disruption in supplies	• Cost competitiveness • Leverage design strength • Leverage proximity to customer • Build technology superiority

D. General

Risk	Why considered as Risk	Mitigation Plan / Counter Measure
HR Risk	• Ability to attract talent • Retention of talent	• Corporate Brand Building • Coaching and team building • Long term benefit package • Specialised training for identified talent pool
Internal Control Risk	• Multiple locations	• Review of controls in a structured manner, at defined frequency
Currency Risk	• Foreign currency exposure on exports, imports and borrowings	• Early identification and monitoring of exposures • Hedging of exposures based on risk profile
IT Related Risk	• Confidentiality, integrity and availability	• Access controls • Firewalls • Audit of controls • Disaster recovery mechanism

On behalf of the Board

Chennai
1st May, 2009

L Ramkumar
Managing Director

General Shareholder Information

Registered Office

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

Annual General Meeting

Day : Wednesday

Date : 29th July, 2009

Time : 4.00 p.m.

Venue : T T K Auditorium, The Music Academy,
T T K Road, Royapettah, Chennai - 600 014.

Tentative Financial Calendar

Annual General Meeting – 29th July, 2009.

Financial reporting for the first quarter ending 30th June, 2009 – 29th July, 2009

Financial reporting for the second quarter ending 30th September, 2009 – 30th October, 2009

Financial reporting for the third quarter ending 31st December, 2009 – Last week of January, 2010

Financial reporting for the year ending 31st March, 2010 – April / May 2010

Book Closure for Dividend

Friday, the 17th July 2009 to Wednesday, the 29th July, 2009 (both days inclusive)

Dividend

The Board of Directors has recommended the payment of a dividend of Re.1 per share. The dividend on equity shares will be paid to those members, whose names appear in the Register of Members as on 29th July, 2009 and the same will be paid on or before 5th August, 2009.

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.

Instructions to the shareholders

(a) Shareholders holding shares in physical form

Requests for change of address must be sent to the Company's registrar, M/s Karvy Computershare Private Ltd, not later than 10th July, 2009 to enable them to forward the dividend warrants to the latest address. Members are also advised to intimate M/s Karvy Computershare Private Ltd, the details of their bank account to enable the same to be incorporated on the dividend warrants. This would help prevent any fraudulent encashment of the dividend warrants.

(b) Shareholders holding shares in demat form

In respect of shareholders who have provided relevant bank account details to their Depository Participants (DPs) and who reside in Ahmedabad, Bangalore, Bhubaneswar, Chandigarh, Chennai, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi and Trivandrum and any other centres as decided in consultation with bankers, the dividend would be remitted by ECS to their bank account. The Company would send a remittance advice after payment of the dividend by ECS.

In respect of shareholders residing in other centres, the bank account details furnished by their DPs would be incorporated on the dividend warrants and these would be mailed to their residence. If there is any change in bank account details, shareholders are requested to advice their DPs immediately about the change.

Further, if there is any change in address, shareholders are requested to advice their DPs immediately about the new address.

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, 2009 has been paid to all the stock exchanges.

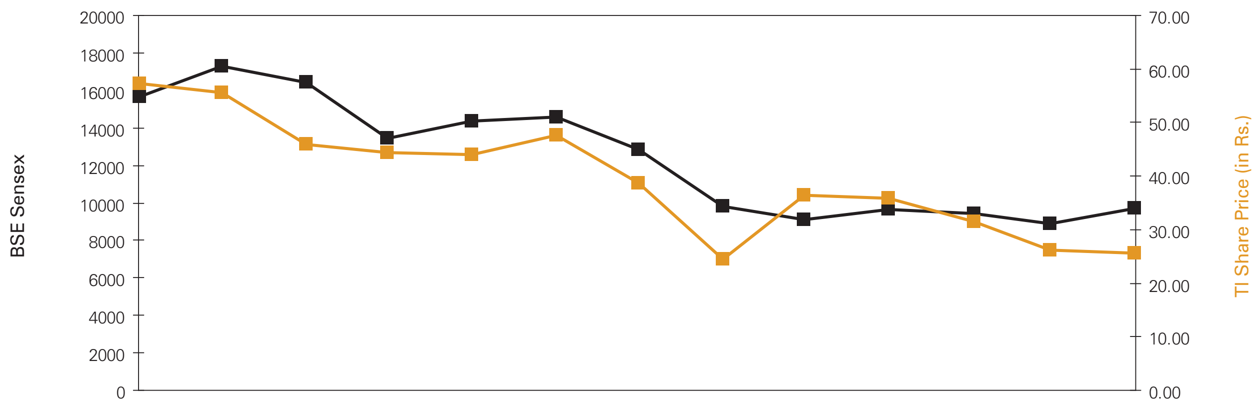
Market Price Data and Comparison

Monthly high and low price during 2008-09 are as follows:

High and Low during each month in last financial year

Month	National Stock Exchange		Mumbai Stock Exchange	
	HIGH Rs. P	LOW Rs. P	HIGH Rs. P	LOW Rs. P
Apr-08	60.00	53.25	60.00	54.00
May-08	58.00	43.05	58.30	46.00
Jun-08	51.95	37.25	48.90	40.00
Jul-08	47.10	40.00	47.50	39.75
Aug-08	54.80	44.10	54.00	44.35
Sep-08	48.00	35.15	48.00	33.50
Oct-08	41.20	21.75	40.35	21.70
Nov-08	41.00	27.50	40.50	27.00
Dec-08	38.70	33.95	39.00	33.00
Jan-09	37.95	30.50	37.55	30.05
Feb-09	35.20	25.15	34.80	26.00
Mar-09	27.50	21.55	27.90	22.20

TI Share Price Movement Vs. BSE Sensex



	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09
BSE Sensex	15644	17287	16415	13461	14355	14564	12860	9788	9092	9647	9424	8891	9708
TI Share Price	57.25	55.50	46.00	44.40	44.00	47.55	38.65	24.50	36.35	35.80	31.55	26.15	25.55

Note: Closing BSE sensex & TI share price are as on the last trading day of each month during 2008-09.

BSE Sensex   TI Share Price

Registrar and Share Transfer Agent

Karvy Computershare Private Ltd
Plot No: 17-24 Vithal Rao Nagar
Madhapur, Hyderabad – 500 081
mailmanager@karvy.com and vlakshmi@karvy.com
Phone Nos.040 - 23420818 and 23420828
Fax : 040 - 23420814
Contact Person : Mrs. Varalakshmi - 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 to approve the transfers / transmissions.

Shareholding Pattern as on 31st March 2009

	Category	No of shares held	% of shareholding
A	Promoter Group	9,54,02,030	51.63
B	Non-Promoter Holding		
	1 Institutional Investors		
	a) Mutual Funds and UTI	1,13,03,903	6.12
	b) Banks, Financial Institutions, Insurance Companies	84,81,359	4.59
	c) Foreign Institutional Investors	30,83,589	1.67
	2 Others		
	a) Private Corporate Bodies	1,33,84,373	7.24
	b) Indian Public	3,55,39,246	19.23
	c) NRI	8,26,250	0.45
	d) Bank of New York (Depository for GDR holders')	1,67,59,250	9.07
	Grand Total	**18,47,80,000**	**100.00**

DISTRIBUTION OF SHAREHOLDING AS ON 31st MARCH, 2009

Category	No of holders	% to Total	No of shares	% to Total
1 - 5000	23,439	90.66	1,15,04,232	6.23
5001 - 10000	1,423	5.50	50,66,969	2.74
10001 - 20000	482	1.86	34,36,411	1.86
20001 - 30000	155	0.60	19,35,018	1.05
30001 - 40000	71	0.27	12,75,090	0.69
40001 - 50000	41	0.16	9,32,095	0.50
50001 - 100000	91	0.35	31,94,735	1.73
above 1,00,000	155	0.60	15,74,35,450	85.20
Total	**25,857**	**100.00**	**18,47,80,000**	**100.00**

Nomination Facility

The shareholders holding shares in physical form 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 (CDSL) to equity shares of Tube Investments of India Ltd is ISIN INE 149A01025.

GDR Details

As at 31st March 2009, 1,67,59,250 GDRs were outstanding representing an equal number of underlying equity shares.

Means of Communication

The quarterly results are being published in the leading national English newspapers (The New Indian Express 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
2005-06	28.7.2006	4.00 p.m.	T T K Auditorium, Music Academy T T K Road, Royapettah, Chennai 600 014.
2006-07	31.7.2007	4.00 p.m.	Same as above
2007-08	31.7.2008	4.00 p.m.	Same as above

List of promoters of Tube Investments of India Limited belonging to the Murugappa Group pursuant to Regulation 3(1) (e) (i) of SEBI (Substantial Acquisition of Shares & Takeovers) Regulation, 1997.

1. EID Parry (India) Ltd and its subsidiaries
2. Silkroad Sugar Pvt Ltd
3. New Ambadi Estates Pvt Ltd and its subsidiaries
4. Ambadi Enterprises Ltd and its subsidiaries
5. Carborundum Universal Ltd and its subsidiaries
6. Laserwords Pvt Ltd and its subsidiaries
7. Cholamandalam DBS Finance Ltd and its subsidiaries
8. Coromandel Engineering Company Ltd and its subsidiaries
9. AMM Arunachalam & Sons Pvt Ltd
10. AMM Vellayan Sons Pvt Ltd
11. MM Muthiah Sons Pvt Ltd
12. Murugappa & Sons
13. Kadamane Estates Company
14. Yelnoorkhan Group Estates
15. AMM Foundation
16. AMM Medical Foundation
17. Murugappa Education & Medical Foundation
18. MM Muthiah Research Foundation
19. AR Lakshmi Achi Trust
20. Presmet Pvt Ltd
21. TII Shareholding Trust
22. M V Murugappan and family
23. M V Subbiah and family
24. M A Alagappan and family
25. A Vellayan and family
26. M M Murugappan and family
27. M M Venkatachalam and family
28. A Venkatachalam and family
29. S Vellayan and family
30. Arun Alagappan and family
31. M A M Arunachalam and family
32. 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 : (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

BSA Motors
Post Bag No.5
Ambattur, Chennai 600 053.
Tel : (044) – 4209 3434
Fax: (044) – 4209 3345

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

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

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

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

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

TI Metal Forming
Plot No.245
Sector 3, Growth Centre
Bawal, Rewari Dist, 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
Gat No.312
Sablewadi Bahul Post
Chakan-Shikrapur Road
Khed Taluk, Pune 410 501

TIDC India
Ambattur
Chennai 600 053
Tel : (044) – 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

TIDC India
Ganganouli,
Laskar 247 663
Uttarakhand
Tel: (01332) – 271 295

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 vlakshmi@karvy.com
Tel : (040) – 23420818 and 23420828
Fax: (040) – 23420814
Contact Person – Mrs. Varalakshmi –Manager

Report on Corporate Governance

Your Company believes that the fundamental objective of corporate governance is enhancing 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 and adequate disclosure, establishment of internal controls and high standard of accounting fidelity, product and service quality.

Your Company also believes that good corporate governance practices help to enhance performance and valuation of the Company.

Board of Directors

The Board provides leadership, strategic guidance and objective judgement on the affairs of the Company. The Board comprises persons of eminence with excellent professional achievement in their respective fields. 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, Mr. L Ramkumar, Managing Director and Mr. N Srinivasan, Director, the remaining are independent Directors. None of the Directors are related inter-se as defined under the Companies Act, 1956. The Chairman ensures that timely and relevant information is made available to all the Directors in order to enable them to contribute during meetings and discussions.

The Committees of the Board viz., Audit Committee, Compensation & Nomination Committee and Investors' Grievance Committee have specific scope and responsibilities.

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, investment, divestment and business reorganisation. Matters such as capital expenditure, recruitment of senior level personnel, safety & environment, HR related developments, compliance with statutes, foreign exchange exposures are also reviewed by the Board from time to time.

There were 7 meetings of the Board during the financial year 2008-09. The dates of the Board meetings, details of attendance and the number of directorships / committee memberships held by the Directors as on 31st March, 2009 are provided in Table 1 of the annexure to this report.

Audit Committee

The audit committee plays an important role in overseeing internal control and the financial reporting system.

The Company has an independent audit committee. All the five members of the committee are independent Directors with Mr. Tapan Mitra, as Chairman. All the members of the committee have excellent financial and accounting knowledge. The Chairman, Managing Director and the Heads of Strategic Business Units (SBUs) are invitees to the meetings of the Audit Committee.

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 4 times during the year ended 31st March, 2009. The composition of the audit committee and the attendance of each member at these meetings are given in Table 2 of the annexure to this report.

Remuneration to Directors

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

The compensation to the Managing Director comprises a fixed component and a performance incentive. The compensation is determined based on the level of responsibility and scales prevailing in the industry. The Managing Director is 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 compensation & nomination committee is to recommend to the Board the appointment / reappointment of the executive / non-executive Directors. The committee has also been vested with the authority to determine the periodic increments in salary and annual incentive of the executive Directors. The increments and commission of executive Directors are determined on the basis of a balanced score card with its four components viz., company financials, company scorecard, strategic business unit score card and personal objectives being given appropriate weightage.

In addition to the above, the committee is also vested with the powers and authority for implementation, administration and superintendence of the Employees' Stock Option Plan/ Scheme(s) and also to formulate the detailed terms and conditions of the ESOP Schemes.

The members elect one amongst themselves as Chairman for each meeting. The Committee met 4 times during the year ended 31st March, 2009. The composition of the committee and the attendance of each member at these meetings are given in **Table 3** of the annexure to this report.

The details of remuneration paid for the year ended 31st March, 2009 to the Managing Director is given in **Table 4** of the annexure to this report. The details of remuneration paid / provided to non-executive Directors are given in **Table 5** of the annexure to this report.

Subsidiary Companies

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

CMSGICL is considered as a 'material non-listed Indian subsidiary'. Messrs. N Srinivasan and R Srinivasan, Directors are also on the Board of CMSGICL.

TPP is a "Wholly Foreign-owned Enterprise" established under the Company Law of People's Republic of China. Mr. L Ramkumar, Managing Director of the Company, is its Chairman. Mr. M M Murugappan, Chairman of the Company holds the position of 'Supervisor' as required under the provisions of the Company Law of China. The role of the 'Supervisor' includes checking the financial affairs of the Company, supervising the duty related acts of the Directors &senior managers and putting forward proposals at the shareholders meeting.

TI Financial Holdings Ltd was incorporated on 6th October, 2008 as a wholly owned subsidiary.

The quarterly/annual performance of CMSGICL is placed before the Board for its review. The Board reviews, from time to time, the performance of TPP. 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 conditions. The quarterly and audited financial results are normally published in the Business Standard, 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 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, 2009. The composition of the committee and their attendance at the above meetings is given in the **Table 6** of the annexure to this report.

The Company received 18 queries / grievances during the year ended 31st March, 2009 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, 2009. There were no transfers pending as at 31st March, 2009.

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 with 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 with the statutes by the Heads of businesses and functions is placed before the Board on a quarterly basis for its review.

Internal Control

The Company is conscious of the importance of the internal processes and controls. The Company has a robust business planning & review mechanism and has adequate internal control systems commensurate with the nature of business, size and geographical spread. These systems are regularly reviewed and improved. The Managing Director and Chief Financial Officer (CFO) 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

Pursuant to the non-mandatory requirements of the Listing Agreement, the Company has established a whistle blower mechanism to provide an avenue to raise concerns. The mechanism also provides for adequate safeguards against victimisation of employees who avail of the mechanism and also for appointment of an Ombudsperson who will deal with the complaints received. The policy also lays down the process to be followed for dealing with complaints and in exceptional cases, also provides for direct appeal to the Chairperson of the Audit Committee. It is confirmed that during the year, no employee has been denied access to the audit committee. During the year, there has not been any complaint made by any employee to Ombudsperson, as confirmed by the Ombudsperson.

Compliance of Corporate Governance Norms

The Company has complied with all the mandatory requirements of corporate governance norms during the financial year. A half-yearly newsletter from the Managing Director highlighting the significant achievements was sent to all the shareholders of the Company enclosing the financial results for the half-year ended 30th September, 2008.

The Board of Directors has laid-down a Code of Conduct for all the Board Members and the senior management of the Company. The Code of Conduct has been posted on the website of the Company. A declaration of such affirmation certified by the Managing Director is annexed to this report.

Other Disclosures

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

A write up on the risks associated with the business and their mitigation plans are included in the Management Discussion and Analysis, annexed to the Directors' Report.

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

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

General 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

Chennai
1st May, 2009

M M Murugappan
Chairman

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 2009, as envisaged in Clause 49 of the Listing Agreement with stock exchanges.

Chennai
1st May, 2009

L Ramkumar
Managing Director

Annexure to the Corporate Governance Report

(A) Board Meeting Dates and Attendance

The Board of Directors met seven times during the financial year 2008 – 09. The dates of the Board meetings were 1st May, 2008, 31st July, 2008, 28th September, 2008, 5th October, 2008, 31st October, 2008, 30th January, 2009 and 30th March, 2009.

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, 2009 are as follows:

TABLE 1

Sl. No.	Name of Director	Board meetings attended (no of meetings held)	Number of Directorships[a] – Excluding TII (out of which as Chairman)	Number of committee memberships[b] – Excluding TII (out of which as Chairman)	Attendance at last AGM	No. of shares held as on 31st March 2009
1.	Mr. Amal Ganguli	6 (7)	11	10 (5)	Present	2,000
2.	Dr. D Jayavarthanavelu	2 (7)	10 (8)	2	Not Present	2,000
3.	Mr. M M Murugappan	7 (7)	7 (5)	4 (3)	Present	16,04,480
4.	Mr. Pradeep Mallick	5 (7)	5	7 (1)	Present	-
5.	Mr. Ram V Tyagarajan [c]	1 (1)	Not applicable	Not applicable	Not applicable	-
6.	Mr. L Ramkumar	6 (7)	1(1)	-	Present	1,000
7.	Mr. R Srinivasan	6 (7)	9	8 (3)	Present	-
8.	Mr. N Srinivasan	5 (7)	6	4	Present	-
9.	Mr. S Sandilya	7 (7)	4 (1)	3 (1)	Present	-
10.	Mr. Tapan Mitra	5 (7)	7 (1)	6 (5)	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. Ram V Tyagarajan resigned w.e.f. 2nd May, 2008.

(B) Composition of Audit Committee and Attendance

The Committee met four times during the year ended 31st March, 2009. The composition of the audit committee and the attendance of each member at these meetings are as follows:

TABLE 2

Name of the Member	Number of meetings attended (number of meetings held)
Mr. Amal Ganguli	4 (4)
Mr. Pradeep Mallick	4 (4)
Mr. R Srinivasan	4 (4)
Mr. S Sandilya	4 (4)
Mr. Tapan Mitra	4 (4)

(C) Composition of Compensation & Nomination Committee and Attendance

The Committee met four times during the year ended 31st March, 2009. The composition of the Compensation & Nomination Committee and the attendance of each member at these meetings are as follows:

TABLE 3

Name of the Member	Number of meetings attended (Number of meetings held)
Mr. Amal Ganguli	4 (4)
Mr. M M Murugappan	4 (4)
Mr. Tapan Mitra	4 (4)

(D) Remuneration of Executive Director

The details of remuneration paid to the Managing Director are as follows:

TABLE 4 (Amount in Rs.)

Name of the Director	Salary	Incentive [a]	Allowance	Perquisites & Contributions	Total
Mr. L Ramkumar	27,51,720	27,81,431	68,85,160	9,16,580	1,33,34,891

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

(E) Remuneration of Non-Executive Directors

The details of commission / sitting fees provided / paid to non-executive directors for the year ended 31st March, 2009 are as follows:

TABLE 5 (Amount in Rs.)

Name of the Director	Commission [a]	Sitting fees	Total
Mr. Amal Ganguli	3,00,000	1,90,000	4,90,000
Dr. D Jayavarthanavelu	3,00,000	30,000	3,30,000
Mr. M M Murugappan	3,00,000	1,65,000	4,65,000
Mr. Pradeep Mallick	3,00,000	1,35,000	4,35,000
Mr. Ram V Tyagarajan	25,479	15,000	40,479
Mr. S Sandilya	3,00,000	1,65,000	4,65,000
Mr. R Srinivasan	3,00,000	1,50,000	4,50,000
Mr. N Srinivasan	3,00,000	95,000	3,95,000
Mr. Tapan Mitra	3,00,000	1,75,000	4,75,000

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

(F) Composition of Investors' Grievance Committee and Attendance

The Committee met twice during the year ended 31st March, 2009. The composition of the shareholders' / investors' grievance committee and their attendance at the above meetings are as follows:

TABLE 6

Name of the Member	Number of meetings attended (Number of meetings held)
Mr. L Ramkumar	2 (2)
Mr. M M Murugappan	2 (2)
Mr. N Srinivasan	2 (2)

On behalf of the Board

Chennai
1st May, 2009

M M Murugappan
Chairman

Certificate on Compliance of Corporate Governance Under Clause 49 of the Listing Agreement(s)

To the Members of Tube Investments of India Limited

1. We have examined the compliance of conditions of Corporate Governance by Tube Investments of India Limited (the Company) for the year ended 31 March 2009, 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

Place: Chennai
Date: 1 May 2009

Directors' Report

Dear Shareholders,

The Board of Directors is pleased to present the performance of your Company for the year ended 31st March 2009.

Financial Highlights

Rs. in Crores

	2008-09	2007-08
Gross sales and processing charges	2214.07	1908.23
Less : Excise duty on sales	152.98	164.37
Net sales and processing charges	**2061.09**	**1743.86**
Operating Profit before depreciation and interest	**123.67**	**151.96**
Less: Interest	28.19	21.29
Depreciation	59.12	53.15
Operating Profit before tax	**36.36**	**77.52**
Add: Profit on sale of long term investments & non-operating assets	46.66	5.92
Profit before tax	**83.02**	**83.44**
Less: Provision for taxation	10.84	26.94
Profit after taxes	**72.18**	**56.50**
Add: Surplus brought forward	277.61	256.21
Dividend on Own Shares held through Trust	0.44	1.52
Profit available for appropriation	350.23	314.23
Less: Transfer to general reserve	15.00	15.00
Transfer to debenture redemption reserve	2.50	–
Dividend – Proposed Re.1 per share (previous year Re.1 per share)	18.48	18.48
Tax on dividend	3.14	3.14
Balance carried to balance sheet	**311.11**	**277.61**

Review of Performance

During the year under review, the Company performed reasonably well, given the very difficult conditions prevailing in the domestic and world markets for the greater part of the year. The Company registered a growth of 16% in revenue and was able to maintain Profit Before Tax (PBT) at last year's level. The performance of the Company would have been significantly better had the favourable market conditions that prevailed in the first half of the year continued in the second half as well.

The Bicycles division performed exceptionally and achieved a turnover of Rs.719 Crores, up 27%. This was achieved by higher sales in the domestic market, both to the trade segment as well as to the institutions. The retail focus, including opening of exclusive outlets, has started yielding results. The Division was also able to improve its margin through better product mix and introduction of new models with higher value addition in the premium segment.

During the year, the Company launched electric scooters (E-Scooters) to address a new product segment that is gaining popularity among Indian consumers. The products have been received well in the market and the Company has plans to enhance its presence in this segment.

The Engineering division recorded a turnover of Rs. 861 Crores, as against Rs. 808 Crores last year, representing a growth of 6%. The performance of this Division was affected in the second half of the year due to the sudden and steep decline in the automotive sector, the largest user segment for the Division. Sale of cold rolled steel strips as well as precision welded tubes declined, as a consequence. Export of tubes was also lower due to weak economic conditions prevailing in overseas markets, especially in North America. The operating profit was significantly impacted due to the lower volume and lower price realisation. With a view to reduce the sensitivity to volumes, the Company has strategically embarked on flexibility in operations through rationalisation of processes and costs. These strategic measures are expected to make the organisation more customer-responsive.

The turnover of Metal Formed Products grew 29% to reach Rs. 477 Crores compared to Rs. 368 Crores achieved last year. The growth came through higher sale of cold rolled sections for Railway wagons, car doorframes and automotive chains in the domestic market. Export of chains was lower due to the adverse market conditions prevailing in Europe in the second half of the financial year. The profit margins in this business were lower this year due to lower recovery of input cost increases.

