

Sundaram-Clayton Limited

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CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>		AC	<input checked="" type="checkbox"/>
AGM	<input checked="" type="checkbox"/>		SEI	<input checked="" type="checkbox"/>
VE	<input checked="" type="checkbox"/>			

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35th Annual Report 1997





Sundaram-Clayton Limited

Board of Directors

SURESH KRISHNA
Chairman

venu srinivasan
Managing Director

gopal srinivasan
Joint Managing Director

K MAHESH

T K BALAJI

JEAN CLAUDE MONTAUZE

FREDERICK W JAQUA

WILLIAM HUNTER FREW

GEORGE ERIC NUTTER

D E UDWADIA

D D UDESHI
Alternate to Mr Jean Claude Montauze

B M MIRZA
Alternate to Mr Frederick W Jaqua

S K WARRIOR
Alternate to Mr William Hunter Frew

D B ENGINEER
Alternate to Mr George Eric Nutter

Executive Director
H LAKSHMANAN

President – Brakes Division
C NARASIMHAN

Executive Vice-President – Brakes Division
N RAGHUNATHAN

Vice-President – Finance
L VENKATESAN

Secretary
P SRINIVASAN

Bankers

STATE BANK OF INDIA
Corporate Accounts Group Branch
Greaves Road
Chennai 600 006

STATE BANK OF MYSORE
Whites Road Branch
Chennai 600 014

Auditors

SUNDARAM & SRINIVASAN
Chartered Accountants
Chennai 600 018

Registered Office

"Jayalakshmi Estates"
8, Haddows Road, Chennai 600 006
Tel : 8272233 Fax : 044-8257121

Share Transfer Department

Tel : 4845889 Fax : 044-4846939

Factory

Padi, Chennai 600 050

Subsidiaries

ANUSHA INVESTMENTS LIMITED
HARITA STOCKS LIMITED
TVS ELECTRONICS LIMITED
TVS FINANCE LIMITED

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Sundaram-Clayton Limited

FINANCIAL HIGHLIGHTS

Rupees in lakhs

Year ended 31st May	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Profit and Loss Account										
Sales	7064	5399	6295	7609	8824	6538	8613	12455	17484	21066
Other Income	1331*	840*	126	250	173	283	105	287	575	942
Total Income	8395	6239	6421	7859	8997	6821	8718	12742	18059	22008
Gross Profit before Interest, depreciation & tax	2108	1345	862	1051	1340	1168	1593	2560	3056	4126
Depreciation	281	287	271	259	252	212	222	229	301	587
Profit before Interest & tax	1827	1058	591	792	1088	956	1371	2331	2755	3539
Interest	271	376	414	414	463	380	276	183	97	222
Profit before taxation	1556	682	177	378	625	576	1095	2148	2658	3317
Profit after taxation	1200	461	8	103	160	175	455	1212	1668	1947
Balance Sheet										
Net Fixed assets	2558	2126	2008	1817	1591	1386	1658	2287	3388	4940
Investments	1161	1166	1799	1812	1812	1951	2222	4364	4442	4353
Net current assets	2819	3574	3128	4128	3790	3459	2910	3324	3835	2845
Total	6538	6866	6935	7757	7193	6796	6790	9975	11665	12138
Share capital	948	948	948	948	948	948	948	948	948	1897
Reserves & surplus	3001	3202	3097	3072	3091	3121	3334	7573	8764	9202
Net Worth	3949	4150	4045	4020	4039	4069	4282	8521	9712	11099
Loan funds	2589	2716	2890	3737	3154	2727	2508	1454	1953	1039
Total	6538	6866	6935	7757	7193	6796	6790	9975	11665	12138
EPS (Rs) @	6.33	2.43	0.04	0.54	0.84	0.92	2.40	6.39	8.79	10.26
DPS (Rs) @	1.25	1.25	0.60	0.75	0.75	0.75	1.25	2.00	2.00	2.70
Book value per share (Rs) @	20.82	21.88	21.33	21.19	21.29	21.45	22.57	44.92	51.20	58.52
Return on capital employed (ROCE) %	27.94	15.41	8.52	10.21	15.13	14.07	20.19	23.37	23.62	29.15
Return on net worth (RONW)%	30.39	11.11	0.20	2.56	3.96	4.30	10.63	14.22	17.17	17.54
Fixed assets turnover (No of times)	2.76	2.54	3.13	4.19	5.55	4.71	5.19	5.45	5.16	4.26
Working capital turnover (No of times)	2.51	1.51	2.01	1.84	2.33	1.89	2.96	3.75	4.56	7.40
Gross profit as % of total income	25.11	21.56	13.42	13.37	14.89	17.12	18.27	20.09	16.92	18.75
Net profit as % of total income	14.29	7.39	0.12	1.31	1.78	2.57	5.22	9.51	9.24	8.85

* includes profit on sale of moped division.

