

2006 - 07 ANNUAL FINANCIAL RESULTS

TVS MOTOR REPORTS RECORD TURNOVER OF Rs. 3928.19 CRORES, GROWTH OF 19%,

Exports up 29%

Chennai, June 28, 2007: TVS Motor Company recorded a growth of 19% and reported total revenue of Rs. 3928.19 crores for the year ended March 2007 compared to Rs. 3305.96 crores recorded during corresponding previous year. This is the highest ever revenue achieved by the company.

Profit before tax during the year ended March 2007 stood at Rs. 90.85 crores as against Rs. 168.45 crores recorded in the corresponding period last year. Profit after tax stood at Rs. 66.60 crores as against Rs. 117 crores recorded last year. The Company had already declared an interim dividend of 70% and has recommended a final dividend of 15 per cent for the year 2006-07.

During the year ended March 2007, motorcycles recorded sales of 9,22,936 units compared to 8,05,740 units over the previous period at a growth of 14.5%. This growth was in line with the industry growth rate of 14.3%. During the same period, the overall two-wheeler growth of 13.9% by TVS Motor Company was higher than the industry growth of 11.8%. The company had recorded sale of 15,26,289 two wheelers during the year.

During this period, the company continued to invest behind brands as a part of strategic brand building exercise to avoid erosion in the value of the brands. The interest costs for the year was higher due to increased cost of borrowing with several new projects in the pipeline.

The profits were however lower due to high cost of raw materials especially steel, aluminum, rubber, copper, polymers etc. This impacted the margins of the company substantially. The cost of raw materials during the year was 73.9% of sales compared to from 70.2% of sales in the year 2005/06. Even though the company refrained from the industry practice of offering discounts on products, the intense competition in the industry especially in the highly price sensitive entry-level segment, where the company has significant presence, did not allow the company to pass on the cost increases to its customers.

The revenue of TVS Motor Company in the quarter 4 ended March 2007 stood at Rs. 946.84 crores compared to Rs. 860.62 crores achieved in the corresponding period last year, recording a growth of 10%. Profit Before Tax stood at Rs. 10.35 crores compared to Rs. 41.04 crores in the corresponding period last year and Profit After Tax stood at Rs. 9.05 crores compared to Rs. 29.09 crores in the corresponding period last year.

Motorcycles sales however declined marginally by 3.5% during the 4th quarter of 2006-07 compared to 4th quarter of 2005 – 06, in line with the slowdown experienced by the industry. This was mainly due to reduced availability of finance, increased cost and stringent norms being followed by retail financiers. Currently, more than 60 per cent of the purchases of the two wheelers are dependent on retail finance.

EXPORTS

Exports grew by 29% to 103,013 units from 79,679 in 2006-07 and will continue to be a focus area for the company. During 2006-07, 7 new countries were added to the company's global presence. The company is now exporting its products to over 44 countries.

NEW PRODUCTS DURING 2006-07

During the year the company launched several new products. The most recently launched product was StaR Sport, a style variant under the 'StaR' brand. This motorcycle is a stylish, compact and affordable 100 cc motorcycle, aimed at discerning urban motorcycle customers who are on the look out for sleek and compact style. The response for this vehicle has been encouraging and together with other variants of TVS StaR will continue to be dominant brand in the entry-level segment of the motorcycle.

Apart from StaR Sport, during the year the company launched StaR City ES, India's first electric start motorcycle in the 100 CC segment, which has shown favorable response. The StaR City ES besides striking new graphics also provides host of first in class features, such as ride switch shock absorber, backlit console, nightglow switches, etc.

The company also launched a variant of 2-stroke Scooty Teenz and has received a favourable response. The Scooty brand continues to maintain leadership in the sub 100 cc scooter segment.

During the year the company launched a unique offering to its Scooty customers in Bangalore where they have a wide choice of 99 colours for their Scooty Pep+. Encouraged by this response, the company launched this offering for customers in Chennai, Hyderabad, Mumbai, Nagpur, Ahmedabad and Pune. It will soon be expanded to more cities. This is the first time in the world that an Automobile company offers such huge range of customized colours for its product to choose from.

FUTURE OUTLOOK – PRODUCT LAUNCHES AND COMPANY PLANS

The company has just launched an upgrade of Apache, a 160 cc motorcycle with 15.2 bhp. This high performance motorcycle is targeted at the youth looking for both style as well as latest features, normally seen on international high-end motorcycles. This motorcycle has already won positive reviews from leading automobile magazines.

The company, in order to increase its presence in the executive segment, has developed a motorcycle, which will be launched in the second half of this year. The company is confident that this motorcycle will redefine the segment by setting a new benchmark in the industry in terms of its technology, performance and style.

Apart from the above, the company will also launch a new variant under the TVS StaR brand. The launch of this product is expected during the coming festival season.

The company has already started operations at its Himachal Pradesh Plant. The Plant has an annual capacity of 400,000 units scalable upto 6,00,000 units. This will help the company to improve its service level to the vast dealer network in North India thereby increasing sales and leverage on the fiscal benefits.

The three-wheeler project is on schedule and will have a capacity of 90,000 units per annum. The proposed three-wheeler products after various tests undertaken have provided very encouraging results and are expected to be launched shortly.

The Indonesian project is on schedule and the new product 'TVS Neo', a high tech innovation packed Bebek exclusively developed for the Indonesian market, will be launched in July 2007 by PT TVS Motor Indonesia, subsidiary of TVS Motor Company Ltd.

The company has taken up the above three large projects. Of these, one project has already gone into production and the other two are expected to commence production shortly. Once these projects achieve full production levels and stabilize their operations, they will contribute significantly to the overall turnover and profits of the company.

The company undertook several cost saving measures like value engineering and global sourcing etc. TPM is practiced in all the plants to ensure significant improvement in productivity reduction in manufacturing cost.

The company expects the pressure on the margin to continue in the first half of 2007-08 due to high cost of raw material and intense competitive activity. However, in the second half of the year, the company expects the pressure on margin to ease with the launch of new products and the other initiatives as mentioned above.

CUSTOMER SATISFACTION AND QUALITY

The continued improvement in quality of its products has resulted in the company winning several quality awards as well as bringing in more value for its customers. Last year, TVS Apache, which was awarded 'Bike of the Year 2006' by several leading auto magazines, was chosen as the number 1 motorcycle brand in its class, in an all India customer satisfaction survey conducted by TNS Automotive. Recently, TVS Apache won the 'NDTV Car & Bike – AAA viewers choice Bike of the Year 2007' award, thus reinforcing customer's preference. During the year, the company offered a unique 5–year warranty scheme for its discerning TVS StaR customers.

RESEARCH AND DEVELOPMENT

Several Advanced Engineering and technological researches are constantly undertaken by the company to ensure world-class products are offered to its customers. TVS Motor works closely with global Design and Research houses to

give the Indian Consumer the very best in terms of technology, style and fuel efficiency. The company has applied for over 150 patents and its R&D team has published 33 technical papers in national and international conferences

INCREASING NATIONWIDE NETWORK AND REACH

TVS Motor Company is aggressively increasing its national reach of its sales and service footprint through increased national network for customer access. Currently the products of the company can be purchased and serviced from over 3000 points.