During the year, the Company established a new facility for the manufacture of automotive chains at Uttarkhand. The utilisation of this facility is expected to be closer to the installed capacity during the year 2009-10 in view of the strong demand from key customers. In addition, the Company is establishing another facility in Uttarkhand for the manufacture of roll-formed products for railway wagons. The project is nearing completion and is expected to be commissioned in the first quarter of this financial year. Apart from the above, a new manufacturing facility is being established at Sanand in Gujarat to cater to the doorframe requirements of 'Nano'. This facility was earlier planned to be established in Singur in West Bengal.

Management Discussion and Analysis

Management Discussion and Analysis Report, which forms part of this Directors' Report, sets out an analysis of the individual businesses including the industry scenario, performance, financial analysis, investments and risk mitigation.

Dividend

Your Directors are pleased to recommend a dividend of Re.1 per equity share of Rs.2 each.

Directors

Mr. Tapan Mitra, Dr. D Jayavarthanavelu and Mr. R Srinivasan will retire by rotation at the ensuing annual general meeting and are eligible for re-appointment. Mr. Tapan Mitra has expressed his desire not to seek re-election. The Board of Directors is highly appreciative of his contribution and guidance, both as a member of the Board and as Chairman of the Audit Committee.

Corporate Governance

Your Company is committed to maintaining high standards of corporate governance. A report on corporate governance, along with a certificate from the statutory auditors on compliance of corporate governance norms, is part of this Annual Report.

Human Resources

Building a 'talent pipeline' in the middle management category is one of the on-going focus areas of the Company. Accordingly, good internal talent, both technical and managerial, was identified and special developmental inputs were provided to hone these skills. With a view to enhancing the performance culture in the organisation, the concept of 'coaching', as opposed to 'managing', is being inculcated. Training programmes are being conducted to develop 'coaching culture' among the Senior Management personnel. In an effort towards team building and performance orientation, a 360^0 feed back process was organised for the Senior Management team. Apart from the above, training programmes towards development of skills, attitude and knowledge of employees engaged in manufacturing and related processes were pursued as planned.

Employee relations continue to be cordial. Mutual trust, built over decades of fair-mindedness and justice, is the bedrock on which the Company continues to build. This augurs well to take on various challenges in these difficult times.

Employees' Stock Option Scheme

Details of the Employees Stock Option Scheme as required under SEBI Guidelines are annexed to this Report.

Social Commitment

As in the previous years, your Company contributes a small portion out of its profits to AMM Foundation (Rs. 0.30 Crores) and Shri AMM Murugappa Chettiar Research Centre (MCRC) (Rs.0.15 Crores). 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. The health care wing comprises four hospitals. All institutions are run on a non-profit basis. MCRC is a non-profit research organisation related to improvement in rural areas and also executes consultancy work and research projects in the areas of fisheries development, environmental education etc.

Apart from the above, the Company contributed Rs.2 Crores to Mahindra World School Educational Trust for establishing a world class school near Chennai for the purpose of imparting quality education to children.

Performance of Subsidiaries

Cholamandalam MS General Insurance Company Ltd (CMSGICL) has achieved a Gross Written Premium of Rs. 685.44 Crores (previous year Rs.522.34 Crores), recording a growth of 31% over the previous year. During the year, this subsidiary achieved a PAT of Rs.6.99 Crores (last year Rs.7.24 Crores). CMSGICL is a fast growing general insurance company, poised to increase its market share.

Tubular Precision Products (Suzhou) Co. Ltd (TPP), a wholly owned subsidiary in China for the manufacture of precision tubes, is yet to stabilise its operations. The process of customer acceptance of the manufacturing and quality systems is taking longer than anticipated. This company is yet to adapt itself to the market dynamics in China, including competition. This company achieved a turnover of Rs.5.33 Crores (RMB 7.4 M) with a loss of Rs. 13.01 Crores (RMB 18.2 M).

During the year, a new wholly-owned subsidiary namely, TI Financial Holdings Limited was formed with an initial investment of Rs.0.07 Crores. This company is yet to commence its operations.

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 2010.

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.

The Directors thank customers, vendors, financial institutions, banks, State Governments 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 their performance in the year under review.

On behalf of the Board

Chennai
1st May, 2009

M M Murugappan
Chairman

Annexure to the Directors' Report

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 2009 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 judgements and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the Company for that period.
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. To ensure this, the Company has established internal control systems, consistent with its size and nature of operations. In weighing the assurance provided by any such system of internal controls its inherent limitations should be recognized. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems. The Audit Committee meets at regular intervals to review the internal audit function.
- the financial statements have been prepared on a going concern basis.
- the financial statements have been audited by Messrs. Deloitte Haskins & Sells, statutory auditors and their report is appended thereto.

On behalf of the Board

Chennai
1st May, 2009

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

	2008-09	2007-08
1 Electricity		
(a) Purchased		
Units (Kwh)	31,828,171	28,386,954
Total Amount (Rs. Cr)	16.72	14.94
Rate/Unit (Rs.)	5.25	5.26
(b) Own Generation through Diesel Generator		
Unit (Kwh)	1,875,621	1,113,843
Units per Litre of Diesel Oil (Kwh)	2.57	2.70
Cost per Unit (Rs.)	13.45	11.35
(c) Own Generation through Furnace Oil Generator		
Units (Kwh)	12,333,310	21,366,567
Units per litre of Furnace oil (Kwh)	3.99	4.01
Cost Per unit (Rs.)	5.45	4.48
(d) Own generation through windmills (units)	227,813	212,196
2 Furnace Oil		
Quantity (kilo litres)	3,090	5,328
Total Amount (Rs. Crores)	6.72	9.57
Average Rate / Kilo litre (Rs.)	21,747	17,957
Consumption per unit of production (Kwh per tonne)		
A. Strips & Tubes	235	229
B. Metal Form	308	405

Conservation of Energy

Your Company is committed to conservation of energy and pursues various measures in this regard. Some of these measures have been highlighted hereunder.

In the Engineering business, the heating system for certain manufacturing processes was converted from fuel to electrical heating, which is expected to provide consistent saving on energy cost. Installation of waste heat recovery systems and improved heat treatment processes has yielded savings in costs. Installation of energy saving equipment to maintain power factor resulted in reduction in energy charges.

In the bicycle business, changes made in the painting process resulted in considerable savings in power cost. Solar air heating systems and energy efficient blowers in the painting plants saved energy.

During the year, an 'Energy Audit' was conducted at the industrial and automotive chain manufacturing facilities at Ambattur & Hyderabad. The audit was aimed towards optimising the use of electricity and saving energy cost. The audit, while confirming the energy efficiency of key equipment, has thrown up opportunities for improvements through investment in energy saving systems. The recommendations are being implemented in a phased manner. Improvement in insulation of the hardening furnaces reduced loss of radiation and improved the performance of the furnace.

Research and Development (R & D)

The Company's Research & Development centre at Tube Products of India, Avadi continues to focus its attention on "Value Analysis & Value Engineering" of the products and processes, delivering benefits to the customers and Company. The Company has had a fair measure of success with tubular components, roll formed sections and high performance industrial chains. Raw material yield improvements through deployment of new technologies have been initiated and the Company is already seeing the benefits. The Company's efforts to strengthen product testing have paved the way for moving closer to its customers and their end applications.

Expenditure on R & D

	Rs.in Crores
Capital Expenditure	1.02
Recurring Expenditure	3.83
Total	4.85
Total R&D expenditure as a % of total turnover	0.24%

Technology Absorption, Adaptation and Innovation

The Company continues to make comprehensive assessments of the technology position in each of the businesses vis-à-vis the relevant industry. The Company has kept abreast with the latest development in technologies relevant to its operations by continuing the strategic alliances with educational/ research institutes in India and overseas which includes projects relevant to the Company's business. The updated information on the latest technology enables the Company to deliver value superior solutions/products to its customers.

The Company has overseas technical know-how tie-ups for the manufacture of roll-formed car parts and these technologies have been successfully absorbed. The Company also has an overseas technical tie up to improve the manufacturing processes of tubes and areas have been identified for implementation.

Foreign Exchange Earnings and Outgo

		Rs. in Crores
i)	Foreign Exchange Earnings (CIF Value)	186.81
ii)	Foreign Exchange Outgo	228.47

On behalf of the Board

Chennai
1st May, 2009

M M Murugappan
Chairman

Addendum to the Directors' Report

Consolidated Accounts

The audited consolidated financial statements were approved by the Board at its meeting held on 30th May, 2009.

The consolidated revenue for the year was Rs.2422.88 Crores (previous year Rs.2042.64 Crores) and the consolidated net profit after tax is Rs.52.61 Crores (previous year Rs.67.69 Crores).

The auditors have qualified on certain outstanding open items in some Bank Reconciliations of Cholamandalam DBS Finance Ltd (CDFL), one of the Company's joint venture entities. The Management of CDFL is of the opinion that adjustments, if any, arising out clearance of such reconciling items should not have a material impact on the reported balances of assets, liabilities, income and expenses and consequently, on the financial statements of CDFL for the year. CDFL is in the process of reconciling such outstanding open items. In view of the above, the Board of Directors is of the opinion that the impact of the above will not be significant on the consolidated financial statements especially, as the Company holds only 30.93% of the equity capital of CDFL.

On behalf of the Board

Chennai
30th May, 2009

M M Murugappan
Chairman

Annexure to the Directors' Report

Employees Stock Option Scheme

	Nature of Disclosure	Particulars	
(a)	Options granted	38,29,840 Options have been granted so far in six tranches i.e. on 31st October, 2007, 31st January, 2008, 24th March, 2008, 31st July, 2008, 31st October, 2008 and 30th January, 2009. Each Option would be exercisable for one equity share of a face value of Rs.2 each fully paid up on payment of the requisite exercise price to the Company.	
(b)	The pricing formula	The options were granted at an exercise price equal to the latest available closing price of the equity shares on the stock exchange where there was highest trading volume prior to the date of grant of options by the Compensation & Nomination Committee.	
(c)	Options vested	5,06,472	
(d)	Options exercised	Nil	
(e)	The total number of shares arising as a result of exercise of option	33,34,332 equity shares (assuming all Options in force are exercised).	
(f)	Options lapsed/surrendered	4,95,508	
(g)	Variation of terms of Option	No variation has been done	
(h)	Money realised by exercise of Options	Not applicable, since none of the Options have been exercised till 31st March, 2009.	
(i)	Total number of Options in force	33,34,332	
(j)	i. Details of Options granted to Senior Management Personnel	*Name and Designation*	*No of Options granted*
		L Ramkumar *Managing Director*	3,10,260
		A R Rao *President – Tube Products of India*	71,800
		A Suryanarayan *Sr. Vice President-TI Metal Forming*	89,760
		D Raghuram *Sr. Vice President - TICI*	89,760
		P Ramachandran *Sr. Vice President -TIDC*	71,800
		K Balasubramanian *Chief Financial Officer*	71,800
		S Vaidyanathan *Sr. Vice President – HR*	71,800
		R Natarajan Sr. Vice President – *Corporate R & D*	89,760
	ii. Any other employee who received a grant in any one year of Option amounting to 5% or more of Options granted during the year.	*Name of the Employees*	*No of options granted*
		Krishnamurthy V	30,600
		Shanmugam N	30,600
		Sairam S	30,600
		Babu G	30,600
		Senthilvel K	38,200
		Mohan Kalyanaraman	30,600
		Ravikumar D	30,600
		Subrahmanya U	38,200

	Nature of Disclosure	Particulars	
		Name of the Employees	*No of options granted*
		Jayaraman B	30,600
		Seshadri M S	30,600
		Manoj Kotwani	30,600
		Augustine Justine	27,000
		Sharad K Sharda	27,000
		Ravichannthar S R	28,100
	iii. Employees who were granted Options, during any one year, equal to or exceeding 1% of the issued capital of the company at the time of grant.	Nil	
(k)	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of Option calculated in accordance with Accounting Standard AS-20.	Rs.3.91	
(l)	i. Difference between the compensation cost using the intrinsic value of the stock Options (which is the method of accounting used by the company) and the compensation cost that would have been recognized in the accounts if the fair value of Options had been used as the method of accounting.	The employee compensation cost for the year would have been higher by Rs 2.35 Crores had the company used the fair value of Options as the method of accounting instead of the intrinsic value.	
	ii. Impact of the difference mentioned in (i) above on the profits of the company	The profit before tax for the year would have been lower by Rs 2.35 Crores had the company used the fair value of Options as the method of accounting instead of the intrinsic value.	
	iii. Impact of the difference mentioned in (i) above on the EPS of the company	The basic and diluted EPS would have been lower by Rs.0.13	
(m)	i. Weighted Average exercise price of Options granted	Rs.56.11	
	ii. Weighted average fair value of Options Granted	Rs.18.09	
(n)	i. Method used to estimate the fair value of Options	Black-Scholes options pricing model	
	ii. Significant assumptions used (weighted average information relating to all grants):-		
	(a) Risk-free interest rate	7.66%	
	(b) Expected life of the Option	3.91 years	
	(c) Expected volatility	41.33%	
	(d) Expected dividend yields	3.38%	
	(e) Price of the underlying share in market at the time of option grant	Rs.56.11	

On behalf of the Board

Chennai
1st May, 2009

M M Murugappan
Chairman

Annexure to Directors' Report

Information under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report for the year ended 31st March, 2009.

Name	Designation	Gross Remuner-ation (Rs)	Qualification & Experience (years in brackets)	Date of Commencement of Employment	Age	Last Employer	Last Designation
Ashutosh Sharma	Vice President - Engg & Projects TI Metal Forming	30,22,556	B.Sc., Mech (25)	24.03.2003	46	Jay Bharat Maruti Ltd	General Manager
Balasubramanian K	Chief Financial Officer	49,01,743	B.Sc., ACA (31)	02.09.1991	54	Price Waterhouse Liberia & Ghana	Senior Consultant
Chidambaram M	General Manager - Manufacturing TI Metal Forming	30,69,109	B.E (25)	17.07.1984	49	Lakshmi Machine Works Ltd	Graduate Eng Trainee
Diwakar M R	Vice President (Taxation)	39,62,800	B.Com (Hons) (37)	03.08.1992	57	Puralator India Ltd	Sr. Manager (Finance)
Gopala Pillai T M	Vice President - TQM	31,51,622	DME, PG Dip Met & Elec (38)	02.08.1971	56	-	-
Kaushik S V	Sr.Vice President - IT	35,37,415	B.Com, PGDBM (31)	10.03.1986	53	E.I.D - Parry (India) Ltd	Finance Manager
Krishnakumar S	Vice President (Domestic Sales) Tube Products of India	26,96,517	B.Tech (Mech), PGDM (22)	01.11.2001	48	Rane Nashtech Ltd	DGM (Mktg)
Mukund Kasthuri	Vice President (Sales & Mktg) TIDC India	29,28,543	B.E. (18)	25.06.2007	42	Gates Unita Co P Ltd	Sales Director
Narayanan R	Vice President - Commercial Tube Products of India	31,26,909	B.Sc, ACA (24)	08.02.1985	51	Carborundum Universal Ltd	Finance Manager
Natarajan R	Sr.Vice President (R&D)	44,66,148	B.Tech (28)	01.07.1981	50	-	-
Ramachandran P	Sr. Vice President - TIDC India	37,99,086	B.Tech, PG Dip in Mgt (26)	23.11.1989	50	Asian Paints Ltd	Branch Manager
Ramesh G	Vice President - Engineering TIDC India	26,92,796	A.M.I.E, PG Dip in SQC & OR, MBA (30)	27.08.1979	50	-	-
Ravi Kannan	Sr.Vice President (Defence & Aerospace)	40,54,034	B.Tech - Metallurgy, M.A - SC (29)	09.07.1993	51	Carborundum Universal Limited	DGM - Technical Refractories
Rajeswara Rao A	President - Tube Products of India	53,80,165	B.Sc., M.A. (PM & IR) (36)	16.01.1985	57	Ashok Leyland Limited	Asst. Manager (Employment)
Raghuram D	Sr.Vice President - Bicycles and Fitness -TI Cycles of India	56,42,939	B.Tech, MS & PHD in Mech Engg (20)	12.02.2004	41	EMEA i2 Technologies	Director (Customer Support & Services)
Rahul Gupta	Vice President (Sourcing & Operations - North & East)	24,20,005	B.E., Dip in Logistic Mgt, IIMM (14)	01.08.2006	42	Oxford University Press	DGM, Supply Chain Mgt
Ravichandran A	General Manager (Operations) TIDC India	24,15,010	B.E (Mechanical) (24)	20.01.1992	48	TVS Electronics Ltd	Executive (QA)
Saibal Sarkar	Vice President - Fine Blanking and Tooling - TIDC India	31,85,640	B.E (Mech), MBA (29)	03.02.2003	52	IFB Industries Ltd	GM (Production)
Sajiv K Menon	Sr.Vice President (Sales & Mktg) Tube Products of India	48,08,696	B.Tech & PGDM (27)	10.07.2006	49	Parry Enterprises India Ltd	Vice President
Shyam C Raman	Executive on Deputation	52,52,160	B.E., PGDM (IIM) (21)	01.02.2008	46	DBS Cholamandalam Finance Ltd	Vice President - HR

Name	Designation	Gross Remuneration (Rs)	Qualification & Experience (years in brackets)	Date of Commencement of Employment	Age	Last Employer	Last Designation
Shyam Sundar B	Vice President (Export) Sales Tube Products of India	27,60,933	B.E (Mechanical), PGDM (IIM) (26)	07.05.1984	50	Widia (India) Ltd	Graduate Engg Trainee
Singh B K	Vice President - Sales TI Cycles of India	45,21,565	B.Sc (Agri Eng & Tech) (27) PG in Int.Mgt (26)	02.11.2005	47	Hindustan Lever Ltd	Branch Sales Manager
Srinivasan K B	Vice President - BSA Motors	27,95,592	PGDIM, BBA (15)	29.04.2005	41	EID-Parry (India) Ltd	Sr. Manager (QA)
Srinivasan K R	Leader (Advanced Solutions & Marketing Track)	26,26,813	B.E Mechanical	26.02.1993	47	Ashok Leyland Ltd	Senior Sales Executive
Suresh S	Vice President (Legal) & Company Secretary	27,63,990	B.Com, ACS (20)	29.09.2000	44	EID-(Parry) India Ltd	Manager (Secretarial)
Suryanarayan A	Sr.Vice President - TI Metal Forming	49,44,021	B.Com, ACA, AICWA (33)	25.11.1976	56	-	-
Sukumar K R	Vice President - Projects & Engg Tube Products of India	28,10,543	B.E., MBA (24)	03.12.1974	57	-	-
S Vaidyanathan	Sr.Vice President - HR	51,71,107	B.Sc, PGDPM-IR (34)	15.12.2004	57	Orchid Chemicals & Pharmaceuticals Ltd	Vice President - HR
Vasant George Dewaji	Vice President - Product Development - TI Cyles of India	35,05,075	B.E.(Mech) PGD in Indl. Design (30)	09.12.2002	44	Whirlpool India Ltd	Manager Prod. Dev
Employed for Part of the year							
Boopalan G	General Manager Supply Chain Mgt. TIDC India	2,97,264	B.E (Electrical & Electronics) (27)	17.07.1995	50	Fennner India Ltd	Area Sales Manager
Gautam Dalal	General Manager (Mktg)	12,56,575	B.E. (9)	03.07.2006	33	Philips Electronics Ltd	Sr. Brand Manager
Krishnamachari D	Vice President - Projects Tube Products of India	4,68,774	B.Sc., M.E - Mech Engg (28)	01.09.1994	52	India Rubber Ltd	Works Manager
Nambiar K R	General Manager - Exports TI Cycles of India	9,00,555	B.Com (40)	24.12.1968	58	Western India Erectors	Sales Asst
Perumal K	Vice President (Manufacturing) Tube Products of India	20,53,416	B.E (Metallurgy), MBA (Mktg) (37)	17.05.1976	58	-	-
Srikanth N	President - Tube Products of India	32,10,491	B.Tech, PGDM (29)	13.07.1998	55	Uganda Boati Ltd	General Manager
Subramanian A	General Manager - HR TI Cycles of India	6,45,939	M.A., PGDIM in PM & IR (12)	17.08.2005	38	Hutchison Essar South Ltd.	Manager - HR

Notes

1. Remuneration includes Salary, Allowances and Taxable Value of Perquisites and Company's Provident, Gratuity & Super Annuation Funds. Payments made under Voluntary Retirement have not been considered being a one time payment.
2. Nature of employment : The above employees were wholetime employees of the Company during the year ended 31st March, 2009 and the nature of their employment was contractual.
3. Conditions of employment provide for termination of service by either party upon giving 3 months notice.
4. None of the above employees is related to the Directors of the Company.
5. No employee of the Company is covered by the provisions of Section 217(2A)(a)(iii)

On behalf of the Board

Chennai
1st May, 2009

M M Murugappan
Chairman

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 2009, 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 the 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 2009;

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

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

5. On the basis of the written representations/declarations received from the Directors and taken on record by the Board, and according to the information and explanations given to us, we report that none of the Directors of the Company is disqualified as at 31 March 2009, 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: 1 May 2009

Annexure to the Auditor's 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(xviii) and 4(xx) 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 process 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 phased 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 such physical verification.

(iv) (A) In respect of loans, secured or unsecured, granted by the Company to parties covered in the register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:

(a) The Company has granted loans to one party during the year. At the year end, the outstanding balance of such loans granted aggregated to Rs. Nil and the maximum amount involved during the year was Rs. 50 Crores.

(b) The rate of interest, and other terms and conditions of such loans is, in our opinion, *prima facie*, not prejudicial to the interests of the Company.

(c) The receipt of principal amounts and interest during the year have been regular / as per stipulations.

(d) There were no overdue amounts at the year end, on this account.

(B) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

(v) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items are of a special nature and the prices cannot be compared with readily available alternative quotations, if any, there is generally an 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. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of continuing failure to correct major weaknesses in the aforesaid internal control system.

(vi) In respect of contracts or arrangements entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956, on the basis of audit procedures applied by us and to the best of our knowledge and belief and according to the information and explanations given to us on our enquiries on this behalf and the records produced to us for our verification:

(a) All the particulars of contracts or arrangements referred to in Section 301 have been entered in the register required to be maintained under the said Section.

(b) Where the transactions (excluding loans reported under paragraph (iv) above) are in excess of Rs. 5 lakhs in respect of any party during the year, the transactions 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 the Internal Audit Department of the Company as well as some external agencies 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 books of account relating to materials, labour and other items of cost maintained by the Company for manufacture of bicycle 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 we are of the opinion that, *prima facie*, the prescribed accounts and records are being made and maintained. We have not, however, 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 and according to the books and records as produced and examined by us, in our opinion, the Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Wealth Tax, Sales Tax, VAT, Service Tax, Excise Duty, Customs Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.

(b) According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, no undisputed amounts in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Wealth Tax, Sales Tax, VAT, Service Tax, Excise Duty, Customs Duty, Cess and other material statutory dues applicable to the Company was in arrears as at 31 March 2009 for a period of more than six months from the date they became payable.

(c) As at 31 March 2009, according to the records of the Company and the information and explanations given to us the details of disputed Sales Tax, Service Tax and Excise Duty which have not been deposited 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
Local Sales Tax Laws - Various States	Sales Tax	0.05	1997-98, 2000-01	Sales Tax Appellate Tribunal
	Sales Tax	0.12	1996-97,2003-04	Sales Tax Appellate Tribunal
	Sales Tax	0.02	1999-00	High Court of Punjab
Central Sales Tax Act, 1956	Sales Tax	0.08	1990-91, 91-92, 99-00, 2000-01	Sales Tax Appellate Tribunal
	Sales Tax	0.43	1999-00, 2003-04 to 2005-06	Sales Tax Appellate Tribunal
	Penalty	0.29	2001-02	High Court of Madras
Service Tax (Chapter V of the Finance Act,1994)	Service Tax	0.05	1997-98 to 2003-04	Commissioner of Central Excise (Appeals)
	Service Tax	0.13	2000-01 to 2004-05	Customs Excise and Service Tax Appellate Tribunal
	Service Tax	0.16	1999-00 to 2004-05	Customs Excise and Service Tax Appellate Tribunal
Central Excise Act, 1944	Excise Duty	1.22	2000-01 to 2005-06	Customs Excise and Service Tax Appellate Tribunal
	Penalty	1.22	2000-01 to 2005-06	Customs Excise and Service Tax Appellate Tribunal
	Excise Duty	0.67	2002 - 03	Commissioner of Central Excise (Appeals)
	Interest	0.01	2005-06 to 2006-07	Customs Excise and Service Tax Appellate Tribunal
	Excise Duty	0.11	2001-02 to 2002-03	Joint Secretary, Government of India

(xi) The Company does not have any accumulated losses as at 31 March 2009. 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, financial institutions and debenture holders.