@ adjusted for bonus issue.

ROCE is profit before interest and taxation divided by net worth plus loan funds.

RONW is profit after tax divided by net worth.

Fixed assets turnover is sales divided by net fixed assets as at the end of the year.

Working capital turnover is sales divided by net current assets as at the end of the year.

Sundaram-Clayton Limited



Notice to shareholders

NOTICE is hereby given that the thirty fifth annual general meeting of the shareholders of the company will be held at "The Music Academy", 306 T T K Road (Mowbrays Road), Chennai 600 014 on Monday, the 20th October 1997 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To consider and if thought fit to pass with or without modification the following resolution as an *ordinary resolution*:

RESOLVED THAT the audited balance sheet as at 31st May 1997 and the profit and loss account of the company for the year ended on that date, together with the directors' report and the auditors' report thereon as presented to the meeting be and the same are hereby approved and adopted.

2. To consider and if thought fit to pass with or without modification the following resolution as an *ordinary resolution*:

RESOLVED THAT pursuant to the recommendation of the directors, dividend of Rs. 2.70 per share, absorbing a sum of Rs. 512.13 lakhs be and is hereby declared on 1,89,67,584 equity shares of Rs. 10/- each fully paid-up, comprised in the paid-up equity share capital of the company viz., Rs. 1896.76 lakhs for the year ended 31st May 1997 and that the same be paid to those shareholders, whose names appear on the company's register of members on 20th October 1997.

3. To consider and if thought fit to pass with or without modification the following resolution as an *ordinary resolution*:

RESOLVED THAT Mr. K Mahesh who retires by rotation and being eligible for reappointment be and is hereby reappointed as a director of the company.

4. To consider and if thought fit to pass with or without modification the following resolution as an *ordinary resolution*:

RESOLVED THAT Mr. Frederick W Jaqua who retires by rotation and being eligible for reappointment be and is hereby reappointed as a director of the company.

5. To consider and if thought fit to pass with or without modification the following resolution as an *ordinary resolution*:

RESOLVED THAT Mr. William Hunter Frew who retires by rotation and being eligible for reappointment be and is hereby reappointed as a director of the company.

6. To consider and if thought fit to pass with or without modification the following resolution as an *ordinary resolution*:

RESOLVED THAT the retiring auditors Messrs. Sundaram & Srinivasan, Chartered Accountants, Chennai be and are hereby reappointed as auditors of the company to hold office from the conclusion of this meeting till the conclusion of the next annual general meeting of the company on such remuneration as may be fixed in this behalf by the board of directors of the company.

By order of the Board

Chennai
August 29, 1997

P SRINIVASAN
Secretary

Registered Office :
"Jayalakshmi Estates"
8, Haddows Road
Chennai 600 006



Sundaram-Clayton Limited

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY OR PROXIES SO APPOINTED NEED NOT BE A MEMBER OR MEMBERS AS THE CASE MAY BE OF THE COMPANY. THE INSTRUMENT APPOINTING THE PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY AT 8, HADDOWS ROAD, CHENNAI 600 006 NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The register of members and the share transfer books of the company will remain closed from 8th October 1997 to 20th October 1997, both days inclusive.
3. The dividend on the equity shares as recommended by the Board of Directors when declared, will be made payable on or after 20th October 1997 to those shareholders (or their mandatees) whose names appear in the register of members of the company on 20th October 1997.
4. Pursuant to section 205A of the Companies Act, 1956 all unclaimed dividends upto the financial year 1992-93 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Tamilnadu, Haddows Road, Chennai 600 006.
5. As per the Finance Act, 1997, income-tax will not be deducted at source from dividend proposed to be paid to the shareholders.
6. As a measure of economy, copies of the annual report will not be distributed at the annual general meeting. Members are therefore requested to bring their copies of the annual report to the meeting.
7. Members are requested to affix their signature at the space provided on the attendance sheet annexed to the proxy form and hand over the slip at the entrance of the meeting hall.
8. Members are requested to notify immediately any change in their address to the company.



Sundaram-Clayton Limited

Directors' report to the shareholders

The directors have pleasure in presenting the 35th annual report and the audited accounts for the year ended 31st May 1997.