(xiii) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks, are not, *prima facie,* prejudicial to the interests of the Company.

(xiv) 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.

(xv) 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.

(xvi) The Company is in the process of creating a charge in respect of Privately Placed Non-Convertible Debentures issued in the month of February 2009.

(xvii) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and to the best of our knowledge and belief and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company nor have we been informed of any such case by the Management.

For **Deloitte Haskins & Sells**
Chartered Accountants

K. Sai Ram
Partner
Membership No. 022360

Place: Chennai
Date: 1 May 2009

Balance Sheet

Rs. in Crores

	Schedule	As at 31.03.2009	As at 31.03.2008
SOURCES OF FUNDS			
Shareholders' Funds			
(a) Share Capital	1	36.95	36.95
(b) Reserves and Surplus	2	700.00	681.02
		736.95	**717.97**
Loan Funds			
(a) Secured Loans	3	291.97	229.82
(b) Unsecured Loans	4	107.79	97.68
		399.76	**327.50**
Deferred Tax Liability (Net) (Refer Note 9 of Schedule 18)		45.77	42.64
		1182.48	**1088.11**
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	964.02	861.91
Less : Depreciation		449.87	400.43
Net Block		**514.15**	**461.48**
Capital Work-in-Progress at Cost (including Capital Advances) (Refer Note 4 of Schedule 18)		29.68	57.31
		543.83	**518.79**
Investments	6	454.35	316.95
Current Assets, Loans and Advances			
(a) Inventories	7	233.81	227.04
(b) Sundry Debtors	8	243.97	287.94
(c) Cash and Bank Balances	9	12.07	18.02
(d) Loans and Advances	10	90.01	105.16
		579.86	**638.16**
Less : Current Liabilities and Provisions	11		
(a) Current Liabilities		361.25	354.37
(b) Provisions		34.31	31.42
		395.56	**385.79**
Net Current Assets		184.30	252.37
		1182.48	**1088.11**
Significant Accounting Policies	17		
Notes on Accounts	18		

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

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
1st May 2009

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

L Ramkumar
Managing Director

Profit and Loss Account

Rs. in Crores

	Schedule	Year Ended 31.03.2009	Year Ended 31.03.2008
Income			
Sales and Processing Charges		2214.07	1908.23
Less : Excise Duty on Sales		152.98	164.37
Net Sales and Processing Charges		**2061.09**	**1743.86**
Other Income	12	75.85	25.96
		2136.94	**1769.82**
Expenditure			
Raw Materials Consumed (Net)	13	1337.82	1088.72
Purchase of Traded Goods		42.26	17.02
Accretion to Stock	14	(21.17)	(11.38)
Employee Cost	15	155.19	141.90
Operating and Other Costs	16	452.51	375.68
Depreciation		59.12	53.15
Interest - Debentures and Fixed Loans		10.58	8.45
- Others		17.61	12.84
		28.19	**21.29**
		2053.92	**1686.38**
Profit Before Taxes		**83.02**	**83.44**
Provision for Taxation			
Income Tax			
– Current Year		9.25	23.50
– Prior Years		(3.20)	1.13
Deferred Tax (Net) (Refer Note 9 of Schedule 18)		3.13	0.81
Fringe Benefit Tax		1.66	1.50
		10.84	**26.94**
Profit After Taxes		**72.18**	**56.50**
Add : Balance Brought Forward from Previous Year		277.61	256.21
Add : Dividend on Own Shares held through Trust (Refer Note 5 of Schedule 18)		0.44	1.52
Profit Available for Appropriation		**350.23**	**314.23**
Appropriations:			
Transfer to General Reserve		15.00	15.00
Transfer to Debenture Redemption Reserve		2.50	–
Dividend Proposed @ Re.1 (Previous Year Re.1) per Equity Share of Rs.2 each		18.48	18.48
Tax on Dividend		3.14	3.14
		39.12	**36.62**
Balance Carried Over to Balance Sheet		**311.11**	**277.61**
Earnings per Share of Rs. 2 each - Basic - (in Rs.)		**3.91**	**3.06**
- Diluted - (in Rs.)		**3.91**	**3.06**
(Refer Note 21 of Schedule 18)			
Significant Accounting Policies	17		
Notes on Accounts	18		

The Schedules referred to above form an integral part of the Profit and Loss Account.

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
1st May 2009

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

L Ramkumar
Managing Director

Cash Flow Statement

Rs. in Crores

	Year Ended 31.03.2009	Year Ended 31.03.2008
A. Cash Flow from Operating Activities:		
Net Profit Before Tax	**83.02**	**83.44**
Adjustments for :		
Depreciation	59.12	53.15
Interest	28.19	21.29
Profit on Sale of Assets (Net)	(0.25)	(5.21)
Profit on Sale of Investments (Net)	(46.79)	(1.25)
Provision For Doubtful Debts And Advances (Net)	(2.66)	2.15
Bad Debts Written off	3.15	1.11
Advances Written off	0.60	-
Provision For Contingencies	0.80	0.70
Unrealised Losses on Foreign Currency Borrowings (Net)	4.03	0.65
Interest Income	(3.08)	(1.30)
Dividend Income	(11.25)	(6.50)
Operating Profit before Working Capital Changes	**114.88**	**148.23**
Adjustments for :		
Increase in Inventories	(6.77)	(21.24)
Decrease / (Increase) in Sundry Debtors	43.48	(13.97)
Increase in Loans and Advances	(0.44)	(8.60)
(Decrease) / Increase in Current Liabilities and Provisions (Including Capital Creditors)	(23.65)	52.29
Cash Generated From Operations	**127.50**	**156.71**
Direct Taxes Paid (Net)	(17.92)	(5.85)
Net Cash Flow from Operating Activities	**109.58**	**150.86**
B. Cash Flow from Investing Activities:		
Capital Expenditure (Including Capital Work In Progress)	(86.91)	(108.83)
Sale of Fixed Assets	3.00	11.88
Investments in Subsidiaries	(3.40)	(18.99)
Investments in Joint Ventures	(191.82)	(61.63)
Purchase of Other Investments	-	(50.01)
Proceeds from Sale of Own Shares held through Trust	32.93	-
Sale of Investments	104.61	1.30
Inter Corporate Deposits placed with Joint Venture	(50.00)	-
Repayment of Inter Corporate Deposits placed with Joint Venture	50.00	-
Interest Received	3.08	1.30
Dividend on Own Shares held through Trust	0.44	1.52
Dividend Received	11.25	6.50
Net Cash Used in Investing Activities	**(126.82)**	**(216.96)**
C. Cash Flow from Financing Activities:		
Borrowings	98.94	157.98
Repayment of Borrowings	(38.33)	(38.16)
Interest Paid	(27.73)	(20.60)
Dividends Paid (Including Dividend Tax)	(21.59)	(32.35)
Net Cash From Financing Activities	**11.29**	**66.87**
Net (Decrease) / Increase in Cash and Cash Equivalents [A+B+C]	**(5.95)**	**0.77**
Cash and Cash Equivalents at the Beginning of the Year	**18.02**	**17.25**
Cash and Cash Equivalents as at End of the Year	**12.07**	**18.02**

Note: Capital Expenditure includes and Interest Paid excludes Rs. 1.52 Cr. (Previous Year - Rs. 0.37 Cr.) of Interest Capitalised.

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

K Sai Ram
Partner
M. No. 022360

Chennai
1st May 2009

On behalf of the Board

M M Murugappan
Chairman

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

L Ramkumar
Managing Director

Schedules forming part of the Balance Sheet

Rs. in Crores

	As at 31.03.2009	As at 31.03.2008
01 - SHARE CAPITAL		
Authorised		
21,50,00,000 Equity Shares of Rs.2 each	43.00	43.00
Issued, Subscribed and Paid-up		
18,47,80,000 Equity Shares of Rs. 2 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**

	As at 31.03.2008	Additions	Deductions	As at 31.03.2009
02 - RESERVES AND SURPLUS				
Capital Reserve	0.27			0.27
Capital Redemption Reserve #	6.15			6.15
Debenture Redemption Reserve		2.50		2.50
Securities Premium *	122.86			122.86
Hedge Reserve Account (Refer Note 23 of Schedule 18)	(3.03)	(32.02)		(35.05)
General Reserve	277.16	15.00		292.16
	403.41	**(14.52)**	–	**388.89**
Balance in Profit and Loss Account	277.61			311.11
Total Reserves	**681.02**			**700.00**

Represents the amount transferred for a sum equal to the nominal value of the Shares at the time of Buy-back. (Also Refer Note 2 of Schedule 1 above)

* Securities Premium Account includes Net Surplus of Rs 28.75 Cr. arising on Sale of Company Shares held by TII Shareholding Trust during the Previous Year. (Refer Note 5 of Schedule 18)

Schedules forming part of the Balance Sheet

Rs. in Crores

	As at 31.03.2009	As at 31.03.2008
03 - SECURED LOANS		
Debentures		
11.70 % Privately Placed Non Convertible Debentures	50.00	–
Loans and Advances from Banks		
Foreign Currency Term Loans	77.28	65.63
Rupee Term Loans		
– From The Hongkong and Shanghai Banking Corporation Ltd. (HSBC)	50.00	50.00
– From State Bank Of India (SBI)	30.00	30.00
	80.00	80.00
Cash Credit and Other Borrowings	84.69	84.19
	291.97	229.82
Repayable within one year	84.69	84.19

Notes:

(1) The Debentures are to be secured by a pari passu first charge on all the Plant & Machinery and certain immovable properties of the Company. The Debentures are redeemable at par, five years from the date of allotment, i.e., on 25th February 2014.

(2) Foreign Currency Term Loans are secured by a pari passu first charge on all the Plant & Machinery of the Company.

(3) Rupee Term Loan from HSBC is secured by a pari passu first charge on all the Plant & Machinery of the Company.

(4) Rupee Term Loan from SBI is secured by a pari passu first charge on all the Plant & Machinery of the Company and immovable properties excluding Chennai city properties.

(5) Cash Credit and Other Borrowings from Banks, which includes foreign currency borrowings of Rs. 30.43 Cr. (Previous Year Rs.46.83 Cr.), are secured by a pari passu first charge on inventories and book debts.

	As at 31.03.2009	As at 31.03.2008
04 - UNSECURED LOANS		
Short Term Loans & Advances from Banks		
Foreign Currency Loans	31.15	68.20
Cash Credit and Other Borrowings	50.97	2.53
Other Loans & Advances		
Sales Tax Deferral	25.67	26.95
	107.79	97.68
Repayable within one year	84.96	72.42

Schedules forming part of the Balance Sheet

Rs. in Crores

	Gross Block at Cost				Depreciation / Amortisation				Net Block	
	As at 31.03.2008	Additions (Note 1)	Deletions	As at 31.03.2009	As at 31.03.2008	Additions (Note 2)	Deletions	As at 31.03.2009	As at 31.03.2009	As at 31.03.2008
05 - FIXED ASSETS										
Land (Freehold)	20.72	6.61	–	27.33	–	–	–	–	27.33	20.72
Land (Leasehold) (Note 3)	0.73	–	–	0.73	0.05	0.01	–	0.06	0.67	0.68
Buildings (Notes 4 & 5)	120.61	15.48	0.19	135.90	30.73	3.90	0.07	34.56	101.34	89.88
Plant & Machinery	703.39	90.42	10.55	783.26	358.46	53.31	8.36	403.41	379.85	344.93
Railway Siding	0.21	–	–	0.21	0.14	0.02	–	0.16	0.05	0.07
Furniture & Fixtures	9.99	0.40	0.43	9.96	8.31	0.50	0.40	8.41	1.55	1.68
Vehicles	6.26	1.63	1.26	6.63	2.74	1.38	0.85	3.27	3.36	3.52
TOTAL	861.91	114.54	12.43	964.02	400.43	59.12	9.68	449.87	514.15	461.48
PREVIOUS YEAR	734.06	157.06	29.21	861.91	369.82	53.15	22.54	400.43	461.48	364.24

Notes:

1. Additions to Gross Block includes Interest Capitalised amounting to Rs. 0.92 Cr. (Previous Year - Rs. 0.37 Cr).
2. Additions to Depreciation includes depreciation amounting to Rs. 0.68 Cr. (Previous Year Rs. 2.67 Cr.) charged additionally on certain assets.
3. Amortisation of Leasehold Land for the year is Rs.72,851 only (Previous Year Rs.72,851 only).
4. Net Block of Buildings includes Improvement to Buildings Rs. 3.65 Cr. (Previous Year Rs. 3.65 Cr.) constructed on Leasehold Land.
5. Net Block of Buildings includes Rs. 0.97 Cr. (Previous Year Rs. Nil) being the cost of Buildings situated on Land allotted by the Government, the title of which is in the process of being transferred to the Company.

Rs. in Crores

	Nominal Value (Rs.) / Unit	Number				Amount			
		As at 31.03.2008	Acquired	Sold	As at 31.03.2009	As at 31.03.2008	Acquired	Sold	As at 31.03.2009
06 - INVESTMENTS									
Investments - Long Term (At Cost)									
Subsidiary Companies:									
Equity Shares (Fully Paid) - Unquoted									
Cholamandalam MS General Insurance Company Ltd.	10	10,50,49,900			10,50,49,900	105.05			105.05
Tubular Precision Products (Suzhou) Co. Ltd (Note 1)						31.53	3.33		34.86
TI Financial Holdings Ltd (Note 2)	10		70,000		70,000		0.07		0.07
Trade Investments:									
Equity Shares (Fully Paid) - Quoted									
Cholamandalam DBS Finance Ltd. (Note 3)	10	1,61,40,473	44,01,975		2,05,42,448	117.40	41.82		159.22
LG Balakrishnan & Bros. Ltd. (Cost - Rs. 40,238 only)	1	25,960			25,960				
LGB Forge Limited (Note 4)	1		25,960		25,960				
Equity Shares (Fully Paid) - Unquoted									
Borg Warner Morse TEC Murugappa Pvt. Ltd.	10	55,85,808		55,85,808	-	5.59		5.59	-
Cholamandalam MS Risk Services Ltd.	10	9,89,979			9,89,979	0.99			0.99
Preference Shares (Fully Paid) - Unquoted									
1% Fully Convertible Cumulative Preference Shares of Cholamandalam DBS Finance Ltd. (Note 5)	100		1,50,00,000		1,50,00,000		150.00		150.00
Non-Trade Investments:									
Equity Shares (Fully Paid) - Quoted									
Carborundum Universal Ltd (Cost - Rs. 23,574 only)	2	3,000			3,000				
Kartik Investments Trust Ltd.	10	33,790			33,790	0.04			0.04
Coromandel Engineering Company Ltd.	10	42,919			42,919	0.04			0.04
Mahindra and Mahindra Ltd.	10	6,00,000		6,00,000	-	2.08		2.08	-
GIC Housing Finance Ltd.	10	48,700			48,700	0.24			0.24
Equity Shares (Fully Paid) - Unquoted									
Indo Oceanic Shipping Co. Ltd. (Cost Re. 1 only)	10	50,000			50,000				
Bombay Mercantile Co-op. Ltd. (Cost Rs. 5,000 only)	10	500			500				
Cholamandalam Factoring Ltd.	10	6,500			6,500	0.01			0.01
Southern Energy Development Corporation Ltd.	10	70,000			70,000	0.07			0.07
Murugappa Management Services Ltd.	100	32,677			32,677	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				

Schedules forming part of the Balance Sheet

Rs. in Crores

	Nominal Value (Rs.) / Unit	Number				Amount			
		As at 31.03.2008	Acquired	Sold	As at 31.03.2009	As at 31.03.2008	Acquired	Sold	As at 31.03.2009
06 - INVESTMENTS (Contd.)									
Chennai Willingdon Corporate Foundation (Cost - Rs. 100 only)	10	10			10				
Others - Unquoted									
UTI Equity Fund (Formerly UTI Master Gain)	10	2,300		2,300	-	0.01		0.01	-
6.75 % Bonds with UTI	100	12,746		12,746	-	0.13		0.13	-
Government of India Securities						0.25			0.25
Total - Long Term						**263.75**	**195.22**	**7.81**	**451.16**
Investments - Current (At Cost)									
Equity Shares (Fully Paid) - Quoted									
Tube Investments of India Ltd. - Own Shares held through Trust (Note 6)	2	44,01,870			44,01,870	3.19			3.19
Others - Unquoted (Note 7)									
DBS Chola - Short Term Floating Rate Fund-Daily Dividend Reinvestment Plan-Dividend Option	10	79,58,841		79,58,841	-	7.97		7.97	-
DBS Chola - Freedom Income STP Institutional-Daily Dividend Reinvestment Plan-Dividend Option	10	2,20,27,174		2,20,27,174	-	22.04		22.04	-
UTI Fixed Income Interval Fund -Monthly Interval Plan Series-I-Institutional Dividend Plan - Reinvestment	10	1,00,00,000		1,00,00,000	-	10.00		10.00	-
Reliance Monthly Interval Fund -Series I-Institutional Dividend Plan	10	99,91,607		99,91,607	-	10.00		10.00	-
Total - Current						**53.20**	**-**	**50.01**	**3.19**
Total Investments						**316.95**	**195.22**	**57.82**	**454.35**
				Quoted					
				– Cost		122.99			162.73
				- Market Value		360.14			64.80
				Unquoted					
				- Cost		193.96			291.62

Note 1 : Includes Rs. NIL (Previous Year Rs. 11.95 Cr.) of Shares received in lieu of Plant & Machinery supplied. The aggregate amount of such investments as at 31st March, 2009 amounts to USD 8.05 Million. (Refer Note 4 of Schedule 18)

Note 2 : During the year, the Company has invested Rs.0.07 Cr. in TI Financial Holdings Ltd, a Subsidiary Company incorporated on 6th October 2008

Note 3 : During the year, the Company exercised its option to subscribe to 1 Equity Share for every Warrant held in Cholamandalam DBS Finance Ltd. Accordingly, the Company subscribed to 44,01,975 Equity Shares at a price of Rs. 95 per Share

Note 4 : Consequent to the demerger of LG Balakrishnan & Bros. Ltd., 25,960 Shares in LGB Forge Limited were issued without consideration in the ratio of 1 Equity Share for every Equity Share held in LG Balakrishnan & Bros. Ltd.

Note 5 : The Preference Shares are to be converted into Equity Shares within 18 months from the date of allotment.

Note 6 : Own Shares held through Trust - By its Order dated 11th February 2009, the Honorable High Court of Madras has extended the time for sale/ disposal of the said Shares to 14th December 2010. (Refer Note 5 of Schedule 18).

Note 7 : During the year, the Company has invested an aggregate of Rs. 1007.27 Cr. (Previous Year Rs. 555.63 Cr.) and sold an aggregate of Rs.1057.28 Cr. (Previous Year Rs. 505.62 Cr.) of Units in various Cash Management Schemes of Mutual Funds, invested for the purpose of deployment of temporary cash surpluses.

Schedules forming part of the Balance Sheet

Rs. in Crores

	As at 31.03.2009	As at 31.03.2008
07 - INVENTORIES		
[Lower of Cost (Net of Allowances) and estimated Net Realisable Value]		
Raw Materials	101.59	116.31
Work - in - Process	39.32	34.80
Finished Goods	85.40	68.75
Stores and Spare Parts	3.89	3.98
Materials - in - Transit	3.61	3.20
	233.81	**227.04**

	As at 31.03.2009	As at 31.03.2008
08 - SUNDRY DEBTORS		
(Unsecured)		
Outstanding for Over Six Months		
Considered Good	4.25	8.67
Considered Doubtful	12.55	15.21
	16.80	**23.88**
Others		
Considered Good	239.72	279.27
	256.52	**303.15**
Less : Provision for Doubtful Debts	12.55	15.21
	243.97	**287.94**
Due from Subsidiary - Tubular Precision Products (Suzhou) Co Ltd.	2.25	–

	As at 31.03.2009	As at 31.03.2008
09 - CASH AND BANK BALANCES		
Cash and Cheques on Hand	0.06	0.08
Balance with Scheduled Banks		
Current Accounts	10.72	16.72
Unpaid Dividend Accounts	1.23	1.20
Balance with Unscheduled Bank*		
HSBC Bank, N.A., USA	0.06	0.02
	12.07	**18.02**
* Maximum Amount Outstanding at any point in time during the Year	0.18	0.30

Schedules forming part of the Balance Sheet

Rs. in Crores

	As at 31.03.2009	As at 31.03.2008
10 - LOANS AND ADVANCES		
(Unsecured, Considered Good unless otherwise stated)		
Advances Recoverable in Cash or in Kind or for Value to be Received		
(a) Considered Good	36.70	58.87
(b) Considered Doubtful	0.22	0.22
	36.92	59.09
Less : Provision for Doubtful Advances	0.22	0.22
	36.70	58.87
Sundry Deposits		
(a) With Subsidiary - Cholamandalam MS General Insurance Co. Ltd.*	0.27	0.26
(b) With Subsidiary - TI Financial Holdings Ltd.@	0.02	–
(c) With Others	9.63	7.94
Balance with Customs, Excise and Sales Tax Authorities	10.02	15.04
Advance Income Tax Paid	107.70	136.64
Less : Provision for Taxation	74.33	113.59
	33.37	23.05
	90.01	105.16
* Maximum Amount Outstanding at any point in time during the Year	0.28	0.26
@ Maximum Amount Outstanding at any point in time during the Year	0.02	–
11 - CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Acceptances	55.29	44.55
Sundry Creditors		
– Dues to Micro Enterprises & Small Enterprises (Refer Note 6 of Schedule 18)	0.71	0.80
– Others	289.43	296.15
	290.14	296.95
Due to Subsidiary - Cholamandalam MS General Insurance Co. Ltd.	0.15	–
Advances and Deposits from Customers / Others	3.77	3.22
Dues to Directors	0.52	0.31
Unpaid Dividends	1.23	1.20
Unpaid Matured Debentures	-	0.01
Other Liabilities	8.37	6.81
Interest Accrued but Not Due	1.78	1.32
	361.25	354.37
Provisions		
Provision for Compensated Absences	10.45	8.55
Provision for Warranties (Refer Note 7 (i) of Schedule 18)	0.45	0.37
Provision for Contingencies (Refer Note 7 (ii) of Schedule 18)	1.50	0.70
Provision for Fringe Benefit Tax [Net of Advance Tax Rs. 4.60 Cr. (Previous Year Rs. 6.10 Cr)]	0.24	0.13
Provision for Wealth Tax	0.05	0.05
Dividend - Proposed	18.48	18.48
Dividend Tax	3.14	3.14
	34.31	31.42
	395.56	385.79
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

Rs. in Crores

	Year Ended 31.03.2009	Year Ended 31.03.2008
12 - OTHER INCOME		
Dividend @		
Trade	6.46	4.70
Non Trade	4.79	1.80
	11.25	**6.50**
Interest Income *	3.08	1.30
Royalty Income	0.22	0.52
Profit on Sale of Assets (Net) #	0.25	5.21
Profit on Sale of Investments (Net) $		
Trade	14.81	-
Non Trade	31.98	1.25
	46.79	**1.25**
Gain on Exchange Fluctuation (Net) %	–	2.47
Miscellaneous Income	14.26	8.71
	75.85	**25.96**
* Includes Tax Deducted at Source	0.55	0.02
% Includes Loss on Discontinued Cash Flow Hedges	-	0.65
@ Comprises Rs. 6.77 Cr. (Previous Year Rs. 5.18 Cr.) dividend from Long Term Investments and Rs. 4.48 Cr. (Previous Year Rs. 1.32 Cr.) from Current Investments		
# Profit on Sale of Assets includes Profit from Sale of Land and Building of Rs. Nil. (Previous Year Rs. 4.67 Cr.)		
$ Profit on Sale of Investments includes Profit from Sale of Long Term Investment of Rs. 46.66 Cr. (Previous Year Rs. 1.25 Cr.)		
13 - RAW MATERIALS CONSUMED (NET)		
Raw Materials Consumed	1438.64	1183.41
Less : Scrap Sales (Net of Excise Duty)	100.82	94.69
Raw Materials Consumed (Net)	**1337.82**	**1088.72**
14 - ACCRETION TO STOCK		
Opening Stock		
Work-in-Process	34.80	36.31
Finished Stock	68.75	55.86
	103.55	**92.17**
Closing Stock		
Work-in-Process	39.32	34.80
Finished Stock	85.40	68.75
	124.72	**103.55**
Accretion to Stock	**(21.17)**	**(11.38)**
15 - EMPLOYEE COST		
Salaries, Wages and Bonus	130.87	118.31
Contribution to Provident and Other Funds	8.69	9.85
Welfare Expenses	15.63	13.74
	155.19	**141.90**

Schedules Forming Part of the Profit and Loss Account

Rs. in Crores

	Year Ended 31.03.2009	Year Ended 31.03.2008
16 - OPERATING AND OTHER COSTS		
Consumption of Stores and Spares	91.19	85.06
Freight and Carriage Inwards	22.90	18.01
Conversion Charges	28.22	21.33
Power and Fuel *	67.68	64.67
Rent	5.12	4.25
Repairs to Buildings	0.58	0.53
Repairs to Machinery	28.24	26.24
Insurance	2.45	2.35
Rates and Taxes	8.19	8.51
Travelling and Conveyance	11.63	10.27
Printing, Stationery and Communication	4.83	4.77
Freight, Delivery and Shipping Charges	53.65	54.08
Discounts / Incentives on Sales	18.77	14.33
Advertisement and Publicity	25.35	19.78
Bad Debts Written Off	3.15	1.11
Less : Provision Released	3.15	-
	-	1.11
Provision for Doubtful Debts	0.49	2.15
Advances Written Off	0.60	-
Auditors' Remuneration (Refer Note 10 of Schedule 18)	0.31	0.25
Directors' Remuneration (Refer Note 16 of Schedule 18)		
Managing Director	1.33	0.32
Non Whole Time Directors	0.24	0.27
Sitting Fees	0.11	0.09
	1.68	0.68
Loss on Exchange Fluctuation (Net) #	36.26	–
Provision for Contingencies (Refer Note 7 (ii) of Schedule 18)	0.80	0.70
Other Expenses (Refer Note 8 of Schedule 18)	43.57	36.61
	452.51	375.68
* Includes Stores Consumed	41.95	38.54
# Includes Loss on Discontinued Cash Flow Hedges	6.60	-

Schedules Forming Part of the Accounts

17 - SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention

   The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India including the Accounting Standards notified by the Government of India/ issued by the Institute of Chartered Accountants of India (ICAI), as applicable, and the relevant provisions of the Companies Act, 1956.

2. Use of Estimates

   The preparation of the financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period like provision for employee benefits, provision for doubtful debts/advances/contingencies, allowance for slow/non-moving inventories, useful lives of fixed assets, provision for retrospective price increases on purchases, provision for taxation, etc. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates.

3. Fixed Assets and Depreciation

   a. Fixed Assets are stated at historical cost less accumulated depreciation. Cost includes related taxes, duties, freight, insurance, etc. attributable to the acquisition and installation of the fixed assets but excludes duties and taxes that are recoverable from tax authorities.

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

   c. Depreciation on fixed assets other than special tools and special purpose machines used in door frame projects, furniture & fixtures, motor cars and data processing equipments 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 & fixtures are depreciated over five years, motor cars are depreciated over four years and data processing equipments are depreciated over three years on the basis of Management's evaluation of the useful life of these assets, which results in depreciation being charged at rates higher than those specified under the Companies Act, 1956. Certain fixed 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 fixed asset is likely to be affected by the variation in demand and/or its condition/usability. Depreciation is provided pro-rata from the month of Capitalisation.

   d. Individual fixed assets whose actual cost does not exceed Rs. 5,000/- are fully depreciated in the year of acquisition.

   e. 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 & spare parts and traded goods are valued at lower of weighted average cost (net of allowances) and estimated net realisable value. Cost includes freight, taxes and duties and is net of credit under VAT and CENVAT scheme, where applicable.

   b. Work-in-process and finished goods are valued at lower of weighted average cost (net of allowances) and estimated 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 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 and Quantity Discounts.

   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. Interest Income is recognised on time proportion basis.

7. Employee Benefits

   I. Defined Contribution Plan

      a. Superannuation

         The Company contributes a sum equivalent to 15% of the 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

17 - SIGNIFICANT ACCOUNTING POLICIES (Contd.)

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

II. Defined Benefit Plan

a. 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. Actuarial gains/losses are immediately recognised in the Profit and Loss Account

b. 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

III. Long Term Compensated Absences

The liability for long term compensated absences carried forward on the Balance Sheet date is provided for based on an actuarial valuation carried out by LIC, as at the Balance Sheet date, using the Projected Unit Credit method.

IV. Short Term Employee Benefits

Short term employee benefits includes short term compensated absences which is recognized based on the eligible leave at credit on the Balance Sheet date, and the estimated cost is arrived at based on the terms of the employment contract.

V. Voluntary Retirement Scheme

Compensation to employees under Voluntary Retirement Schemes is provided /expensed in the period in which the liability arises.

8. Deferred Compensation Cost

In respect of stock options, granted pursuant to the Company's Employee Stock Option Scheme, the Company determines the compensated cost based on the intrinsic value method and the compensation cost is amortised on a straight line basis over the vesting period.

9. 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 (other than for a firm commitment or a highly probable forecast) 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 Profit and Loss Account in the year in which the exchange rates change. Any profit or loss arising on cancellation of such a contract is recognised as income or expense for the year.

Also Refer Note 2 of Schedule 18.

10. Derivative Instruments and Hedge Accounting

The Company uses forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Company designates these as cash flow hedges.

The use of forward contracts is governed by the Company's policies on the use of such financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

Forward contract derivative instruments are initially measured at fair value, and are re-measured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in "Hedge Reserve Account" under Shareholders' Funds and the ineffective portion is recognized immediately in the Profit and Loss Account.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the Profit and Loss Account as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. If any of these events occur or if a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised under shareholders' funds is transferred to the Profit and Loss Account for the year.

11. 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.

Schedules Forming Part of the Accounts

17 - SIGNIFICANT ACCOUNTING POLICIES (Contd.)

12. Taxes on Income

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

Deferred tax is recognised on timing differences, being the differences 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.

13. 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.

14. 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 results. 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 are not allocable to any segment.

15. 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 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.

Schedules Forming Part of the Accounts

18 - NOTES ON ACCOUNTS

1. Commitments and Contingent Liabilities

Rs. in Crores

Particulars	As at 31.03.2009	As at 31.03.2008
a) Estimated amount of contracts remaining to be executed on capital account and not provided for (including capital commitment)	69.72	39.72
b) Disputed Income-Tax demands from A.Y. 1993-94 to 2006-07 under appeal / remand pending before various appellate/ assessing authorities against which Rs.28.05 Cr. (Previous Year Rs.27.33 Cr.) has been deposited. The Management is of the opinion that the above demands are not sustainable.	28.05	32.23
c) Disputed Excise/Service Tax demands amounting to Rs. 2.30 Cr. (Previous Year Rs.1.22 Cr.) and penalty of Rs. 1.22 Cr. (Previous Year Rs.1.22 Cr.) pertaining to financial years 1998-99 to 2006-07 under appeal. The same has not been deposited. The Management is of the opinion that the demand is arbitrary and the same is not sustainable.	3.52	2.44
d) Cases decided in favour of the Company against which the department has gone on appeal		
1. Income Tax	0.31	33.60
2. Excise	0.21	0.44
e) Bills Drawn on Customers and Discounted with Banks	0.40	2.74
f) Export obligation under EPCG / Advance License Scheme not yet fulfilled. The Company is confident of meeting its obligations under the Schemes within the Stipulated Period.	75.28	87.05
g) Guarantee favouring HSBC Bank (China Co Ltd.) Suzhou, China to secure borrowing by Tubular Precision Products (Suzhou) Co. Ltd., a Subsidiary of the Company. The Company does not expect any liability on this account.	11.13	–
h) Claims against the Company by a customer not acknowledged as debt. The Company has filed a counter claim on an insurance company for the same and hence no liability to the Company is expected.	0.89	–

Note:

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

Also Refer Note 7 below.

2. Accounting Standard 11 – The Effects of Changes in Foreign Exchange Rates

Upto 31st March 2007, the Company had capitalised the exchange differences arising from foreign currency liabilities relating to fixed assets acquired from outside India. Effective 1st April 2007, consequent to the applicability of Accounting Standard 11, notified by the Government of India, the Company accounted such exchange differences in the Profit and Loss Account. Had the Company followed the same policy, the Profit Before Tax for the previous year would have been higher by Rs.1.32 Cr.

3. Share Capital

a) Status on GDRs

The aggregate number of Global Depository Receipts (GDRs) outstanding as at 31st March 2009 is 1,67,59,250 (Previous Year 1,67,59,250) each representing one Equity Share of Rs.2 face value. The GDRs are quoted on the Luxembourg Stock Exchange.

b) Stock Options

The Company has granted Stock Options to certain employees in line with the Employees Stock Option Scheme. The total number of such Options outstanding as at 31st March 2009 is 33,34,332 (Previous year 33,53,940) and each Option is exercisable into One Equity Share of Rs. 2 face value.

18 - NOTES ON ACCOUNTS (Contd.)

Particulars	Date of Grant	Exercise Price (Rs.)	Options Granted	Options Vested	Options Cancelled	Options Exercised	Options Outstanding at the end of the Year	Vesting (subject to continuous association with the Company and performance rating parameters)
Grant 1	31 Oct. 07	62.85	6,00,120	4,25,148	1,74,972	–	4,25,148	31.10.08 – 100%
Grant 2	31 Jan. 08	66.10	1,05,460	81,324	24,136	–	81,324	31.01.09 – 100%
Grant 3	24 Mar. 08	56.80	26,55,260	–	2,96,400	–	23,58,860	31.10.09 – 25% 31.10.10 – 37.5% 31.10.11 – 37.5%
Grant 4	31 Jul. 08	44.45	3,86,900	–	–	–	3,86,900	31.07.09 – 20% 31.07.10 – 20% 31.07.11 – 30% 31.07.12 – 30%
Grant 5	31 Oct. 08	24.25	54,000	–	–	–	54,000	31.10.09 – 20% 31.10.10 – 20% 31.10.11 – 30% 31.10.12 – 30%
Grant 6	30 Jan. 09	31.05	28,100	–	–	–	28,100	30.01.10 – 20% 30.01.11 – 20% 30.01.12 – 30% 30.01.13 – 30%

Fair Value Methodology

The fair value of Options used to compute proforma net profit and earnings per Equity Share have been estimated on the date of the grants using Black-Scholes model by an independent consultant.

The key assumptions used in Black-Scholes model for calculating the fair value as on the date of the grants are:

Particulars	Vesting Date	Risk-free Interest Rate % (p.a.)	Expected Life (Years)	Expected volatility of Share Price (%)	Dividend Yield (%)	Price of the underlying Share in the market at the time of Option (Rs.)	Fair Value of the Option (Rs.)
Grant 1	31.10.08	7.71	2.50	39.11	3.43	62.85	16.43
Grant 2	30.01.09	7.44	2.50	42.02	3.43	66.10	18.11
Grant 3	31.10.09	7.26	3.11	40.66	3.43	56.80	16.54
	31.10.10	7.41	4.11	41.77	3.43	56.80	18.94
	31.10.11	7.58	5.11	42.06	3.43	56.80	20.68
Grant 4	31.07.09	9.45	2.50	43.62	3.04	44.45	13.61
	31.07.10	9.43	3.50	40.61	3.04	44.45	15.08
	31.07.11	9.42	4.50	41.69	3.04	44.45	16.99
	31.07.12	9.42	5.50	41.88	3.04	44.45	18.33
Grant 5	31.10.09	7.06	2.50	48.02	3.04	24.25	7.46
	31.10.10	7.17	3.50	44.15	3.04	24.25	8.07
	31.10.11	7.33	4.50	44.23	3.04	24.25	8.96
	31.10.12	7.51	5.50	44.37	3.04	24.25	9.68
Grant 6	30.01.10	4.10	2.50	46.07	3.04	31.05	8.46
	30.01.11	4.96	3.50	46.23	3.04	31.05	9.97
	30.01.12	5.64	4.50	44.40	3.04	31.05	10.83
	30.01.13	6.14	5.50	44.43	3.04	31.05	11.80

Schedules Forming Part of the Accounts

18 - NOTES ON ACCOUNTS (Contd.)

Had compensation cost for the Stock Options granted under the Scheme been determined based on fair value approach, the Company's net profit and earnings per share would have been as per the pro forma amounts indicated below:

Impact on Net Profit

Rs. in Crores

Particulars	2008-09	2007-08
Net Profit (As reported)	72.18	56.50
Add: Stock based employee compensation expense included in net profit	-	-
Less: Stock based compensation expense determined under fair value based method (Proforma)	2.35	0.49
Net Profit (Proforma)	69.83	56.01

Impact on Earnings Per Share

Particulars	2008-09 (Rs.)	2007-08 (Rs.)
Basic Earnings per Share of Rs. 2 Each (As reported)	3.91	3.06
Basic Earnings per Share of Rs. 2 Each (Pro forma)	3.78	3.03
Diluted Earnings per Share of Rs. 2 Each (As reported)	3.91	3.06
Diluted Earnings per Share of Rs. 2 Each (Pro forma)	3.78	3.03

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

The balance in the Capital Work-in-Progress (including Capital Advances) account as at 31st March 2009 includes:

i. The cost of Plant & Machinery amounting to Rs. Nil (Previous Year Rs. 0.56 Cr) being manufactured on behalf of the Company's Subsidiary in China, namely, Tubular Precision Products (Suzhou) Company Ltd. During the year, Plant & Machinery worth Rs.Nil (Previous Year Rs.11.95 Cr) was converted to Share Capital in the Subsidiary and treated as an Investment in the books of the Company.

ii. Interest on borrowings amounting to Rs. 0.60 Cr. (Previous Year Rs. Nil)

5. Amalgamation of erstwhile TIDC India Ltd with the Company

In accordance with the Scheme of Arrangement, approved by the Honourable 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, 20,30,374 Equity Shares of Rs.10 each (Post-Split 1,01,51,870 Equity Shares of Rs.2 each) held in the Company by TIDC was vested in a Trust, namely, TII Shareholding Trust, created for the purpose.

During the previous year, the Trust had sold 57,50,000 Equity Shares of Rs.2 each and the Net Surplus on Sale of Shares was credited to the Securities Premium Account.

During the year, pursuant to an application by the Company, the said Honourable High Court, vide its order dated 11th February 2009, has granted an extension of time upto 14th December 2010 for the sale / disposal of the balance shares 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 is credited back to the Profit and Loss Account on receipt of the same from the Trust.

18 - NOTES ON ACCOUNTS (Contd.)

6. Dues to Micro Enterprises & Small 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 (MSMED Act), the relevant particulars as at 31st March 2009 and 31st March 2008 are furnished below:

Rs. in Crores

Particulars	2008-09	2007-08
Principal amount due to suppliers under MSMED Act, as at 31st March	0.66	0.77
Interest accrued and due to suppliers under MSMED Act, on the above amount as at 31st March	0.04	0.01
Payment made to suppliers (other than interest) beyond the appointed day, during the year	7.40	4.69
Interest paid to suppliers under MSMED Act (other than Section 16)	0.00	0.00
Interest paid to suppliers under MSMED Act (Section 16)	0.04	0.03
Interest due and payable to suppliers under MSMED Act, for payments already made	0.01	0.02
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	0.05	0.03

7. Provisions

(i) Warranties

The details of Provision for Warranties is given below

Particulars	2008-09	2007-08
Opening Balance	0.37	0.37
Add: Provision created during the Year	0.41	0.16
Less: Utilised during the Year	0.33	0.16
Closing Balance	0.45	0.37

Provision for Warranties is estimated based on past experience and technical estimates and is expected to be settled over the next 12 months.

(ii) Contingencies

The Company carries a general provision for contingencies towards various claims against the Company not acknowledged as debts (Refer Note 1 above).

Particulars	2008-09	2007-08
Opening Balance	0.70	NIL
Add: Provision created during the Year	0.80	0.70
Less: Utilised during the Year	NIL	NIL
Closing Balance	1.50	0.70

Due to the very nature of the claims mentioned in Note 1 above, it is not possible to estimate the timing/uncertainties relating to the utilisation / reversals of such estimates.

8. Other Expenses

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

i. Contribution to Shri. A M M Murugappa Chettiar Research Centre Rs.0.15 Cr. (Previous Year Rs. 0.15 Cr.)
ii. Contribution to A M M Foundation Rs.0.30 Cr. (Previous Year Rs. 0.30 Cr.)
iii. Contribution to Bharatiya Janata Party Rs. 0.15 Cr. (Previous Year Rs. NIL)
iv. Contribution to Mahindra World School Educational Trust Rs. 2.00 Cr. (Previous Year Rs. NIL)
v. Other Donations Rs.0.05 Cr. (Previous Year Rs. 0.04 Cr.)
vi. Excise Duty Differential on Accretion to Stock - Credit Rs.1.09 Cr. (Previous Year Debit Rs. 2.09 Cr.)

18 - NOTES ON ACCOUNTS (Contd.)

9. Deferred Tax Movement

The net deferred tax liability of Rs.45.77 Cr. as at 31st March 2009 (Previous Year - Rs.42.64 Cr.) has arisen on account of the following:

Rs. in Crores

Nature – Liability / (Asset)	As at 01.04.2008	Charged/ (Credited) to P&L	As at 31.03.2009
Deferred Tax Liabilities			
Difference between the Depreciation as per Books of Account and the Income Tax Act, 1961	53.43	2.31	55.74
Total (A)	**53.43**	**2.31**	**55.74**
Deferred Tax Assets			
Deferred Revenue Expenses	(0.32)	(0.73)	(1.05)
Provision for Doubtful Debts / Advances	(5.24)	0.90	(4.34)
Others	(5.23)	0.65	(4.58)
Total (B)	**(10.79)**	**0.82**	**(9.97)**
Net Deferred Tax Liability (A-B)	**42.64**	**3.13**	**45.77**

10. Auditors' Remuneration

Particulars	2008-09	2007-08
Statutory Audit	0.21	0.18
Tax Audit & Other Services	0.09	0.07
Service Tax (Net of Input Credit Availed)	0.01	0.00
Reimbursement of Expenses	0.00	0.00
Total	**0.31**	**0.25**

11. Imported and Indigenous Material Consumed

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

	2008-09		2007-08	
Particulars	%	Value	%	Value
Imported	9.11	131.11	7.29	86.23
Indigenous	90.89	1307.53	92.71	1097.18
Total	**100.00**	**1438.64**	**100.00**	**1183.41**

(b) Consumption of Stores and Spares

	2008-09		2007-08	
Particulars	%	Value	%	Value
Imported	3.13	4.17	3.96	4.90
Indigenous	96.87	128.97	96.04	118.70
Total	**100.00**	**133.14**	**100.00**	**123.60**

Note:

The above includes Rs. 41.95 Cr. (Previous Year Rs. 38.54 Cr.) of Stores and Spares charged to the Power and Fuel Account (Refer Schedule 16).

Schedules Forming Part of the Accounts

18 - NOTES ON ACCOUNTS (Contd.)

12. Value of Imports on CIF Basis

Rs. in Crores

Particulars	2008-09	2007-08
Raw Materials	145.40	71.37
Stores and Spare Parts	4.98	3.90
Finished Goods	43.95	17.70
Capital Goods	23.25	46.64
Total	**217.58**	**139.61**

13. Earnings in Foreign Exchange

Particulars	2008-09	2007-08
FOB Value of Exports	183.50	154.82

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

Particulars	2008-09	2007-08
Dividend* –Rs. in Crores	0.006	0.009
Number of Non-resident Shareholders	1	1
Number of Equity Shares Held	56,700 of Rs.2 each	56,700 of Rs.2 each
Year for which Dividend Remitted	2007-08	2006-07

* The above excludes remittances amounting to Rs. 1.67 Cr. (Previous Year Rs. 2.51 Cr.) to Global Depository Receipt (GDR) holders through the custodian of GDR holders.

15. Expenditure in Foreign Currency

Particulars	2008-09	2007-08
Travel	1.47	1.18
Interest on Foreign Currency Loans	2.31	1.65
Royalty	1.25	0.23
Others	5.86	7.42
Total	**10.89**	**10.48**

Schedules Forming Part of the Accounts

18 - NOTES ON ACCOUNTS (Contd.)

16. Directors' Remuneration

Rs. in Crores

Particulars	2008-09	2007-08
a) Managing Director's Remuneration		
Salaries & Allowances	0.96	0.26
PF, Gratuity & Superannuation	0.09	0.02
Perquisites	0.00	0.00
	1.05	**0.28**
Incentive	0.28	0.04
	1.33	**0.32**
b) Commission to Non-Whole Time Directors	0.24	0.27
c) Directors' Sitting Fees	0.11	0.09
Directors' Remuneration	**1.68**	**0.68**
Profit after Tax as per Profit and Loss Account	72.18	56.50
Add: Provision for Taxation	10.84	26.94
Directors' Remuneration	1.68	0.68
Less: Profit on Sale of Investments	46.79	1.25
Profit on Sale of Assets as per Books	0.25	5.21
Profit as per Section 349 of the Companies Act, 1956	**37.66**	**77.66**
1% thereof	**0.38**	**0.78**
Commission to Non-Whole Time Directors restricted to	0.24	0.27
Total Commission	**0.24**	**0.27**

Notes:

a. Mr. L.Ramkumar was appointed Managing Director with effect from 1st February 2008.

b. Mr. L.Ramkumar has been granted Nil Options during the year (Previous Year 3,10,260 Options) under the Company's Employee Stock Option Scheme. Refer Note 3(b) above.

c. Managing Director's remuneration excludes Provision for Compensated Absences since the amount cannot be ascertained for an individual.

Schedules Forming Part of the Accounts

18 - NOTES ON ACCOUNTS (Contd.)

17. Quantitative Particulars

I. Capacities, Production / Purchases, Turnover and Stocks

Rs. in Crores

Class of Goods	Unit	Installed Capacity	Production / Purchases	Opening Stock		Closing Stock		Turnover	
		Qty	Qty	Qty	Value	Qty	Value	Qty	Value (Net of Excise)
Cycles/Components	Nos.				21.76		25.39	2823050	660.64
					(22.60)		(21.76)	(2641137)	(535.15)
Traded Goods – Cycles	Nos.		287615	30981	4.65	44870	7.37	273726	57.88
			(197416)	(60750)	(6.53)	(30981)	(4.65)	(227185)	(33.34)
ERW/CDW Tubes	Tons	214356	86064	5178	27.73	4674	24.14	86568	577.31
		(211815)	(102489)	(3153)	(17.71)	(5178)	(27.73)	(100464)	(537.92)
Cold Rolled Steel Strips	Tons	100120	54307	988	4.23	1518	5.47	53777	281.92
		(100120)	(68226)	(55)	(0.23)	(988)	(4.23)	(67293)	(267.66)
Metal Formed Products					10.38		21.78		477.67
					(8.79)		(10.38)		(367.77)
E-Scooters	Nos.		1769	–	–	442	1.25	1327	3.91
								–	–
Processing Charges									1.76
									(2.02)
Total					**68.75**		**85.40**		**2061.09**
					(55.86)		**(68.75)**		**(1743.86)**

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 (Production, Opening Stock and Closing Stock) and Metal Formed Products (Production, Opening Stock, Closing Stock and Turnover) 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 counts.

II. Consumption of Raw Materials (Refer Schedule 13)

	Unit	Quantity		Value	
		2008 - 09	2007 - 08	2008 - 09	2007 - 08
Steel	Lakh Tons	2.27	2.64	942.16	793.80
Rims	Lakh Nos.	62.47	57.92	49.89	44.58
Tyres	Lakh Nos.	56.75	52.63	38.50	31.17
Cycle Tubes	Lakh Nos.	56.67	51.51	16.06	12.01
Leather Top	Lakh Nos.	28.65	26.88	22.87	16.78
Chains	Lakh Nos.	42.16	39.27	11.79	8.94
Frames	Lakh Nos.	26.46	24.73	78.67	58.90
Forks	Lakh Nos.	28.69	27.18	27.49	21.90
Mudguards	Lakh Sets	26.44	25.95	17.24	11.19
E-Scooters, Bicycle Components and Others				233.97	184.14
Total				**1438.64**	**1183.41**

Notes:

a) The quantitative details being too numerous are not listed above for the following:
   i. E-Scooters
   ii. Bicycle Components and Others

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

Schedules Forming Part of the Accounts

18 - NOTES ON ACCOUNTS (Contd.)