2 FINANCIAL HIGHLIGHTS

(Rupees in lakhs)

Details	Year ended 31.5.1997	Year ended 31.5.1996
Sales and other income	22,007.51	18,059.58
Profit before tax	3,317.27	2,657.22
Tax	1,370.00	990.00
Profit after tax	1,947.27	1,667.22
Add: Tax relating to earlier years	2.85	—
Surplus brought forward from previous year	588.06	339.25
Total available for appropriation	2,538.18	2,006.47
Transfer to debenture redemption reserve	42.00	42.00
Transfer to general reserve	1,350.00	900.00
Proposed dividend	512.13 (27%)	379.35 (40%)
Tax on dividend	51.21	—
Income tax relating to earlier years	—	97.06
Surplus in Profit & Loss Account	582.84	588.06
	2,538.18	2,006.47

3 DIVIDEND

The directors recommend a dividend of 27% free of tax for the year ended 31st May 1997 on the expanded capital base. The dividend if approved by the shareholders, would absorb Rs. 512.13 lakhs and be paid to all shareholders whose names stand on the register of members on the date of declaration.

4 PERFORMANCE DURING THE YEAR AND FUTURE PROSPECTS

The buoyancy witnessed in the automobile industry during the last three years has started receding in the second half of 1996-97. The performance of HCV and MCV segments of the industry has further declined in the current year. This is mainly attributable to the slow growth rate of industrial production in the country and lack of infrastructure facilities.

The company's sales during the year under review achieved a growth of 20% as against the growth of 45% during the year 1994-95 and 40% in 1995-96.

With the Government's policy to support the infrastructure industry by further investments and incentives, it is expected that the current sluggish trend in the automobile industry would end soon.

5 FINANCE

The company's capital expenditure during the year 1996-97 was Rs. 2,168 lakhs, mainly to augment the capacities in brakes and foundry divisions. Further capital expenditure of Rs. 1,800 lakhs for modernisation of production process has been planned in current year, which will be met out of own funds.

In view of the surplus cash position, the company has surrendered the term loan facility of Rs. 1000 lakhs sanctioned by its bankers during last year, unutilised.

6 SUBSIDIARIES AND ASSOCIATE COMPANIES

During the year Anusha Investments Limited, our subsidiary declared an interim dividend of 28%. The performance of other subsidiaries viz., TVS Electronics Limited, Harita Stocks Limited and TVS Finance Limited during the year 1996-97 was satisfactory.

TVS-Suzuki Limited, our associate company out performed the industry recording an increase of 34% in turnover during the year 1996-97. Its profits recorded an increase of 54% as compared to the year 1995-96. The company declared a dividend of 35% for the year ended 31st March 1997.

7 PUBLIC DEPOSITS

As on 31st May 1997, the company has deposits amounting to Rs. 480.68 lakhs. There were no deposits claimed, but remaining unpaid as on that date.



Sundaram-Clayton Limited

8 DIRECTORS

Mr K Mahesh, Mr Frederick W Jaqua and Mr William Hunter Frew retire by rotation at the ensuing annual general meeting and being eligible offer themselves for re-election.

9 AUDITORS

M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai retire at the ensuing annual general meeting and are eligible for reappointment.

10 STATUTORY STATEMENTS

As required by section 212 of the Companies Act, 1956, a statement showing the company's interest in the subsidiaries is enclosed to the balance sheet of the company.

The particulars required to be furnished under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are given in annexure I to this report.

The information as per section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of

Employees) Rules, 1975 are given in Annexure II to this report.

11 ACKNOWLEDGEMENT

The directors gratefully acknowledge the continued co-operation received from M/s T V Sundram Iyengar and Sons Limited, Madurai, and American Standard Inc., USA.

The directors also thank the vehicle manufacturers, distributors, vendors, bankers, financial institutions and deposit holders for their continued support and assistance.

The directors wish to place on record their appreciation of the excellent work done by all the employees of the company during the year. The directors also thank the shareholders for their continued faith in the company.

By order of the Board

SURESH KRISHNA
Chairman

Chennai
August 29, 1997

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Sundaram-Clayton Limited



Annexure I to Directors' report for the year ended 31st May 1997

INFORMATION AS REQUIRED UNDER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956

A. CONSERVATION OF ENERGY

Measures taken	Approximate Savings (Rupees in lakhs)
Introduction of electronic ballast in fluorescent fittings	4.00
Introduction of sodium vapour lamps in place of 250 watts lamps	2.50

B. TECHNOLOGY ABSORPTION

RESEARCH & DEVELOPMENT (R&D)

1) SPECIFIC AREAS IN WHICH R&D IS CARRIED OUT BY THE COMPANY

EXISTING ACTIVITIES :

- a) Customer oriented product development including development of products like long life compressors, compressors for Tata Cummins, 10" vacuum boosters, double diaphragm vacuum boosters, actuators for high end of light commercial vehicles.
- b) Development of automatic slack adjusters will improve the efficiency of the braking system and safety.

2) BENEFITS DERIVED AS A RESULT OF R & D

- a) The development of exhaust brake assembly and compressors will lead to import substitution.
- b) Development of products like R12 relay valve for exports, 709/909 actuators, air dryers and trailer control valve will lead to increase in business.