18. Employee Benefits under Defined Benefit Plans

a) Gratuity

Actuarial data on Defined Benefit Plans:

Rs. in Crores

Details of Actuarial Valuation	2008-09	2007-08
Change in Benefit Obligation		
Projected Benefit Obligation as at Year Beginning	16.08	13.14
Service Cost	1.07	0.85
Interest Cost	1.23	0.95
Actuarial (Gains) / Losses	(0.41)	2.08
Benefits Paid	(1.45)	(0.94)
Projected Benefit Obligation as at Year End	**16.52**	**16.08**
Change in Plan Assets		
Fair Value of Plan Assets as at Year Beginning	16.14	14.19
Expected Return on Plan Assets	1.28	1.09
Employer's Contribution	1.13	1.59
Benefits Paid	(1.45)	(0.94)
Actuarial Gains	0.17	0.21
Fair Value of Plan Assets as at Year End	**17.27**	**16.14**
Amounts Recognised in the Balance Sheet		
Projected Benefit Obligation at the Year End	16.52	16.08
Fair Value of the Plan Assets at the Year End	17.27	16.14
Asset Recognised in the Balance Sheet	**0.75**	**0.06**
Cost of the Defined Benefit Plan for the Year		
Current Service Cost	1.07	0.85
Interest on Obligation	1.23	0.95
Expected Return on Plan Assets	(1.28)	(1.09)
Net Actuarial (Gains) / Losses Recognised in the Year	(0.58)	1.87
Net Cost Recognised in the Profit and Loss Account	**0.44**	**2.58**
Assumptions		
Discount Rate	8.00%	8.00%
Future Salary Increase	5.00%	6.00%
Attrition Rate	1 to 3%	1 to 3%
Expected Rate of Return on Plan Assets	8.00%	8.00%

Notes:

i. The entire Plan Assets are managed by Life Insurance Corporation of India (LIC). The data on plan assets has not been furnished by LIC.

ii. The expected return on Plan Assets is as furnished by LIC.

iii. The estimate of future salary increase takes into account inflation, likely increments, promotions and other relevant factors.

iv. Discount Rate is based on prevailing market yields of Indian Government Bonds as at the Balance Sheet date for the estimated term of the obligation.

b) Provident Fund

The Company's Provident Fund is exempted under Section 17 of the Employees' Provident Fund Act, 1952. Conditions for the grant of exemption stipulate that the employer shall make good the deficiency, if any, in the interest rate declared by the Trust over the statutory limit. Having regard to the assets of the Fund and the return on the investments, the Company does not expect any deficiency in the foreseeable future, in excess of the amount already provided for as per the Management estimates.

Schedules Forming Part of the Accounts

18 - NOTES ON ACCOUNTS (Contd.)

c) Long Term Compensated Absences

The assumptions used for computing the long term accumulated compensated absences on actuarial basis are as follows:

Assumptions for Actuarial Valuation	2008-09	2007-08
Discount Rate	8.00%	8.00%
Future Salary Increase	5.00%	6.00%
Attrition Rate	1 to 3%	1 to 3%
Expected Rate of Return on Plan Assets	8.00%	8.00%

19. Segment Information

The Company's operations are organised into three major divisions – Cycles / Components / E-Scooters, 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.

(A) PRIMARY SEGMENT

Rs. in Crores

	CYCLES/ COMPONENTS/ E-SCOOTERS		ENGINEERING		METAL FORMED PRODUCTS		ELIMINATIONS		CONSOLIDATED TOTAL	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
REVENUE										
External Sales	722.43	568.49	860.99	807.57	477.67	367.80			2061.09	1743.86
Inter - Segment Sales			96.12	69.38	0.22	0.11	(96.34)	(69.49)	-	-
Total Revenue	**722.43**	**568.49**	**957.11**	**876.95**	**477.89**	**367.91**	**(96.34)**	**(69.49)**	**2061.09**	**1743.86**
Unallocated Corporate Expenses (Net)									(43.36)	(23.25)
RESULTS										
Operating Profit	29.16	21.83	16.13	42.85	50.81	55.38			52.74	96.81
Profit / (Loss) on Sale of Assets	0.01	(0.03)	0.41		0.01	0.20			0.43	0.17
Net Operating Profit	**29.17**	**21.80**	**16.54**	**42.85**	**50.82**	**55.58**	**-**	**-**	**53.17**	**96.98**
Dividend Income									11.25	6.50
Interest Expense									(28.19)	(21.29)
Income Taxes									(10.84)	(26.94)
Profit on Sale of Investments									46.79	1.25
Net Profit	**29.17**	**21.80**	**16.54**	**42.85**	**50.82**	**55.58**	**-**	**-**	**72.18**	**56.50**

Schedules Forming Part of the Accounts

18 - NOTES ON ACCOUNTS (Contd.)

(A) PRIMARY SEGMENT (Contd.)

Rs. in Crores

	CYCLES/ COMPONENTS/ E-SCOOTERS		ENGINEERING		METAL FORMED PRODUCTS		ELIMINATIONS		CONSOLIDATED TOTAL	
	As at 31.03.09	As at 31.03.08	As at 31.03.09	As at 31.03.08	As at 31.03.09	As at 31.03.08	As at 31.03.09	As at 31.03.08	As at 31.03.09	As at 31.03.08
ASSETS										
Segment Assets	190.47	188.78	458.15	549.00	420.98	346.84	(15.02)	(18.72)	1054.58	1065.90
Unallocated Corporate Assets*									523.46	408.00
Total Assets	**190.47**	**188.78**	**458.15**	**549.00**	**420.98**	**346.84**	**(15.02)**	**(18.72)**	**1578.04**	**1473.90**
LIABILITIES										
Segment Liabilities	134.69	104.80	128.98	186.95	81.43	77.21	(15.02)	(18.72)	330.08	350.24
Unallocated Corporate Liabilities									65.48	35.55
Total Liabilities	**134.69**	**104.80**	**128.98**	**186.95**	**81.43**	**77.21**	**(15.02)**	**(18.72)**	**395.56**	**385.79**
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
OTHER INFORMATION										
Capital Expenditure	6.32	2.94	17.84	41.75	63.32	77.45			87.48	122.14
Unallocated Corporate Capital Expenditure									(0.57)	(13.31)
Depreciation	5.76	5.42	26.71	25.42	24.27	19.41			56.74	50.25
Unallocated Corporate Depreciation									2.38	2.90

* includes Income Tax Assets (Net)

(B) SECONDARY SEGMENT

Particulars	2008-09	2007-08
1) Revenue by Geographic Market		
India	1874.28	1583.01
Rest of The World	186.81	160.85
TOTAL	**2061.09**	**1743.86**
2) Segment Assets by Geographic Market #		
India	1535.60	1435.85
Rest of The World	9.07	15.00
TOTAL	**1544.67**	**1450.85**
3) Capital Expenditure by Geographic Market		
India	86.91	108.68
Rest of The World	–	0.15
TOTAL	**86.91**	**108.83**

excludes Income Tax Assets (Net)

Schedules Forming Part of the Accounts

18 - NOTES ON ACCOUNTS (Contd.)

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

a) List of Related Parties

I. Subsidiary Companies

Cholamandalam MS General Insurance Company Limited

Tubular Precision Products (Suzhou) Company Limited

TI Financial Holdings Limited (With effect from 6th October 2008)

II. Joint Venture Companies

Borg Warner Morse TEC Murugappa Private Limited (Till 30th September 2008)

Cholamandalam DBS Finance Limited

Cholamandalam MS Risk Services Limited

III. Key Management Personnel (KMP)

Mr. L Ramkumar – Managing Director (From 1st February 2008)

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 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	2008-09	2007-08
Dividend Receipt	Cholamandalam DBS Finance Limited	6.46	4.70
Claims Received	Cholamandalam MS General Insurance Company Limited	5.33	0.89
Premium Paid	Cholamandalam MS General Insurance Company Limited	3.32	3.86
Rentals Paid	Cholamandalam DBS Finance Limited	0.15	-
	Cholamandalam MS General Insurance Company Limited	0.05	0.03
Rental Income	Cholamandalam DBS Finance Limited	0.01	0.01
	Borg Warner Morse TEC Murugappa Private Limited	-	0.04
	Cholamandalam MS General Insurance Company Limited	-	0.05
Interest Income	Cholamandalam DBS Finance Limited	2.30	-
Sale of Fixed Assets	Cholamandalam MS General Insurance Company Limited	-	0.02
	Tubular Precision Products (Suzhou) Company Limited	1.90	-
Subscription to Equity Shares	Cholamandalam DBS Finance Limited	41.82	61.63
	Tubular Precision Products (Suzhou) Company Limited	3.33	18.99
	TI Financial Holdings Limited	0.07	-
Subscription to Fully Convertible Cumulative Preference Shares	Cholamandalam DBS Finance Limited	150.00	-
Capital Advance	Tubular Precision Products (Suzhou) Company Limited	-	0.56
Purchase of Goods and Services	Borg Warner Morse TEC Murugappa Private Limited	-	0.33
	Cholamandalam MS Risk Services Limited	-	0.01
	Tubular Precision Products (Suzhou) Company Limited	-	0.09
Sales and Services	Borg Warner Morse TEC Murugappa Private Limited	0.52	1.28
Reimbursement of Expenses	Cholamandalam DBS Finance Limited	0.04	-
	Cholamandalam MS General Insurance Company Limited	0.17	-
Recovery of Expenses	Cholamandalam DBS Finance Limited	0.10	0.05
	Cholamandalam MS General Insurance Company Limited	-	0.10
	TI Financial Holdings Limited	0.02	-
Inter Corporate Deposit Placed and Received	Cholamandalam DBS Finance Limited	50.00	-
Repayment of Rental Deposit	Cholamandalam MS General Insurance Company Limited	-	0.24
	Borg Warner Morse TEC Murugappa Private Limited	-	0.02

18 - NOTES ON ACCOUNTS (Contd.)

Rs. in Crores

Transaction	Related Party	2008-09	2007-08
Balance at Year End			
Payable	Cholamandalam MS General Insurance Company Limited	0.15	–
	Borg Warner Morse TEC Murugappa Private Limited	0.38	–
	Cholamandalam DBS Finance Limited	0.19	–
Receivable	Cholamandalam MS General Insurance Company Limited	0.27	0.26
	Borg Warner Morse TEC Murugappa Private Limited	–	0.27
	TI Financial Holdings Limited	0.02	–
	Tubular Precision Products (Suzhou) Company Limited	2.25	–

Note: The Company has issued a Guarantee favouring HSBC Bank (China Co Ltd.) Suzhou, China to secure the borrowing by Tubular Precision Products (Suzhou) Co. Ltd.

21. Earnings Per Share

Particulars	2008-2009	2007-2008
Profit after Taxation – Rs. in Crores	72.18	56.50
Weighted Average Number of Shares – Basic	18,47,80,000	18,47,80,000
– Diluted	18,47,85,198	18,48,05,100
Earnings Per Share of Rs. 2 each – Basic	3.91	3.06
– Diluted	3.91	3.06

Note: Earnings per Share calculations are done in accordance with Accounting Standard 20 (AS 20) "Earnings per Share"

22. Information on Joint Venture Entities

The particulars of the Company's Joint Venture Entities as at 31st March 2009 including its percentage holding and its proportionate share of assets, liabilities, income and expenditure of the Joint Venture Entities are given below:

Particulars	As at 31st March 2009					2008 – 09	
Name of the Joint Venture	% Holding	Assets	Liabilities	Contingent Liabilities	Capital Commitments	Income	Expenses
Borg Warner Morse TEC Murugappa Private Limited (Note b)	- (26.00%)	- (8.13)	- (2.71)	- (-)	- (0.35)	6.75 (6.96)	6.59 (6.35)
Cholamandalam DBS Finance Limited (Note c)	30.93% (30.93%)	2134.10 (1981.89)	1914.16 (1819.00)	8.17 (1.82)	0.09 (1.26)	354.37 (292.67)	364.16 (268.49)
Cholamandalam MS Risk Services Limited	49.50% (49.50%)	2.55 (2.03)	0.51 (0.42)	- (-)	- (-)	3.07 (2.04)	2.36 (1.61)

Notes:

a) Figures in brackets are for the previous year.

b) Borg Warner Morse TEC Murugappa Private Limited (Borg Warner) ceased to be a Joint Venture from 30th September 2008, consequent to the sale of shares held in Borg Warner. Hence, the amounts mentioned above are for the period up to 30th September 2008 and are based on Unaudited Financial Statement/Information available with the Management.

c) Cholamandalam DBS Finance Ltd (CDFL), had to defer the consideration of their audited Financial Statements for the year ended 31st March 2009 pending receipt of the Order of the Hon'ble High Court of Judicature at Madras confirming the capital reduction scheme of CDFL. Consequently, the Unaudited Financial Statements/Information of CDFL has been considered for the purpose of the above disclosure.

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

18 - NOTES ON ACCOUNTS (Contd.)

23. Accounting for Derivatives

Pursuant to the announcement of the Institute of Chartered Accountants of India (ICAI) in respect of "Accounting for Derivatives", the Company had opted to follow the recognition and measurement principles relating to derivatives as specified in AS 30 "Financial Instruments, Recognition and Measurement", issued by the ICAI, from the year ended 31st March 2008.

Consequently, as of 31st March 2009, the Company has recognised Mark to Market (MTM) Losses of Rs.35.05 Cr. (Previous Year Rs. 3.03 Cr) relating to forward contracts and other derivatives entered into to hedge the foreign currency risk of highly probable forecast transactions that are designated as effective cash flow hedges, in the Hedge Reserve Account as part of the Shareholders Funds.

The MTM net loss on undesignated / ineffective forward contracts amounting to Rs. 6.60 Cr. (Previous Year Rs. 0.65 Cr.) has been recognised in the Profit and Loss Account. The movement in the Hedge Reserve Account during the year for derivatives designated as Cash Flow Hedges is as follows:

Rs. in Crores

Particulars	2008-2009	2007-2008
Balance as at Beginning of the Year - Dr.	3.03	-
Net Movement for the Year - Dr.	32.02	3.03
Balance as at End of the Year - Dr.	35.05	3.03

The Contracts in Hedge Reserve Account are expected to be reversed to Profit and Loss Account on occurrence of transactions which are expected to take place over the next 24 months.

Details of Derivative Exposures are as under:

Type of Derivative	2008-09		2007-08	
	Number of Contracts	Value	Number of Contracts	Value
Forward Contracts entered into to hedge the foreign currency risk of highly probable forecast transactions	3	USD 7.02 M	10	USD 10.00 M
	-	-	19	EUR 12.50 M
Other Derivatives (including currency swaps)	6	USD 46.64 M	6	USD 44.01 M
	4	JPY 406.47 M	4	JPY 406.47 M

24. Disclosure under Clause 32 of Listing Agreement (To the extent applicable)

Particulars	Amount Outstanding on 31.03.2009	Amount Outstanding on 31.03.2008	Maximum Amount Outstanding during 2008-09	Maximum Amount Outstanding during 2007-08
Inter Corporate Deposit placed with Cholamandalam DBS Finance Ltd	-	-	50.00	-

25. Previous Year's Figures

Figures for the previous year have been re-grouped wherever necessary to conform to the current year's presentation.

Signatures to Schedules 1 to 18

On behalf of the Board

M M Murugappan
Chairman

Chennai
1st May 2009

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

L Ramkumar
Managing Director

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

I. Registration Details

Registration No.	L35921TN1949PLC002905	State Code	18
Balance Sheet as on	31-03-2009		

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	11824862	Total Assets	11824862
Sources of Funds			
Paid up Capital	369560	Reserves & Surplus	7000031
Secured Loans	2919602	Unsecured Loans	1077949
Deferred Tax Liability (Net)	457720		
Application of Funds			
Net Fixed Assets	5438343	Investments	4543519
Net Current Assets	1843000	Misc. Expenditure	NIL

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

Turnover (including Other income)	21369367	Total Expenditure	20539169
Profit/(Loss) before Tax	830198	Profit/(Loss) after Tax	721759
Earning per share in Rs.	3.91	Dividend Rate (%)	50%

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
1st May 2009

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

L Ramkumar
Managing Director

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 (hereinafter collectively referred to as "the Group") as at 31 March 2009, 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 of all the three subsidiaries of the Company and two of the subsidiaries of one of the joint ventures (JV) of the Company, whose financial statements reflect total assets (net) of Rs. 181.64 Crores as at 31 March 2009/31 December 2008, as applicable, total revenue (net) of Rs. 430.28 Crores and net cash outflows of Rs. 12.27 Crores for the year then ended, as considered in the Consolidated Financial Statements. 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, is based solely on the reports of the other auditors.

4. As stated in Note 2(ii) of Schedule 17, in the case of one of the JVs which ceased to be a JV with effect from 30 September 2008, the figures used for the consolidation are based on the unaudited financial statements/information available with the Management. The Company's share of total revenues and net profit after tax for the period 1 January 2008 to 30 September 2008 relating to the said JV considered in the Consolidated Financial Statements is Rs. 6.75 Crores and Rs. 0.12 Crores, respectively.

5. In the case of one of the joint ventures of the Company, M/s. Cholamandalam DBS Finance Limited (CDFL):

   (a) Attention is invited to Note 8(b) of Schedule 18 regarding certain outstanding open items in some of the Bank Reconciliations of CDFL, which CDFL is in the process of resolving. The Management of CDFL is of the opinion that adjustments, if any, arising out of clearance of such reconciling items should not have a material impact on the reported amounts of assets, liabilities, income and expenses and, consequently, on the financial statements for the year. Pending clearance of such outstanding open items and completion of the said Reconciliations, we are unable to form an opinion in the matter.

   (b) Without qualifying our report, we invite attention to Note 8(a) of Schedule 18 on capital reduction by CDFL regarding utilization / adjustment / set off of the Securities Premium Account towards creation of Provision for Standard Assets for an amount of Rs. 200 Crores, adjustment of write off of the bad debts / loan losses and other non-recoverable assets for an amount of Rs. 100 Crores and setting off of the provision for diminution, other than temporary, in the value of investments in one of CDFL's subsidiaries, M/s.DBS Cholamandalam Distribution Limited, amounting to Rs 23.53 Crores, by withdrawal of such sums from the Securities Premium Account to the Profit and Loss Account of CDFL, made in accordance with the Capital Reduction Proposal under Sections 78, 100 to 103 of the Companies Act, 1956 and confirmed by the Hon. High Court of Judicature at Madras on 29 April 2009 whose Order and minute dated 20 April 2009 was registered with the Registrar of Companies, Chennai on 30 April 2009. This is not in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 and the relevant Pronouncements of the Institute of Chartered Accountants of India.

   As stated in the aforesaid Note, had CDFL not made Provision for Standard Assets in accordance with its revised provisioning policy and had the aforesaid adjustments to Securities Premium not been effected, the profit after tax of the Group for the year would have been Rs. 16.22 Crores as against the profit after tax of the Group of Rs. 54.43 Crores.

   (c) Without qualifying our report, we invite attention to Note 8(d) of Schedule 18 regarding the change in the provisioning norms of certain loan portfolios of CDFL during the year ended 31 March 2009 by the Management of CDFL for the reasons stated therein.

6. In the case of one of CDFL's subsidiaries, M/s DBS Cholamandalam Asset Management Limited (DCAML):

   Without qualifying our report, we invite attention to Note 8(e) of Schedule 18 regarding the Group's share of loss of Rs. 2.59 Crores relating to the purchase and sale back of securities to the Mutual Fund Schemes by DCAML for the reasons stated therein.

7. In the case of one of the subsidiaries, M/s. Cholamandalam MS General Insurance Company Limited (CMSGICL), the other auditors report on its financial statements for the year ended 31 March 2009 includes the following matters:

   (a) The actuarial valuation in respect of Incurred But Not Reported (IBNR) Claims and Incurred But Not Enough Reported (IBNER) Claims, included under Sundry Creditors in the financial statements as at 31 March 2009, is the responsibility of the subsidiary's appointed actuary. The actuarial valuation of liabilities as at 31 March 2009 has been duly certified by the subsidiary's appointed actuary. The appointed actuary has also certified that the assumptions considered by him for such valuation are appropriate and are in accordance with the requirements of Insurance Regulatory and Development Authority (IRDA) and Actuarial Society of India in concurrence with IRDA. The auditors have relied upon the actuary's certificate in this regard.

   (b) Without qualifying the opinion, attention is invited to Note 1(n) of Schedule 18 regarding a fire claim repudiated by the Company and accordingly no provision is considered necessary based on legal opinion.

8. 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 and on the basis of the separate audited financial statements of the Company, its subsidiaries and joint ventures included in the Consolidated Financial Statements except for the unaudited financial statements in the case of one of the joint ventures as indicated in Para 4 above.

9. *Subject to our comments in paragraphs 5(a) above and the consequential effects thereof, if any, which are not determinable at this stage,* based on our audit and on consideration of the reports of the other auditors on the separate financial statements and other financial information of the entities referred to in paragraph 3 above and read with our comments in paragraphs 4, 5(b), 5(c), 6 & 7 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 2009;

   (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

Chennai
30 May 2009

Consolidated Balance Sheet

Rs. in Crores

	Schedule	As at 31.03.2009	As at 31.03.2008
SOURCES OF FUNDS			
Shareholders' Funds			
(a) Share Capital	1	36.95	36.95
(b) Reserves and Surplus	2	659.17	727.16
		696.12	**764.11**
Minority Interest		**39.77**	**37.95**
Loan Funds			
(a) Secured Loans	3	1442.22	1159.04
(b) Unsecured Loans	4	635.33	838.66
		2077.55	**1997.70**
Deferred Tax Liability (Refer Note 6 of Schedule 18)			
- Company (Net)		45.77	42.64
- Subsidary (Net)		0.73	-
		46.50	**42.64**
		2859.94	2842.40
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	1047.24	923.21
Less : Depreciation		479.85	418.79
Net Block		**567.39**	**504.42**
Capital Work-in-Progress at Cost (including Capital Advances) (Refer Note 3 of Schedule 18)		29.96	62.75
Share in Joint Ventures		13.58	23.42
		610.93	**590.59**
Goodwill on Consolidation		**4.49**	**4.49**
Investments	6	**525.42**	**425.35**
Deferred Tax Asset (Refer Note 6 of Schedule 18)			
- Subsidary (Net)		-	1.08
- Share in Joint Ventures (Net)		47.74	6.73
		47.74	**7.81**
Current Assets, Loans and Advances			
(a) Inventories	7	236.80	228.52
(b) Sundry Debtors	8	245.63	300.28
(c) Cash and Bank Balances	9	506.50	207.43
(d) Loans and Advances	10	299.89	252.91
(e) Receivables under Financing Activity (Share in Joint Ventures)		1408.99	1687.51
		2697.81	**2676.65**
Less : Current Liabilities and Provisions	11		
(a) Current Liabilities		645.68	636.12
(b) Provisions		385.25	228.75
		1030.93	**864.87**
Net Current Assets		**1666.88**	**1811.78**
Miscellaneous Expenditure (to the extent not written off) (Share in Joint Ventures)		**4.48**	**2.38**
Significant Accounting Policies	17	**2859.94**	**2842.40**
Notes on Accounts	18		

The Schedules referred to above form an integral part of the Consolidated Balance Sheet.

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
30th May 2009

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

L Ramkumar
Managing Director

Consolidated Profit and Loss Account

Rs. in Crores

	Schedule	Year Ended 31.03.2009	Year Ended 31.03.2008
Income			
Sales and Processing Charges		2219.26	1906.62
Income and Sales - Share in Joint Ventures		356.66	301.54
Less : Excise Duty on Sales		152.98	164.37
Excise Duty on Sales - Share in Joint Ventures		0.06	1.15
Net Sales, Income and Processing Charges		**2422.88**	**2042.64**
Premium Earned (Net)		382.04	245.00
Other Income	12	109.66	48.07
		2914.58	**2335.71**
Expenditure			
Raw Materials Consumed (Net)	13	1351.52	1090.60
Purchase of Traded Goods		42.26	17.02
Accretion to Stock	14	(22.87)	(11.51)
Claims Incurred		275.78	155.41
Employee Cost	15	239.38	221.09
Operating and Other Costs	16	642.67	507.72
Depreciation		70.99	59.26
Depreciation - Share in Joint Ventures		8.70	6.24
Interest - Debentures and Fixed Loans		10.58	8.45
- Others		17.84	12.84
- Share in Joint Ventures		183.89	117.19
		212.31	**138.48**
Business Origination Outsourcing - Share in Joint Ventures		27.37	41.85
		2848.11	**2226.16**
Profit Before Exceptional Items		**66.47**	**109.55**
Exceptional Item - Share in Joint Ventures (Refer Note 8(e) of Schedule 18)		(4.99)	-
Profit Before Taxes		**61.48**	**109.55**
Provision for Taxation			
Income Tax			
- Current Year		11.40	27.18
- Prior Years		(3.20)	1.13
Deferred Tax (Net)		4.94	(0.27)
Fringe Benefit Tax		2.56	2.21
Provision for Taxation - Share in Joint Ventures		(8.65)	9.79
MAT Credit Entitlement - Share in Joint Ventures		-	(0.07)
		7.05	**39.97**
Profit After Taxes		**54.43**	**69.58**
Minority Interest in Net Income		(1.82)	(1.89)
Net Profit after Tax		**52.61**	**67.69**
Add : Balance Brought Forward from Previous Year		326.84	294.25
Add : Dividend on Own Shares held through Trust (Refer Note 4 of Schedule 18)		0.44	1.52
Profit Available for Appropriation		**379.89**	**363.46**
Appropriations:			
Transfer to General Reserve		15.00	15.00
Transfer to Debenture Redemption Reserve		2.50	-
Transfer to Contingency Reserve		5.61	-
Dividend Proposed @ Re.1 (Previous Year Re.1) per Equity Share of Rs.2 each		18.48	18.48
Tax on Dividend		3.14	3.14
		44.73	36.62
Balance Carried Over to Balance Sheet		**335.16**	**326.84**
Earnings per Share of Rs. 2 each - Basic - (in Rs.)		2.85	3.66
- Diluted - (in Rs.)		2.85	3.66
(Refer Note 14 of Schedule 18)			
Significant Accounting Policies	17		
Notes on Accounts	18		

The Schedules referred to above form an integral part of the Consolidated Profit and Loss Account.

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
30th May 2009

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

L Ramkumar
Managing Director

Consolidated Cash Flow Statement

Rs. in Crores

	Year Ended 31.03.2009	Year Ended 31.03.2008
A. Cash Flow from Operating Activities:		
Net Profit Before Tax	**61.48**	**109.55**
Adjustments for :		
Depreciation	79.69	65.50
Interest	212.31	138.48
Loss on Sale of Assets (Net)	15.98	2.12
Profit on Sale of Investments (Net)	(54.22)	(4.96)
Provision For Doubtful Debts And Advances (Net)	19.98	16.44
Provision For Contingencies	0.80	0.70
Bad Debts Written off	3.15	1.11
Advances Written off	0.60	-
Unrealised Losses on Foreign Currency Borrowings (Net)	4.03	0.65
Reserve for Un Expired Risk (Incl. Terrorism Pool UPR)	-	72.27
Interest and Dividend Income	(63.79)	(36.20)
Operating Profit before Working Capital Changes	**280.01**	**365.66**
Adjustments for :		
Increase in Inventories	(11.91)	(21.58)
Decrease / (Increase) in Sundry Debtors / Receivables under Financing Activity	301.78	(788.19)
Increase in Loans and Advances	(65.46)	(35.71)
Increase in Current Liabilities and Provisions (Including Capital Creditors)	328.74	171.84
Cash From / (Used in) Operating Activities	**833.16**	**(307.98)**
Direct Taxes Paid (Net)	(31.51)	(16.58)
Net Cash From / (Used in) Operating Activities	**801.65**	**(324.56)**
B. Cash Flow from Investing Activities:		
Capital Expenditure (Including Capital Work In Progress)	(110.68)	(164.93)
Sale of Fixed Assets	3.42	11.36
Investments in Preference Shares in Cholamandalam DBS Finance Limited	(57.20)	-
Purchase of Investments	(1415.79)	(810.15)
Proceeds from Sale of Own Shares held through Trust	32.93	-
Sale of Investments	1146.50	688.12
Interest Received	50.92	35.11
Dividend on Own Shares held through Trust	0.44	1.52
Dividend Received	11.25	6.50
Net Cash Used in Investing Activities	**(338.21)**	**(232.47)**
C. Cash Flow from Financing Activities:		
Borrowings	117.67	832.36
Repayments of Borrowings	(38.88)	(38.16)
Interest Paid	(213.26)	(137.80)
Dividends Paid (Including Dividend Tax)	(29.13)	(37.89)
Net Cash (Used in) / From Financing Activities	**(163.60)**	**618.51**
Net Increase in Cash and Cash Equivalents [A+B+C]	**299.84**	**61.48**
Cash and Cash Equivalents at the Beginning of the Year	**207.43**	**145.95**
Cash and Cash Equivalents of Joint Venture Divested during the Year (Refer Note 2(ii) of Schedule 17)	**(0.77)**	**-**
Cash and Cash Equivalents as at End of the Year	**506.50**	**207.43**

Note : Capital Expenditure includes and Interest Paid excludes Rs. 1.52 Cr. (Previous Year - Rs. 0.37 Cr.) of Interest Capitalised.

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
30th May 2009

S Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

L Ramkumar
Managing Director

Schedules Forming Part of the Consolidated Balance Sheet

Rs. in Crores

	As at 31.03.2009	As at 31.03.2008
01 - SHARE CAPITAL		
Authorised		
21,50,00,000 Equity Shares of Rs.2 each	43.00	43.00
Issued, Subscribed and Paid-up		
18,47,80,000 Equity Shares of Rs. 2 each fully paid up	36.95	36.95
	36.95	**36.95**

	As at 31.03.2008	Additions	Deductions	As at 31.03.2009
02 - RESERVES AND SURPLUS				
Capital Reserve	0.27			0.27
Capital Reserve on Consolidation	24.84			24.84
Capital Redemption Reserve (Refer Note 1 Below)	6.15			6.15
Debenture Redemption Reserve	-	2.50		2.50
Securities Premium (Refer Note 2 Below)	122.86			122.86
Hedge Reserve Account (Refer Note 12 of Schedule 18)	(3.03)	(32.02)		(35.05)
General Reserve	277.16	15.00		292.16
Contingency Reserve for Unexpired Risk	-	5.61		5.61
Foreign Currency Translation Reserve	0.27	1.50		1.77
Securities Premium - Share in Joint Venture (Refer Note 3 Below)	100.08	58.45	100.08	58.45
Adjustments on Consolidation	(128.28)	(27.27)		(155.55)
	400.32	23.77	100.08	324.01
Balance in Profit and Loss Account	326.84			335.16
Total Reserves	**727.16**			**659.17**

1. Represents the amount transferred for a sum equal to the nominal value of the Shares at the time of Buy-back.
2. Securities Premium Account includes Net Surplus of Rs 28.75 Cr. arising on Sale of Company Shares held by TII Shareholding Trust during the Previous Year. (Refer Note 4 of Schedule 18)
3. Share in Joint Ventures - Securities Premium includes the following adjustments pertaining to the Capital Reduction Proposal of Cholamandalam DBS Finance Limited (CDFL) confirmed by the Hon'ble High Court of Judicature at Madras (Refer Note 8(a) of Schedule 18):
   - Deductions: Rs. 100.08 Cr. towards utilisation/adjustments/set-off in respect of Provision for Standard Assets, Loss Assets Written Off and Provision for Diminution in Value of Investments.
   - Additions: Rs. 21.03 Cr. towards Adjustment of Deferred Tax Impact relating to the Provision for Standard Assets.

	As at 31.03.2009	As at 31.03.2008
03 - SECURED LOANS		
Debentures		
11.70 % Privately Placed Non Convertible Debentures	50.00	-
Loans and Advances from Banks		
Foreign Currency Term Loans	77.28	65.63
Rupee Term Loans	80.00	80.00
Cash Credit and Other Borrowings	84.69	84.19
Others - Finance Lease (Refer Note 13 of Schedule 18)	1.71	2.26
Share in Joint Ventures	1148.54	926.96
	1442.22	**1159.04**

Schedules Forming Part of the Consolidated Balance Sheet

Rs. in Crores

	As at 31.03.2009	As at 31.03.2008
04 - UNSECURED LOANS		
Short Term Loans & Advances from Banks		
Foreign Currency Loans	31.15	68.20
Cash Credit and Other Borrowings	59.54	2.53
Other Loans & Advances		
Sales Tax Deferral	25.67	26.95
Share in Joint Ventures	518.97	740.98
	635.33	**838.66**

	Gross Block at Cost				Depreciation / Amortisation				Net Block	
	As at 31.03.2008	Additions (Note 1)	Deletions	As at 31.03.2009	As at 31.03.2008	Additions (Note 2)	Deletions	As at 31.03.2009	As at 31.03.2009	As at 31.03.2008
05 - FIXED ASSETS										
Land (Freehold)	21.65	6.61	-	28.26	-	-	-	-	28.26	21.65
Land (Leasehold) (Note 3)	0.73	-	-	0.73	0.05	0.01	-	0.06	0.67	0.68
Buildings (Note 4 & 5)	124.81	15.55	0.19	140.17	30.89	3.97	0.07	34.79	105.38	93.92
Plant & Machinery	740.65	101.72	10.61	831.76	368.89	59.95	8.39	420.45	411.31	371.76
Railway Siding	0.21	-	-	0.21	0.14	0.02	-	0.16	0.05	0.07
Computer Software (Intangible Asset)	5.06	5.48	-	10.54	3.75	1.42	-	5.17	5.37	1.31
Improvement to Premises (Leasehold and Owned)	6.92	3.36	0.03	10.25	1.75	1.67	0.02	3.40	6.85	5.17
Furniture & Fixtures	13.02	1.77	0.58	14.21	9.92	1.52	0.54	10.90	3.31	3.10
Vehicles	7.71	2.31	1.36	8.66	3.25	1.82	0.91	4.16	4.50	4.46
Leased Information Technology Equipment	2.45	-	-	2.45	0.15	0.61	-	0.76	1.69	2.30
TOTAL	**923.21**	**136.80**	**12.77**	**1047.24**	**418.79**	**70.99**	**9.93**	**479.85**	**567.39**	**504.42**
PREVIOUS YEAR	**757.70**	**195.06**	**29.55**	**923.21**	**382.23**	**59.26**	**22.70**	**418.79**	**504.42**	**375.47**

Notes:

1. Additions to Gross Block includes Interest Capitalised amounting to Rs. 0.92 Cr. (Previous Year - Rs. 0.37 Cr).
2. Additions to Depreciation includes depreciation amounting to Rs. 0.68 Cr. (Previous Year Rs. 2.67 Cr.) charged additionally on certain assets.
3. Amortisation of Leasehold Land for the year is Rs.72,851 only (Previous Year Rs.72,851 only).
4. Net Block of Buildings includes Improvement to Buildings Rs. 3.65 Cr. (Previous Year Rs. 3.65 Cr.) constructed on Leasehold Land.
5. Net Block of Buildings includes Rs. 0.97 Cr. (Previous Year Rs. Nil) being the cost of Buildings situated on Land allotted by the Government, the title of which is in the process of being transferred to the Company.

Schedules Forming Part of the Consolidated Balance Sheet

Rs. in Crores

	As at 31.03.2009	As at 31.03.2008
06 - INVESTMENTS		
Long Term Investments (At Cost)		
Trade Investments:		
Government Securities	126.31	129.47
1% Fully Convertible Cumulative Preference Shares in a Joint Venture (Refer Note 1 Below)	57.20	-
Non-Trade Investments:		
Equity Shares (Fully paid) - Quoted	8.60	14.24
Equity Shares (Fully paid) - Unquoted	0.40	0.40
Debentures, Bonds and Bank Deposits	69.53	25.47
Investments in Infrastructure and Social Sector Bonds	35.05	40.39
Others	-	0.15
Total - Long Term	**297.09**	**210.12**
Investments - Current (At Cost)		
Equity Shares (Fully paid) - Quoted (Refer Note 4 of Schedule 18)	3.19	3.19
Investments in Infrastructure and Social Sector Bonds	10.04	5.00
Fixed Deposits with Banks	67.62	79.50
Corporate Bonds	24.98	19.84
Money Market Instruments	23.20	18.24
Others	-	50.50
Total - Current	**129.03**	**176.27**
Share in Joint Ventures (Refer Note 2 Below)	99.30	38.96
	525.42	**425.35**
Aggregate Cost of Quoted Investments	11.79	17.43
Market Value of Quoted Investments	20.60	80.58
Notes:		
1. The Preference Shares are convertible into Equity Shares in the Joint Venture, Cholamandalam DBS Finance Limited (CDFL), within 18 months from the date of allotment. The amount of Rs. 57.20 Cr. represents the Investment of Rs. 150 Cr. by the Company in the Preference Share Capital of CDFL less the Group's Proportionate Share of Rs. 92.80 Cr. in the Preference Share Capital of CDFL.		
2. Includes Lien Marked Investments in Mutual Fund Units of Rs. 46.40 Cr. (Previous Year Rs. Nil)		
07 - INVENTORIES		
[Lower of Cost (Net of Allowances) and estimated Net Realisable Value]		
Raw Materials	102.68	116.60
Work - in - Process	39.79	34.84
Finished Goods	86.34	68.85
Stores and Spare Parts	4.26	4.01
Materials - in - Transit	3.73	3.21
Share in Joint Ventures	-	1.01
	236.80	**228.52**
08 - SUNDRY DEBTORS		
(Unsecured, Considered Good unless otherwise stated)		
Outstanding for Over Six Months		
Considered Good	4.25	8.67
Considered Doubtful	12.55	15.21
	16.80	**23.88**
Others		
Considered Good	238.73	279.00
	255.53	**302.88**
Less : Provision for Doubtful Debts	12.55	15.21
	242.98	287.67
Share in Joint Ventures	2.65	12.61
	245.63	**300.28**

Schedules Forming Part of the Consolidated Balance Sheet

Rs. in Crores

	As at 31.03.2009	As at 31.03.2008
09 - CASH AND BANK BALANCES		
Cash and Cheques on Hand	4.89	12.89
Balance with Scheduled Banks		
Current Accounts	13.40	22.26
Unpaid Dividend Accounts	1.23	1.20
Balance with Unscheduled Bank		
HSBC Bank, N.A., USA	0.06	0.02
Share in Joint Ventures (Refer Note Below)	486.92	171.06
	506.50	**207.43**
Note:		
Includes Lien Marked Deposits	201.30	151.35
10 - LOANS AND ADVANCES		
(Unsecured, Considered Good unless otherwise stated)		
Advances Recoverable in Cash or in Kind or for Value to be Received		
(a) Considered Good *	162.17	155.83
(b) Considered Doubtful	0.22	0.22
	162.39	**156.05**
Less : Provision for Doubtful Advances	0.22	0.22
	162.17	155.83
Sundry Deposits	15.34	12.72
Balance with Customs, Excise and Sales Tax Authorities	12.53	15.04
Advance Income Taxes Paid	121.38	136.64
Less : Provision for Income Tax	84.45	113.59
	36.93	**23.05**
Share in Joint Ventures #	72.92	46.27
	299.89	**252.91**
* Includes Receivable from Terrorism Pool (Refer Note 7(a) of Schedule 18)	18.08	14.62
* Includes Receivable from IMTPIP (Refer Note 7(b) of Schedule 18)	9.35	35.33
# Includes MAT Credit Entitlement	-	0.10
11 - CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Acceptances	55.29	44.55
Sundry Creditors	453.60	453.31
Advances and Deposits from Customers / Others	13.91	3.22
Unpaid Dividend	1.23	1.20
Unpaid Matured Debentures	-	0.01
Other Liabilities	8.45	6.85
Interest Accrued but Not Due	1.78	1.32
Share in Joint Ventures	111.42	125.66
	645.68	**636.12**
Provisions		
Provision for Compensated Absences	16.18	16.63
Provision for Warranties (Refer Note 5(i) of Schedule 18)	0.45	0.37
Reserve for Unexpired Risk	209.50	160.72
Provisions for Contingencies (Refer Note 5(ii) of Schedule 18)	1.50	0.70
Provision for Fringe Benefit Tax [Net of Advance Tax Rs. 4.60 Cr. (Previous Year Rs. 6.10 Cr)]	0.24	0.13
Provision for Wealth Tax	0.05	0.05
Dividend - Proposed	18.48	18.48
Dividend Tax	3.14	3.14
Share in Joint Ventures (Refer Note 5(iii) of Schedule 18)	135.71	28.53
	385.25	**228.75**

Schedules Forming Part of the Consolidated Profit and Loss Account

Rs. in Crores

	Year Ended 31.03.2009	Year Ended 31.03.2008
12 - OTHER INCOME		
Interest and Dividend Income	44.65	26.86
Royalty Income	0.22	0.52
Profit on Sale of Assets (Net) #	0.25	5.21
Profit on Sale of Investments (Net) $	48.54	3.95
Gain on Exchange Fluctuation (Net) %	-	2.43
Miscellaneous Income	8.41	7.82
Share in Joint Ventures	7.59	1.28
	109.66	**48.07**
% Includes Loss on Discontinued Cash Flow Hedges	–	0.65
# Profit on Sale of Assets includes Profit from Sale of Land and Building of Rs. Nil. (Previous Year Rs. 4.67 Cr.)		
$ Profit on Sale of Investments includes Profit from Sale of Long Term Investment of Rs. 46.66 Cr. (Previous Year Rs. 1.25 Cr.)		
13 - RAW MATERIALS CONSUMED (NET)		
Raw Materials Consumed	1448.49	1181.98
Less : Scrap Sales	100.82	94.71
	1347.67	**1087.27**
Share in Joint Ventures	3.85	3.33
Raw Materials Consumed (Net)	**1351.52**	**1090.60**
14 - ACCRETION TO STOCK		
Opening Stock		
Work-in-Process	34.84	36.31
Finished Stock	68.85	55.86
	103.69	**92.17**
Closing Stock		
Work-in-Process	39.79	34.84
Finished Stock	86.34	68.85
	126.13	**103.69**
Share in Joint Ventures	(0.43)	0.01
Accretion to Stock	**(22.87)**	**(11.51)**
15 - EMPLOYEE COST		
Salaries, Wages and Bonus	177.48	162.85
Contribution to Provident and Other Funds	8.69	9.85
Welfare Expenses	16.02	14.03
Share in Joint Ventures	37.19	34.36
	239.38	**221.09**

Schedules Forming Part of the Consolidated Profit and Loss Account

Rs. in Crores

	Year Ended 31.03.2009	Year Ended 31.03.2008
16 - OPERATING AND OTHER COSTS		
Consumption of Stores and Spares	91.19	85.06
Freight and Carriage Inwards	22.90	18.01
Sub Contract Charges	28.22	21.33
Power and Fuel	69.86	66.35
Rent	5.22	4.31
Repairs to Buildings	1.18	1.02
Repairs to Machinery	28.24	26.24
Insurance	2.48	2.35
Rates and Taxes	15.18	15.35
Travelling and Conveyance	17.46	15.78
Printing, Stationery and Communication	10.65	10.29
Freight, Delivery and Shipping Charges	53.65	54.08
Discounts / Incentives on Sales	18.77	14.33
Advertisement and Publicity	29.49	21.36
Bad Debts Written Off	3.15	1.11
Less : Provision Released	3.15	-
	-	1.11
Provision for Doubtful Debts	0.49	2.15
Provision for Inventory	2.64	-
Advances Written Off	0.60	-
Provision for Diminution in the Value of Investments	0.60	-
Auditors' Remuneration (Including for Other Auditors) (Refer Note 16 of Schedule 18)	0.50	0.41
Company Directors' Remuneration (Including Company Managing Director's Remuneration)	1.68	0.68
Loss on Exchange Fluctuation (Net) #	36.25	-
Provision for Contingencies (Refer Note 5 (ii) of Schedule 18)	0.80	0.70
Other Expenses	92.10	73.34
Share in Joint Ventures (Refer Notes 8(a) and 16 of Schedule 18)	112.52	73.47
	642.67	507.72
# Includes Loss on Discontinued Cash Flow Hedges	6.60	-

17 - SIGNIFICANT ACCOUNTING POLICIES

1. Principles of Consolidation

The Consolidated Financial Statements relate to Tube Investments of India Limited (the Company), its Subsidiary Companies and Joint Ventures (Collectively referred to as 'the Group').

(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.

(ii) 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.

(iii) The Financial Statements of the Subsidiaries 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 for which the financial statements as on the reporting date are not available and hence, the same has been consolidated based on the latest available Financial Statements. During the year, the share holding in one of the Joint Ventures has been divested and hence the unaudited Financial Statements of the Joint venture up to the date of divestment have been considered for consolidation. Refer Item 2 below.

(iv) The excess of Cost to the Company of its Investment in the Subsidiaries and Joint Ventures over the Company's portion of the Equity on the acquisition date is recognised in the Financial Statements as Goodwill. The carrying value of Goodwill is tested for impairment as at the end of each reporting period.

(v) 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.

(vi) Minority Interest in the Net Assets of the Consolidated Subsidiaries consists 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.

(vii) Minority Interest share in the Net Profit for the year of the Consolidated Subsidiary is identified and adjusted against the Profit after Tax of the Group.

2. Particulars of Consolidation

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

Company	Relationship	Year End	Country of Incorporation	Proportion of Ownership	
				As at 31st March 2009	As at 31st March 2008
Cholamandalam MS General Insurance Company Limited (CMSGICL)	Subsidiary	31st March	India	74.00%	74.00%
Tubular Precision Products (Suzhou) Company Ltd (TPPSCL)	Subsidiary	31st December	China	100.00%	100.00%
TI Financial Holdings Limited (TIFHL)	Subsidiary (Refer Note (i) below)	31st March	India	100.00%	-
Cholamandalam DBS Finance Limited (CDFL)	Joint Venture	31st March	India	30.93%	30.93%
Borg Warner Morse TEC Murugappa Private Limited (Borg Warner)	Joint Venture (Refer Note (ii) below)	31st December	India	-	26.00%
Cholamandalam MS Risk Services Limited (CMSRSL)	Joint Venture	31st March	India	49.50%	49.50%

Notes:

(i) TI Financial Holdings Limited was incorporated as a 100% Subsidiary company with effect from 6th October 2008.

(ii) Borg Warner Morse TEC Murugappa Private Limited ceased to be a Joint Venture with effect from 30th September 2008, consequent to the sale of shares held in them by the Company. Accordingly, the Unaudited financial statements/ information from 1st January 2008 to 30th September 2008 available with the Management have been considered for the purpose of the Consolidated Financial Statements.

17 - SIGNIFICANT ACCOUNTING POLICIES (Contd.)

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 including Accounting Standards notified by the Government of India / issued by the Institute of Chartered Accountants of India (ICAI), as applicable, and the relevant provisions of the Companies Act, 1956.

One of the Company's Subsidiaries (CMSGICL), follows accounting principles prescribed by the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002, the Insurance Act, 1938 and the Insurance Regulatory and Development Authority Act, 1999.

One of the Company's Joint Ventures (CDFL), follows prudential norms for income recognition and provisioning of non-performing assets as prescribed by the Reserve Bank of India for Non-deposit taking Non-Banking Finance Companies (NBFC-ND).

(ii) Use of Estimates

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period like provision for employee benefits, reserve for unexpired risk, provision for doubtful debts/advances/contingencies, allowance for slow/non-moving inventories, useful lives of fixed assets, provision for retrospective price increases on purchases, provision for taxation, etc. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates.

(iii) Fixed Assets and Depreciation / Amortisation

a. Fixed Assets are stated at historical cost. Cost includes related taxes, duties, freight, insurance, etc. attributable to acquisition and installation of assets but excludes duties and taxes that are recoverable from tax authorities.

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

c. In the case of the Company, depreciation on assets other than special tools and special purpose machines used in door frame projects, furniture & fixtures, motor cars and data processing equipments 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 & fixtures are depreciated over five years, motor cars are depreciated over four years and data processing equipment over three years on the basis of Management's evaluation of the useful life of the assets, which results in depreciation being charged at rates higher than those specified under 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 its condition/ usability. Depreciation is provided pro-rata from the month of Capitalisation.

d. Depreciation on fixed assets for the below mentioned 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. In the case of the below mentioned Joint Venture, effective 1st April 2007, depreciation is provided based on the revised estimated useful lives stated below. Accordingly, the unamortised depreciable amount of assets as at 31st March 2007 is charged over the revised remaining useful lives.

17 - SIGNIFICANT ACCOUNTING POLICIES (Contd.)

	CMSGICL (Subsidiary)	CDFL (Joint Venture)
Information Technology Equipment	3 Years	-
Computer Equipment	3 Years	3 Years
Other Plant & Machinery	-	5 Years
Intangible Assets - Computer Software	3 Years	License Period or 3 Years whichever is lower
- Stock Exchange Membership Card	-	15 Years
Vehicles	4 Years	5 Years
Office Equipment	4 Years	5 Years
Electrical Fittings	4 Years	-
Improvement to Leasehold Premises	Primary Lease Period or 5 Years, whichever is lower	Lease Period or 5 Years, whichever is lower
Buildings	-	20 Years
Furniture Fittings	5 Years	5 Years

e. In respect of one of the Subsidiaries (TPPSCL), fixed assets are depreciated using the Straight Line Method to depreciate their cost over their estimated useful life. The details are given below:

Particulars	Useful Life	Estimated Residual Value
Machinery	10 Years	10%
Testing Equipments	5 Years	10%
Office Equipment	5 Years	10%
Vehicles	5 Years	10%

f. In the case of one of the Subsidiaries (CMSGICL), assets acquired under finance leases, are capitalised at the lower of the fair value of the asset and present value of the minimum lease payments at the inception of the lease term and are disclosed as leased assets.

Lease payments are apportioned between the finance charges and the corresponding liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to Revenue.

Leased assets capitalised under finance leases are depreciated on a straight line basis over the lease term.

g. In one of the Company's Joint Ventures (CDFL), 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 to cover the requirement of statutory depreciation under the Companies Act, 1956.

h. Individual assets whose actual cost does not exceed Rs. 5,000/- are fully depreciated in the year of acquisition.

(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. In the case of the one of the Subsidiaries (CMSGICL) –

i. Listed and Actively traded Equity Securities are stated at Lower of the Last day's quoted price on the National Stock Exchange or the Bombay Stock Exchange. The change in the value is credited / (debited) to the "Fair Value Change Account".

17 - SIGNIFICANT ACCOUNTING POLICIES (Contd.)

ii. All debt securities including Government securities are considered as "held to maturity" and accordingly stated at historical cost subject to amortisation of premium/accretion of discount over the balance period of maturity/holding.

iii. Units of Mutual Funds are valued at the Net Assets Value (NAV). The change in the value is credited/ (debited) to the "Fair Value Change Account"

(v) Inventories

a. Raw materials, stores & spare parts and traded goods are valued at lower of weighted average cost (net of allowances) and estimated net realisable value. Cost includes freight, taxes and duties and is net of credit under VAT and CENVAT scheme, where applicable.

b. Work-in-process and finished goods are valued at lower of weighted average cost (net of allowances) and estimated 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 (Borg Warner), 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/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.

d. Interest Income is recognised on time proportion basis.

e. In the case one of the Subsidiaries (CMSGICL):

(i) Premium (net of service tax) is recognised as income on assumption of risk, 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 that is attributable and allocable 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 the case of health line of business, in terms of IRDA Circular dated 24th March 2009, the Reserve for Unexpired Risk is calculated on "Day Basis" only.

(iii) Interest / Dividend income on investments is recognised on accrual basis and is net of accretion of discount or amortisation of premium over the balance period of maturity / holding. Dividend income is recognised when the right to receive the same is established.

(iv) Profit / Loss on sale of investments - Realised gains or losses on investments representing the difference between the sale consideration and the carrying cost is recognised on the date of sale. In determining the realised gain or loss on sale of a security, the cost of such security is arrived on weighted average cost basis. In the case of listed equity shares, profit or loss on sale is adjusted for the accumulated changes in the fair value previously recognised in the fair value change account in respect of the shares sold.

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

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

17 - SIGNIFICANT ACCOUNTING POLICIES (Contd.)

(vii) Costs relating to acquisition of new / renewal of insurance contracts are expensed in the year in which they are incurred

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

(ix) Estimated liability for outstanding claims in respect of direct business is provided based on claims reported after adjusting claims recoverable from reinsurers / co-insurers, and includes provision for solatium fund.

(x) 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.

(xi) In respect of incoming co-insurance, claims are accounted based on intimations received from co-insurers

(xii) Premium deficiency, if any, is calculated based on actuarial valuation duly certified by the Appointed Actuary

f. In the case of one of the Joint Ventures (CDFL):

(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 (being the date of the RBI Guidelines on Securitisation of Standard Assets) 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 post 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.

(v) Service Charges and Additional Finance Charges (AFC) are recognized on accrual basis and when there is no uncertainty in receiving the same.

(vii) Receivables Under Financial Activity – Joint Venture (CDFL).

All loan exposures to borrowers with instalment structure are stated at the full agreement value after netting off

a. unearned income

b. instalments appropriated upto the year end.

(viii) Employee Benefits

I. Defined Contribution Plan

a. Superannuation

The Company, one of its Subsidiaries (CMSGICL) 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). There is no liability for future Superannuation Fund benefits other than the annual contribution and such contributions are recognised as an expense in the year incurred.

b. Provident Fund

In the case of one of the Subsidiaries (CMSGICL), fixed contributions to the provident fund are recognised in the Accounts on actual cost to the Company.

In the case of one of the Joint Ventures (CDFL), Contributions to the Regional Provident Fund Commissioner to secure retiral benefits in respect of Employee's Provident Fund, Employee's Pension Fund, based on the statutory provisions as per the Employee Provident Fund Scheme, are charged to revenue.

17 - SIGNIFICANT ACCOUNTING POLICIES (Contd.)

II. Defined Benefit Plan

a. Gratuity

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

b. Provident Fund

In the case of the Company, 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

III. Long Term Compensated Absences

In the case of the Company, one of its Subsidiaries (CMSGICL) and its Joint Ventures, the liability for long term compensated absences carried forward on the Balance Sheet date is provided for based on an actuarial valuation, as at the Balance Sheet date, carried out by LIC/Independent Actuary.

IV. Short Term Employee Benefits

In the case of the Company, one of its Subsidiaries (CMSGICL) and its Joint Ventures, short term employee benefits include short term compensated absences which is recognized based on the eligible leave at credit on the Balance Sheet Date, and the estimated cost is based on the terms of the employment contract.

V. Voluntary Retirement Scheme

In the case of the Company, compensation to employees under Voluntary Retirement Schemes is provided/ expensed in the period in which the liability arises.

VI. Employee's Provident Fund – Subsidiary (TPPSCL)

According to the stipulations concerning the Employee's Provident Fund in Suzhou Industry Park, the Chinese Employees Provident Fund is 44.2% or 36.2% of the gross salary, thereof. 22.2% or 18.2% shall be borne by employers and 22% or 18% shall be borne by employees.

(ix) Deferred Compensation Cost

In respect of stock options granted pursuant to the Company's Employee Stock Option Scheme and one of the Joint Ventures (CDFL) Employees Stock Option Scheme, the compensated cost is determined based on the intrinsic value method and the compensation cost is amortised on a straight line basis over the vesting period.

(x) 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.

Forward exchange contracts and other instruments that are in substance a forward exchange contract are entered into to hedge the risks associated with foreign currency fluctuations. The premium or discount arising at the inception of a forward exchange contract (other than for a firm commitment or a highly probable forecast) or similar instrument is amortised as expense or income over the life of the contract. Exchange differences on such contracts 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. Refer Note 2(a) of Schedule 18.

17 - SIGNIFICANT ACCOUNTING POLICIES (Contd.)

(xi) Derivative Instruments and Hedge Accounting

Company

The Company uses forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Company designates these as cash flow hedges.

The use of forward contracts is governed by the Company's policies on the use of such financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

Forward contract derivative instruments are initially measured at fair value, and are re-measured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in "Hedge Reserve Account" under shareholders' funds and the ineffective portion is recognized immediately in the profit and loss account.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the profit and loss account as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. If any of these events occur or if a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised under shareholders' funds is transferred to the Profit & Loss Account for the year.

Joint Venture (CDFL)

One of the Joint Ventures (CDFL), generally enters into derivative transactions for hedging purposes only. Income from derivative transactions is recognised on accrual basis. Such derivative instruments are marked to market wherever required as at the Balance Sheet date and provision for losses, if any, is dealt with in the profit and loss account.

Also refer Note 12 of Schedule 18.

(xii) 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.

(xiii) Taxation

Current tax is the amount of tax payable on the taxable income for the year and determined in accordance with the provisions of the relevant Tax Laws.

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.

MAT Credit is recognised as an asset only when there is convincing evidence that the Company will pay normal income tax within the specified period. The asset is reviewed at each Balance Sheet Date.

(xiv) 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 entity 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.

17 - SIGNIFICANT ACCOUNTING POLICIES (Contd.)

(xv) Segment Accounting

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

II. 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.

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

IV. 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 are not allocable to any segment.

(xvi) 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 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.

(xvii) Miscellaneous Expenditure - Joint Venture (CDFL)

Expenditure incurred for raising borrowed funds represents ancillary costs incurred in connection with the arrangement of borrowings and is amortised on a straight line basis over the tenure of the respective borrowings. Unamortised borrowing cost remaining, if any, is fully expensed off as and when the related borrowing is prepaid / cancelled.

18 - NOTES TO ACCOUNTS

1. Contingent Liabilities and Commitments

Rs. in Crores

	Particulars	As at 31.03.2009	As at 31.03.2008
a)	Estimated amount of contracts remaining to be executed on capital account and not provided for (including Capital Commitments)	71.45	45.84
b)	Disputed Income-Tax demands of the Company from A.Y. 1993-94 to 2006-07 under appeal / remand pending before various appellate/ assessing authorities against which Rs. 28.05 Cr. (Previous Year Rs.27.33 Cr.) has been deposited. The Management is of the opinion that all the above demands are not sustainable.	28.05	32.23
c)	Disputed Excise/Service Tax demands amounting to Rs. 2.30 Cr. (Previous Year Rs.1.22 Cr) and penalty of Rs. 1.22 Cr. (Previous Year Rs.1.22 Cr) pertaining to financial years 1998-99 to 2006-07 under appeal. The same has not been deposited. The Management is of the opinion that the demand is arbitrary that the same is not sustainable.	3.52	2.44
d)	Cases decided in favour of the Company against which the department has gone on appeal		
	- Income Tax	0.31	33.60
	- Excise	0.21	0.44
e)	Bills Drawn on Customers and Discounted with Banks by the company	0.40	2.74
f)	Outstanding Export obligation under EPCG / Advance License Scheme. The Company is confident of meeting its obligations under the Schemes.	75.28	87.05
g)	Guarantee favouring HSBC Bank (China Co Ltd.) Suzhou China to secure borrowing by Tubular Precision Products (Suzhou) Co. Ltd., subsidiary of the Company. The Company does not expect any liability on this account.	11.13	-
h)	Claims against the Company by a customer not acknowledged as debt. The Company has filed a counter claim on an insurance company for the same and hence no impact is expected.	0.89	-
i)	Counter Guarantee Provided by one of the Subsidiaries/one of the Joint Ventures	3.57	3.25
j)	Sales Tax Pending before Appellate Authorities in respect of which one of the Subsidiaries/one of the Joint Ventures is on appeal and expects to succeed based on decision in earlier years	1.46	1.46
k)	Disputed claims against one of the Joint Ventures lodged by various parties pending litigation (to the extent quantifiable)	1.97	1.81
l)	Cases decided in favour of one of the Subsidiaries/ one of the Joint Ventures against which the department has gone on appeal		
	- Income Tax	14.87	10.18
m)	Disputed Income Tax Demands in respect of one of the Subsidiaries/one of the Joint Ventures	3.22	0.70
n)	Claims under policies, not acknowledged as debts in one of the Subsidiaries – in respect of a disputed claim under a fire policy.	Refer Note (a) below	-
o)	Contractual commitment relating to RSBY relating to one of the Subsidiaries	Refer Note (b) below	-

Notes:

a) CMSGICL is in receipt of a claim intimation for a fire loss from one of its customers which, in the opinion of the management, is not admissible on account of violation of express terms and conditions of the policy. This view is substantiated by the Joint Surveyors' report and is also supported by legal opinion and accordingly the Company has repudiated the claim. The said claim, if provided for, would increase the net incurred claims upto Rs.2.04 Cr.

b) During the year, CMSGICL has issued health insurance policies under Rashtriya Swasthya Bima Yojana Scheme (RSBY) of certain State Governments. As per the Scheme, if the claims ratio is less than 70% of the premium amount, the Company has an obligation to refund 90% of the surplus to the Government/Nodal Agency. As at 31st March 2009, the liability, if any, is not ascertainable. Liability under the Scheme will be determined at the end of the policy period and accordingly dealt with in the year of termination of the policy.

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

d) Also Refer Note 5 Below.

18 - NOTES TO ACCOUNTS (Contd.)

2. Change in Accounting Policy

Company

(a) Upto 31st March 2007, the Company had capitalised the exchange differences arising from foreign currency liabilities relating to fixed assets acquired from outside India. Effective 1st April 2007, consequent to the applicability of Accounting Standard 11, notified by the Government of India, the Company accounted such exchange differences in the Profit & Loss Account. Had the Company followed the same policy, the Profit Before Tax for the previous year would have been higher by Rs.1.32 Cr.

Subsidiary -CMSGICL

(b) Pursuant to IRDA Circular No. IRDA / F&A / CIR / 49 / Mar-09 dated 24th March 2009, CMSGICL has created the Reserve for Unexpired Risks as at the end of the accounting period based on the 1/365 method and the excess of the amounts as determined under Section 64 V(1) (ii) (b) over the amounts determined under the 1/ 365 method (net of tax) has been credited to the Contingency Reserve for Unexpired Risks as an appropriation of profits. In terms of the said Circular, the said Contingency Reserve for Unexpired Risks is not available for distribution to Shareholders and its utilization at any future date would require prior approval of the Authority.

Accordingly, the Reserve for Unexpired Risk is lower and the Profit after Tax higher by Rs.5.61 Crores. This amount has been appropriated to the Contingency Reserve for Unexpired Risks and disclosed in Schedule 2 of the financial statements.

(c) Upto 31st March 2007, in respect of Terrorism Pool, the Subsidiary had been retaining an additional reserve for Unexpired Risk at 100% of the surplus credited to its account during the four quarters immediately preceding the date upto which the Pool Statement is received. Effective from 1st April 2007, the Subsidiary has decided to dispense with this additional reserve. Accordingly, the amount of Rs. 2.08 Cr., which would have been retained in the Reserve for Unexpired Risk Reserve had the Subsidiary followed the practice of the earlier year, has been credited to revenue account.

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

The balance in the Capital Work-in-Progress (including Capital Advances) account as at 31st March 2009 includes:

i. The cost of Plant & Machinery amounting to Rs. Nil (Previous Year Rs. 0.56 Cr) being manufactured on behalf of the Company's subsidiary in China, namely, Tubular Precision Products (Suzhou) Company Ltd.

ii. Interest on borrowings amounting to Rs. 0.60 Cr. (Previous Year Rs. Nil))

4. Own Shares held through Trust

Investments include Rs. 3.19 Cr. (Previous Year Rs. 3.19 Cr.) shares in Tube Investments of India Limited 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, 20,30,374 Equity Shares of Rs.10 each (Post-Split 1,01,51,870 Equity Shares of Rs.2 each) held in the Company by TIDC was vested in a Trust, namely, TII Shareholding Trust, created for the purpose.

During the previous year, the Trust had sold 57,50,000 Equity Shares of Rs.2 each and the Net Surplus on Sale of Shares was credited to the Securities Premium Account.

During the year, pursuant to an application by the Company, the said Honourable High Court vide its order dated 11th February 2009 has granted an extension of time till 14th December 2010 for the sale / disposal of the balance shares 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 is credited back to the Profit and Loss Account on receipt of the same from the Trust.

Since the balance shares are to be disposed off before 14th December 2010 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 TO ACCOUNTS (Contd.)

5. Provisions

(i) Warranties - Company

The details of Provision for Warranties is given below: Rs. in Crores

	2008-09	2007-08
Opening Balance	0.37	0.37
Add: Provision created during the year	0.41	0.16
Less: Utilised during the year	0.33	0.16
Closing Balance	0.45	0.37

Provision for Warranties is estimated based on past experience and technical estimates and is expected to be settled over the next 12 months.

(ii) Contingencies- Company

The Company carries a general provision for contingencies towards various claims against the Company not acknowledged as debts (Refer Note 1 above).

	2008-09	2007-08
Opening Balance	0.70	NIL
Add: Provision created during the year	0.80	0.70
Less: Utilised during the year	NIL	NIL
Closing Balance	1.50	0.70

Due to the very nature of the claims mentioned in Note 1 above, it is not possible to estimate the timing/uncertainties relating to the utilisation / reversals of such estimates.

(iii) Share in Joint Ventures

The amount of Rs. 135.71 Cr. (Previous Year Rs. 28.53 Cr.) includes the share in certain provisions pertaining to CDFL, the details of which are given below:

Particulars	Provision for Standard Assets (Refer Note 8 (a) below)	Provision for Non-Performing Assets	Provision for Credit Enhancements and Servicing Costs on Assets Derecognised	Provision for Contested Service Tax
Opening Balance	-	13.05	5.82	0.21
Add: Provision Created during the year	61.87	56.00	7.78	-
Less: Utilised/ Reversed during the year	-	7.83	3.15	-
Closing Balance	61.87	61.22	10.45	0.21

6. Deferred Tax

The Deferred Tax position as at 31st March 2009 has arisen on account of the following:

Company

Nature - (Asset) / Liability	As at 31.03.2009	As at 31.03.2008
Deferred Tax Liabilities		
Difference between depreciation as per Books of Account and the Income Tax Act, 1961	55.74	53.43
Total (A)	**55.74**	**53.43**
Deferred Tax Assets		
Deferred Revenue Expenses	(1.05)	(0.32)
Provision for Doubtful Debts / Advances	(4.34)	(5.24)
Others	(4.58)	(5.23)
Total (B)	**(9.97)**	**(10.79)**
Net Deferred Tax Liability (A-B)	**45.77**	**42.64**

18 - NOTES TO ACCOUNTS (Contd.)

Subsidiary - CMSGICL

Rs. in Crores

Nature - (Asset) / Liability	As at 31.03.2009	As at 31.03.2008
Deferred Tax Liabilities		
Difference between the depreciation of assets as per Books of Account and the Income Tax Act, 1961	0.28	0.67
Timing Difference on Unexpired Premium Reserves between Books of Account and the Income Tax Act, 1961	1.91	-
Total (A)	**2.19**	**0.67**
Deferred Tax Assets		
Timing Difference on Unexpired Premium Reserves between Books of Account and the Income Tax Act, 1961	-	(0.44)
Provision for Compensated Absences & Other Employee Benefits	(0.99)	(0.83)
Others	(0.47)	(0.48)
Total (B)	**(1.46)**	**(1.75)**
Net Deferred Tax Liability / (Asset) (A-B)	**0.73**	**(1.08)**

Share in Joint Ventures

Nature - (Asset) / Liability		
Deferred Tax Liabilities		
Difference between the depreciation as per Books of Account and the Income Tax Act, 1961	0.83	1.10
Unamortised Miscellaneous Expenditure	1.52	0.81
Others	-	0.84
Total Deferred Tax Liability (A)	**2.35**	**2.75**
Deferred Tax Assets		
Provision for Standard Assets	(21.03)	-
Provision for Non-Performing Assets	(20.81)	(4.43)
Provision for Credit Enhancements and Servicing Costs on Assets De-recognised	(3.55)	(1.98)
Provision for Repossessed Stock	(1.43)	(0.43)
Others	(3.27)	(2.64)
Total Deferred Tax Asset (B)	**(50.09)**	**(9.48)**
Net Deferred Tax Asset (A-B)	**(47.74)**	**(6.73)**

7. Subsidiary - CMSGICL

(a) Terrorism Pool:

Premium received from customers on account of Terrorism cover has been ceded to General Insurance Corporation of India (GIC) Terrorism Pool Account. The Subsidiary's share in the Terrorism Pool Account with GIC has been accounted for based on the statement of accounts received during the current year upto 31st December 2008. The Subsidiary's share in the Terrorism Pool Account with GIC for the period 1st January 2009 to 31st March 2009 will be accounted on receipt of the relevant statements from GIC.

(b) Indian Motor Third Party Insurance Pool (IMTPIP):

In accordance with the directions of IRDA, the Subsidiary, together with other insurance companies, participates in the IMTPIP. The IMTPIP is a multilateral reinsurance arrangement, in which all member companies are compulsorily required to participate. The IMTPIP is administered by the General Insurance Corporation of India. The IMTPIP covers reinsurance of third party risks of specified motor vehicles "Specified Risks".

In accordance with the terms of the agreement, all terms of revenues and expenses are ceded multilaterally to the other general insurers named in the agreement based on industry market share of gross written premium and are accounted for accordingly.

GIC has provided audited financial statements of the IMTPIP for the period from 1st March 2008 to 28th February 2009 and the Subsidiary's share of the respective components of revenues and expenses have been accordingly incorporated in the financial statements. The loss being the Subsidiary's share in the arrangement after considering all the income and expenses for the twelve months ended 28th February 2009 is Rs.13.22 Cr. The Subsidiary's share of the respective components of revenues and expenses for March 2009 will be accounted in the ensuing financial year.

In line with the decision of the General Insurance Council, the Subsidiary's share of the respective components of revenues and expenses for March 2009 will be accounted in the ensuing financial year.

18 - NOTES TO ACCOUNTS (Contd.)

8. Joint Ventures - CDFL

(a) Provisioning for Standard Assets and Capital Reduction

Considering the overall economic environment, CDFL has reviewed its past practice of provisioning for its loan portfolio and, as against the practice hitherto followed and, having regard to the principle of prudence and conservatism, has decided to voluntarily create a Provision for Standard Assets in respect of the Standard Assets in the Books of Account as at 31st March 2009 and apply such provisioning norms for the Standard Assets, *suo moto*, on an ongoing basis, though statutorily not required under the Non-Banking Financial (Non-deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

Pursuant to the Capital Reduction Proposal under Sections 78, 100 to 103 of the Companies Act, 1956 as approved by the Shareholders of CDFL through Postal Ballot and the Capital Reduction Proposal confirmed by the Hon.ble High Court of Judicature at Madras on 29th April 2009 whose Order and minute dated 20th April 2009 was registered with the Registrar of Companies on 30th April 2009, an amount of Rs. 323.53 Cr. (Share of the Group Rs.100.08 Cr.), being the balance in the Securities Premium Account of CDFL as at 31st March 2008 has been withdrawn for meeting the specific purposes as indicated below.

According to the Capital Reduction Order as approved by the Hon. High Court of Judicature at Madras, the following can be utilised / adjusted/ set off against the balance of Rs. 323.53 Cr. (Share of Group Rs.100.08 Cr.) available in the Securities Premium Account of CDFL as at 31st March 2008:

- Utilisation towards creation of Provision for Standard Assets for an amount not exceeding Rs.200 Cr. (Share of the Group Rs. 61.87 Cr.) in respect of the existing standard assets in the books of account of CDFL as at 31st March 2009 based on the provisioning norms approved by the Management for various categories of loan portfolios.
- Adjustment of the write off of the bad debts / loan losses / other non-recoverable assets, if any, existing in the books of account of CDFL as at 31st March 2009, whether provided for or not, for an amount not exceeding Rs.100 Cr. (Share of the Group Rs.30.93 Cr.) Provisions existing for such bad debts / loan losses / other non-recoverable assets, if available, as at 31st March 2009 will be credited back to the Profit and Loss Account on such write off of bad debts/ loan losses/ other non- recoverable assets.
- Setting off of the provision for diminution, other than temporary, if any, in the value of the investment made by CDFL in one of its Subsidiary companies, M/s. DBS Cholamandalam Distribution Limited, and setting off the provision for doubtful receivables, if any, from the said Subsidiary in the books of account of CDFL as at 31st March 2009 for an amount not exceeding Rs.23.53 Cr. (Share of the Group Rs.7.28 Cr.)

Such utilisation / adjustment / set off has been made by withdrawal of such sums from the Securities Premium Account of CDFL to the Provision for Standard Assets Account, Loss Assets Written Off Account and Provision for Diminution in the Value of Investments Account in the Profit and Loss Account.

Hence, for the year ended 31st March 2009, such Provision for Standard Assets amounting to Rs.200 Cr. (Share of the Group Rs. 61.87 Cr.), Write Off of the Bad Debts / Loan Losses amounting to Rs.100 Cr. (Share of the Group Rs. 30.93 Cr.) and Provision for Diminution in the Value of the Investments amounting to Rs.23.53 Cr. (Share of the Group Rs. 7.28 Cr.), as determined by the Management, have been debited to the Profit and Loss Account and such sums have been withdrawn from the Securities Premium Account and credited to the Profit and Loss Account into the respective heads of account.

The said adjustments are not in accordance with the Accounting Standards notified by the Government of India under Section 211(3C) of the Companies Act, 1956 and other relevant Pronouncements of the Institute of Chartered Accountants of India.

Had CDFL not made Provision for Standard Assets in accordance with its revised provisioning policy and had the aforesaid adjustments to Securities Premium not been effected, the consequent impact on the consolidated results of the Group would have been as indicated in the table below under the head "Proforma Results of the Group":

Rs. in Crores

Particulars	Group Results As Reported	Proforma Results of the Group
Profit Before Tax for the year ended 31st March 2009	61.48	23.27
Profit After Tax for the year ended 31st March 2009	54.43	16.22
Earnings Per Share of Rs. 10 each		
- Basic (Rs.)	2.85	0.88
- Diluted (Rs.)	2.85	0.88

18 - NOTES TO ACCOUNTS (Contd.)

(b) Bank Reconciliation

There are certain outstanding open items in some of the Bank Reconciliations of CDFL (Bank Cash Credit Accounts - Net Total Excess of Book Balance over the Bank Statement Balance as at 31st March 2009 - Rs.63.35 Cr.; and Bank Current Accounts - Net Total Excess of Book Balance over the Bank Statement Balance as at 31st March 2009 - Rs. 6.74 Cr.), which CDFL is in the process of resolving. The Management of CDFL is of the opinion that adjustments, if any, arising out of clearance of such reconciling items should not have a material impact on the reported amounts of assets, liabilities, income and expenses and, consequently, on the financial statements of CDFL as well as the Consolidated Financial Statements for the year ended 31st March 2009.

(c) Assets De-recognised – Share of the Group

Rs. in Crores

Particulars	As at 31.03.2009	As at 31.03.2008
Assets De-recognised (Note (i) below) –		
On Securitisation (Note (ii) below)	-	14.65
On Bilateral Assignment of Receivables	518.46	515.20
Assets Subordinated to meet Recourse Obligations –		
On Securitisation	-	0.01
On Bilateral Assignment of Receivables	-	-
Bank Deposits provided as Collateral		
For Credit Enhancements	80.72	7.64
For Liquidity Support	109.54	130.22
For Interest Rate Changes from Specified Rate	5.22	2.48

Notes:

(i) During the current year, the Gujarat High Court, in the case of Kotak Mahindra Bank vs O.L of M/s APS Star India Limited, held that Banks are prohibited from transferring or purchasing debts. Consequent to the above, the petitioners have filed a Special Leave Petition (SLP) with the Supreme Court. In its interim order, the Supreme Court has held that in the event of dismissal of the SLP, the assignment deals entered into by Banks would be deemed not to have materialized.

However, CDFL is hopeful of a favourable outcome to the aforesaid Special Leave Petition (SLP) filed in the Supreme Court given that such deals are widely prevalent in the banking and financial services industry and the Reserve Bank of India has itself issued specific guidelines in respect of Securitization transactions and hence, no adjustments to the financial statements have been considered necessary at this stage by the Management in this regard.

(ii) There have been no Securitization of Receivables during the current year as well as the previous year and hence the disclosure requirements under RBI Circular No. DBOD.NO.BP.BC.60 / 21.04.048/2005-06 have not been given. The details given above relate to Securitisation transactions prior to 31st March 2007.

(d) Change in Accounting Estimates for Non-Performing Assets Provisions

During the year, the Management of CDFL has reviewed the provisioning norms applied for Non-Performing Assets and has streamlined the same duly taking into account the stipulated minimum provisioning requirements of the Reserve Bank of India (RBI), the current economic environment and the voluntary Provision for Standard Assets of Rs.200 Cr. (Share of the Group Rs. 61.87 Cr.) as at 31st March 2009 (Refer Note 8(a) above). Such changes in the provisioning estimates by the Management used for the year ended 31st March 2009 in respect of assets identified for 100% provision as compared to the previous year ended 31st March 2008 has resulted in the share of the Group in the Provision for Non Performing Assets for the current year being lower by Rs. 20.70 Cr. and, consequently, the profit before tax for the year ended 31st March 2009 of the Group is higher by that amount.

(e) Exceptional Items

The year 2008-2009 saw a global financial crisis, both in terms of liquidity and volatile interest movement. The schemes of DBS Chola Mutual Fund also were impacted as there were redemption pressures at various points of time. Therefore to protect the interest of Unit holders, one of the subsidiaries of CDFL – DBS Cholamandalam Asset Management Limited absorbed the losses of Rs.16.12 Cr. on account of securities (including loss of Rs.8.37 Crores on Non-Convertible Debenture purchased and sold back to Mutual Fund Schemes) to correct the valuation of the securities. Accordingly the Group's share of such losses amounting to Rs.4.99 Cr. has been shown under Exceptional Items in the Consolidated Financial Statements.

9. Segment Information

(A) PRIMARY SEGMENT

Rs. in Crores

	CYCLES/ COMPONENTS/ E SCOOTERS		ENGINEERING		METAL FORMED PRODUCTS		INSURANCE		OTHER FINANCIAL SERVICES		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	Current Year	Previous Year
REVENUE																
External Sales	722.43	568.49	866.32	807.58	484.28	373.14	382.04	245.00	346.90	291.46	2.95	1.97			2804.92	2287.64
Inter-Segment Sales			96.12	69.38	0.36	1.72	3.32	3.86				0.01	(99.80)	(74.97)	-	-
Total Revenue	722.43	568.49	962.44	876.96	484.64	374.86	385.36	248.86	346.90	291.46	2.95	1.98	(99.80)	(74.97)	2804.92	2287.64
Unallocated Corporate Expenses															138.74	91.24
RESULT																
Operating Profit	29.16	21.83	3.35	37.90	51.01	55.98	11.85	10.54	(14.81)	24.07	0.73	0.43			220.03	241.99
Profit / (Loss) on Sale of Assets	0.01	(0.03)	0.41		0.01	0.21				0.11					0.43	0.29
Net Operating Profit	**29.17**	**21.80**	**3.76**	**37.90**	**51.02**	**56.19**	**11.85**	**10.54**	**(14.81)**	**24.18**	**0.73**	**0.43**	**-**	**-**	**220.46**	**242.28**
Dividend Income															4.79	1.80
Interest Expense															(212.31)	(138.48)
Income Taxes															(7.05)	(39.97)
Profit on Sale of Investments															48.54	3.95
Minority Interest in Net Income															(1.82)	(1.89)
Net Profit	**29.17**	**21.80**	**3.76**	**37.90**	**51.02**	**56.19**	**11.85**	**10.54**	**(14.81)**	**24.18**	**0.73**	**0.43**	**-**	**-**	**52.61**	**67.69**
Other Information																
Segment Assets	190.47	188.78	488.94	576.71	420.98	354.97	536.64	470.00	2134.10	1981.89	2.55	2.03	(17.77)	(19.00)	3755.91	3555.38
Unallocated Corporate Assets															134.96	151.89
Total Assets	**190.47**	**188.78**	**488.94**	**576.71**	**420.98**	**354.97**	**536.64**	**470.00**	**2134.10**	**1981.89**	**2.55**	**2.03**	**(17.77)**	**(19.00)**	**3890.87**	**3707.27**
Segment Liabilities	134.69	104.80	132.53	187.82	81.43	79.79	387.41	324.30	1914.16	1819.00	0.51	0.42	(17.77)	(19.00)	2632.96	2497.13
Unallocated Corporate Liabilities															65.48	38.26
Total Liabilities	**134.69**	**104.80**	**132.53**	**187.82**	**81.43**	**79.79**	**387.41**	**324.30**	**1914.16**	**1819.00**	**0.51**	**0.42**	**(17.77)**	**(19.00)**	**2698.44**	**2535.39**
Capital Expenditure	6.32	2.94	23.30	64.36	63.32	79.62	13.68	16.97	4.50	14.27	0.13	0.08			111.25	178.24
Unallocated Corporate Capital Expenditure															(0.57)	(13.31)
Depreciation	5.76	5.42	30.08	26.25	24.65	19.85	8.50	5.28	8.20	5.70	0.12	0.10			77.31	62.60
Unallocated Corporate Depreciation															2.38	2.90

18 - NOTES TO ACCOUNTS (Contd.)

(B) SECONDARY SEGMENT

Rs. in Crores

	2008-09	2007-08
1) Revenue by Geographic Market		
India	2612.78	2126.78
Rest of The World	192.14	160.86
TOTAL	**2804.92**	**2287.64**
2) Segment Assets by Geographic Market		
India	3851.01	3664.56
Rest of The World	39.86	42.71
TOTAL	**3890.87**	**3707.27**
3) Capital Expenditure		
India	110.68	164.78
Rest of The World	-	0.15
TOTAL	**110.68**	**164.93**

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

(a) List of Related Parties

I. Company having Substantial Interest in Voting Power

Cholamandalam MS General Insurance Company Limited (CMSGICL)

Mitsui Sumitomo Insurance Company Limited.

II. Joint Venture Companies

Cholamandalam DBS Finance Limited

Cholamandalam MS Risk Services Limited

Borg Warner Morse TEC Murugappa Private Limited (Till 30th September 2008)

III. Key Management Personnel (KMP)

In Tube Investments of India Limited (TIIL)

Mr. L Ramkumar – Managing Director (From 1st February 2008)

In Cholamandalam MS General Insurance Company Limited (CMSGICL)

Mr. M Anandan – Managing Director (Upto 31st March 2008)

Mr. Yu Kitai – Whole-time Director

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

18 - NOTES TO 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	2008-09	2007-08
Rentals Received / Recovered	Mitsui Sumitomo Insurance Company Limited.	0.37	0.28
	Cholamandalam DBS Finance Limited	0.01	0.01
	Borg Warner Morse TEC Murugappa Private Limited	-	0.03
Interest Income	Cholamandalam DBS Finance Limited	1.59	-
Rentals Paid	Cholamandalam DBS Finance Limited	0.10	-
	Mrs. Padma Anandan – Wife of Mr. Anandan – Managing Director of CMSGICL	-	0.04
Management Expenses	Mitsui Sumitomo Insurance Company Limited.		
(a) Paid/Payable		0.66	0.57
(b) Recovery		0.02	0.06
Reinsurance Ceded	Mitsui Sumitomo Insurance Company Limited.	59.33	43.15
Reinsurance Commission Received	Mitsui Sumitomo Insurance Company Limited.	16.89	12.71
Reinsurance Recovery on claims	Mitsui Sumitomo Insurance Company Limited.	53.20	29.86
Purchase of Goods and Services	Cholamandalam MS Risk Services Limited	-	0.01
	Borg Warner Morse TEC Murugappa Private Limited	-	0.24
Sales and Services	Borg Warner Morse TEC Murugappa Private Limited	0.38	0.95
Reimbursement of Expenses	Cholamandalam DBS Finance Limited	0.03	-
Recovery of Expenses	Cholamandalam DBS Finance Limited	0.07	0.03
Inter Corporate Deposit Placed and Received	Cholamandalam DBS Finance Limited	15.47	-
Repayment of Rental Deposit	Borg Warner Morse TEC Murugappa Private Limited	-	0.01
Subscription to Preference Shares	Cholamandalam DBS Finance Limited	57.20	-
Remuneration	KMP of CMSGICL	0.86	1.30
	KMP of TIIL*	-	0.69
Balance at Year End			
Receivable (Net) –Due from other Entities Carrying on Insurance Business	Mitsui Sumitomo Insurance Company Limited.	1.88	4.21
Payable	Cholamandalam DBS Finance Limited	0.13	-

* Mr. L Ramkumar has been granted 3,10,260 Options under the Company's Employee Stock Option Scheme. Refer Note 15 below.

18 - NOTES TO ACCOUNTS (Contd.)

11. Employee Benefits

a. Gratuity

Rs. in Crores

	2008 - 09	2007 - 08
Change in Benefit Obligation		
Projected Benefit Obligation as at Year Beginning	17.38	13.93
Service Cost	1.49	1.21
Interest Cost	1.32	1.01
Actuarial (Gains) / Losses	(0.38)	2.21
Benefits Paid	(1.65)	(0.98)
Other Adjustments	(0.02)	-
Projected Benefit Obligation as at Year End	**18.14**	**17.38**
Change in Plan Assets		
Fair Value of Plan Assets as at Year Beginning	17.15	15.09
Expected Return on Plan Assets	1.38	1.15
Employer's Contribution	1.69	1.66
Benefits Paid	(1.65)	(0.98)
Surplus on Transfer of Equitable Interest	0.02	-
Actuarial Gains	0.16	0.23
Fair Value of Plan Assets as at Year End	**18.75**	**17.15**
Amounts Recognised in the Balance Sheet		
Projected Benefit Obligation at the Year End	18.14	17.38
Fair Value of the Plan Assets at the Year End	18.75	17.15
Asset / (Liability) Recognised in the Balance Sheet	**0.61**	**(0.23)**
Cost of the Defined Benefit Plan for the Year		
Current Service Cost	1.49	1.19
Interest on Obligation	1.32	1.00
Expected Return on Plan Assets	(1.38)	(1.15)
Net Actuarial (Gains) / Losses Recognised in the Year	(0.56)	1.99
Net Cost Recognised in the Profit and Loss Account	**0.87**	**3.03**
Assumptions		
Discount Rate	8.00%	8.00%
Future Salary Increase	5.00%	6.00%
Attrition Rate	1 to 3%	1 to 3%
Expected Rate of Return on Plan Assets	8.00%	5.50% to 8.00%

Notes:

i. The entire plan assets are managed by Life Insurance Corporation of India (LIC). The data on plan assets has not been furnished by LIC.

ii. The expected return on plan assets is as furnished by LIC.

iii. The estimate of future salary increase takes into account inflation, likely increments, promotions and other relevant factors.

iv. Discount Rate is based on prevailing market yields of Indian Government Bonds as at the Balance Sheet date for the estimated term of the obligation.

18 - NOTES TO ACCOUNTS (Contd.)

b. Provident Fund

The Company's Provident Fund is exempted under Section 17 of the Employees' Provident Fund Act, 1952. Conditions for the grant of exemption stipulates that the employer shall make good the deficiency, if any, in the interest rate declared by the Trust over the statutory limit. Having regard to the assets of the Fund and the return on the investments, the Company does not expect any deficiency in the foreseeable future, in excess of the amount already provided for as per the Management estimates.

c. Long Term Compensated Absences

The Key assumptions for computing the long term accumulated compensated absences on actuarial basis are as follows:

Assumptions for Actuarial Valuation	2008-09	2007-08
Discount Rate	8.00%	8.00%
Future Salary Increase	5.00%	6.00%
Attrition Rate	1 to 3%	1 to 3%
Expected Rate of Return on Plan Assets	8.00%	8.00%

12. Accounting for Derivatives

Company

Pursuant to the announcement of the Institute of Chartered Accountants of India (ICAI) in respect of "Accounting for Derivatives", the Company has opted to follow the recognition and measurement principles relating to derivatives as specified in AS 30 "Financial Instruments, Recognition and Measurement", issued by the ICAI, from the year ended 31st March 2008.

Consequently, as of 31st March 2009, the Company has recognised Mark to Market (MTM) Losses of Rs.35.05 Cr. (Previous Year Rs. 3.03 Cr) relating to forward contracts and other derivatives entered into to hedge the foreign currency risk of highly probable forecast transactions that are designated as effective cash flow hedges, in the Hedge Reserve Account as part of the Shareholders funds.

The MTM net loss on undesignated / ineffective forward contracts amounting to Rs. 6.60 Cr. (Previous Year Rs. 0.65 Cr.) has been recognised in the Profit & Loss Account. The movement in the Hedge Reserve Account during the year for derivatives designated as Cash Flow Hedges is as follows:

Rs. in Crores

Particulars	2008-09	2007-08
Balance as at Beginning of the Year - Dr.	3.03	-
Net Movement for the Year - Dr.	32.02	3.03
Balance as at End of the Year - Dr.	35.05	3.03

The Contracts relating to the balance carried in the Hedge Reserve Account are expected to be reversed to Profit & Loss Account on occurrence of transactions which are expected to take place over the next 24 months.

Joint Venture - CDFL

In the case of one of the Joint Ventures (CDFL), the Group's Share of the MTM net loss on undesignated / ineffective forward contracts amounting to Rs. 1.53 Cr. (Previous Year Rs.1.43 Cr) has been recognised in the Profit & Loss Account.

18 - NOTES TO ACCOUNTS (Contd.)

13. Lease Commitments -Subsidiary - CMSGICL

Finance Lease Commitments

The Subsidiary has taken information technology equipments on finance lease with these assets as security. The minimum committed lease rentals and the Present Value of the lease payments are as follows:

Rs. in Crores

Particulars	As at 31st March 2009	As at 31st March 2008
Total Commitments towards Minimum Lease Payments	1.93	2.66
Less: Future Liability on Interest Account	(0.22)	(0.40)
Present Value of Minimum Lease Payments	1.71	2.26
Minimum Lease Payments		
- Not later than one year	0.72	0.73
- Later than one year but not later than five years	1.21	1.93

14. Earnings Per Share

Particulars		2008-2009	2007-2008
Profit after Taxation - Rs. in Crores		52.61	67.69
Weighted Average Number of Shares	- Basic	18,47,80,000	18,47,80,000
	- Diluted	18,47,85,198	18,48,05,100
Earning Per Share of Rs.2 each	- Basic	2.85	3.66
	- Diluted	2.85	3.66

15. Stock Options

Company

During the year, the Company granted Stock Options to certain employees in line with the Employees Stock Option Scheme. The total number of such options outstanding as at 31st March 2009 is 33,34,332 (Previous Year 33,53,940) and each option is exercisable into one share of Face Value Rs. 2.

Particulars	Date of Grant	Exercise Price (Rs)	Options Granted	Options Vested	Options Cancelled	Options Exercised	Options Outstanding at the End of the Year	Vesting (subject to continuous association with the Company and performance rating parameters)
Grant 1	31-Oct-07	62.85	6,00,120	4,25,148	1,74,972	-	4,25,148	31.10.08 – 100%
Grant 2	31-Jan-08	66.10	1,05,460	81,324	24,136	-	81,324	31.01.09 – 100%
Grant 3	24-Mar-08	56.80	26,55,260	-	2,96,400	-	23,58,860	31.10.09 – 25% 31.10.10 – 37.5% 31.10.11 – 37.5%
Grant 4	31-Jul-08	44.45	3,86,900	-	-	-	3,86,900	31.07.09 – 20% 31.07.10 – 20% 31.07.11 – 30% 31.07.12 – 30%
Grant 5	31-Oct-08	24.25	54,000	-	-	-	54,000	31.10.09 – 20% 31.10.10 – 20% 31.10.11 – 30% 31.10.12 – 30%
Grant 6	30-Jan-09	31.05	28,100	-	-	-	28,100	30.01.10 – 20% 30.01.11 – 20% 30.01.12 – 30% 30.01.13 – 30%

18 - NOTES TO ACCOUNTS (Contd.)

Joint Venture - CDFL

During the year, the Joint Venture granted Stock Options to certain employees in line with the Joint Venture's Employees Stock Option Scheme. The total number of such options outstanding as at 31st March 2009 is 9,13,803 (Previous Year 9,42,093) and each option is exercisable into one share.

Particulars	Date of Grant		Exercise Price (Rs)		Options Granted during the Year		Options Forfeited / Lapsed during the Year	Options Outstanding at the End of the Year		Vesting Commences on
	Original	Corporate Action Adjustment	Original	Corporate Action Adjustment	Original	Corporate Action Adjustment		Vested	Yet to Vest	
Grant 1	30-Jul-07	25-Jan-08	193.40	178.70	7,65,900	54,433	4,23,060	71,428	3,25,845	30-Jul-08
Grant 2	24-Oct-07		149.90		70,400		2,816	11,264	56,320	24-Oct-08
Grant 3	25-Jan-08		262.20		1,62,800		87,024	13,216	65,560	25-Jan-09
Grant 4	25-Apr-08		191.80		4,68,740		1,57,840	-	3,10,900	25-Apr-09
Grant 5	30-Jul-08		105.00		10,070			-	10,070	30-Jul-09
Grant 6	24-Oct-08		37.70		65,600		16,400	-	49,200	24-Oct-09

Fair Value Methodology

In the case of the Company and its Joint Venture the fair value of Options used to compute proforma net profit and earnings per Equity Share have been estimated on the date of the grants using Black-Scholes model.

16. Auditors' Remuneration (Including for other Auditors)

Rs. in Crores

Particulars	2008-09	2007-08
Statutory Audit	0.38	0.33
Tax Audit & Other Services	0.10	0.08
Service Tax (Net of Input Credit Availed)	0.01	0.00
Reimbursement of Expenses	0.01	0.00
Sub-Total	**0.50**	**0.41**
Share in Joint Venture	0.16	0.16
Total	**0.66**	**0.57**

17. Previous Year's Figures

Figures for the previous year have been re-grouped wherever necessary to conform to the current year's presentation.

Signatures to Schedules 1 to 18

On behalf of the Board

M M Murugappan
Chairman

Chennai	**S Suresh**	**K Balasubramanian**	**L Ramkumar**
30th May 2009	Company Secretary	Chief Financial Officer	Managing Director

Information on Subsidiaries

The Ministry of Corporate Affairs, Government of India has vide its letter No.47/248/2009-CL-III dated 14th May 2009, exempted the Company from furnishing the annual report of company's subsidiaries namely, Cholamandalam MS General Insurance Company Limited (CMSGICL), Tubular Precision Products (Suzhou) Company Ltd (TPP) and TI Financial Holdings Ltd (TIFHL). 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, TPP and TIFHL 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

		TI Financial Holdings Limited	Tubular Precision Products (Suzhou) Company Limited		Cholamandalam MS General Insurance Company Limited	
		For the Period ended Mar '09	For the Year ended Dec '08	For the Year ended Dec '07	For the Year ended Mar '09	For the Year ended Mar '08
1	Capital	0.07	34.86	31.80	141.96	141.96
2	Reserves & Surplus (adjusted for debit balance in P&L Account, where Applicable)	(0.03)	(16.35)	(4.95)	4.83	1.48
3	Total Assets (Fixed Assets + Current Assets + Deferred Tax Asset + Misc. Expenditure not written off)	0.07	31.11	27.72	171.88	140.00
4	Total Liabilities (Debts + Current Liabilities + Deferred Tax Liability)	0.03	12.60	0.87	389.85	326.56
5	Investments	-	-	-	364.76	330.00
6	Total Income	-	5.54	0.04	424.17	275.38
7	Profit Before Tax	(0.03)	(13.53)	(4.95)	11.85	10.54
8	Provision for Tax	-	-	-	4.86	3.31
9	Profit After Tax	(0.03)	-	-	6.99	7.23
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	-	-	-	126.06	129.22
	Debentures and Bonds	-	-	-	69.54	25.47
	Infrastructure and Social Sector Bonds	-	-	-	35.05	40.40
	Other than Approved Investments-Equity shares (Net of Fair Value Change)	-	-	-	8.28	11.84
	Total (A)	**-**	**-**	**-**	**238.93**	**206.93**
	Short Term Investments					
	Fixed Deposit with Banks	-	-	-	67.62	79.50
	Corporate Bonds	-	-	-	24.98	19.84
	Money market instruments	-	-	-	23.20	18.24
	Equity Shares (Net of Fair Value Change)	-	-	-	-	0.49
	Investments in Infrastructure and Social Sector Bonds	-	-	-	10.04	5.00
	Total (B)	**-**	**-**	**-**	**125.83**	**123.07**
	Total (A) + (B)	**-**	**-**	**-**	**364.76**	**330.00**

Note :

The above information has been furnished as required by the Ministry of Corporate Affairs whilst granting exemption under Section 212 of the Companies Act, 1956. As stipulated therein, in case of overseas subsidiaries, the Indian Rupee equivalent of the figures given in foreign currency as on 31.03.2009 has been used.

On behalf of the Board

M M Murugappan
Chairman

Chennai
1st May 2009

Suresh
Company Secretary

K Balasubramanian
Chief Financial Officer

L Ramkumar
Managing Director

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