3) FUTURE PLAN OF ACTION

- a) Concentrated efforts in value engineering.
- b) Productionising of new products developed.
- c) Develop products for exports.
- d) Obtain international certification for company's products.

4) EXPENDITURE ON R & D : (Rs. in lakhs)

Capital expenditure	348.75
Recurring expenditure	130.11
Total	478.86

Total expenditure as a percentage of turnover 2.3%

5) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

a) Efforts in brief:

- i) Systematic training of personnel in the management of new product development for introduction of high quality products with reduced lead time.
- ii) Introduction of solid modelling for new product development.

b) Benefit derived as a result of the above efforts:

- i) Development of products to meet customer requirements is feasible with reduced lead time.
- ii) Solid modelling provides foolproof design and enhances design capabilities.

c) Details relating to imported technology:

Manufacture of type 12 and type 12/16 wedge brake chambers and actuators respectively

Year of import : 1994

Has technology been fully absorbed : Yes

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Export activities:

- a) Exports during the year 1996-97 amounted to Rs. 288.01 lakhs as against Rs. 272.79 lakhs in 1995-96.
- b) The product range was expanded to include three new valves during 1996-97.

Total Foreign Exchange used and earned

- | | |
|----------------------------|--------------------|
| a) Foreign exchange used | Rs. 1,836.21 lakhs |
| b) Foreign exchange earned | Rs. 320.23 lakhs |

By order of the Board

Chennai
August 29, 1997

SURESH KRISHNA
Chairman



Sundaram-Clayton Limited

Annexure II to Directors' report for the year ended 31.05.1997

Particulars of Employees as per section 217(2A) of the Companies Act, 1956

Sl. No.	Name	Age (Years)	Designation	Date of employment	Remuneration Rs.	Qualification	Experience (Years)	Previous employment
Employed throughout the year								
1.	Antho Antony K	52	Manager-Maintenance	22.10.79	344418	B.Sc (Engg) Mech	26	Junior Mechanical Engineer – Hindustan Constr. Co
2.	Ashish Basu	59	Vice President-Marketing	01.06.88	705439	B.E. (Mech)	35	Regional Sales Manager Guest Keen Williams Ltd
3.	Balasubramanian V	50	Manager-Tool Room	01.07.71	407874	B.E. (Mech)	26	—
4.	Balasundar N	60	Canteen Manager	08.03.78	441470	S.S.L.C	33	Canteen Manager, ICF
5.	Boopalan N	49	Sr Manager - S&S	09.06.95	429409	B.E. (Mech)	26	Manager – Sales, Harita Grammer Limited
6.	Chandrasekaran R	45	GM - Finance	21.02.96	472321	B.Sc., ACA, AICWA, ACS	20	Group Finance Director, ASWANI Inds. PLC, Nigeria
7.	Dr Nayan Rai	51	Medical Officer	01.08.93	340952	MBBS	23	Medical Officer (Part time) - Union Company
8.	Gopal K	50	Manager-Sales	27.06.66	396063	DME, BE	30	Inspector, Lubricating Equipment Co.
9.	Gopala Desikan K	33	Manager-Finance	24.07.89	426172	B.Com., ACA	8	—
10.	Gowrishanker N	35	Manager-IS	01.12.86	431550	BE (Computer Science)	10	—
11.	Kaniappan P	37	AGM-Purchase	27.07.82	506478	B.Tech., M.Sc(Warwick)	15	—
12.	Lakshmanan H	64	Executive Director	20.02.74	1492417	S.S.L.C.	47	Asst. to MD, Wheels India Ltd.
13.	Lakshmanan V	50	Sr Manager-Finance	18.07.66	525647	B.Com	32	Clerk, Rama Rao Body Works
14.	Madhavan N	52	Manager - Stores	10.09.76	404915	LME	32	Production Engineer, Saral Industries
15.	Madhavan R	42	Sr. Manager-Finance	02.03.87	402669	B.Com., ACA, ACS	15	Co. Secy-Cholamandalam Software Ltd
16.	Mahadevan N P	53	Manager-PR	01.12.62	469789	S.S.L.C.	35	Telephone Operator, NLC Ltd
17.	Manipandian S	57	Manager-Service	23.09.63	408015	DME, BE	35	Salesman, Bharat Trading Co
18.	Mohanakrishnan S	46	AGM-OE Sales	30.06.79	485399	B.Sc (Engg) Dip.SQC&OR	18	—
19.	Murali MG	48	Unit Manager	14.10.76	354468	B.E (Mech)	23	Jr Engineer - Struc Engg Tech Inds Company
20.	Nagarajan K P	36	Member-R&D	05.09.83	344260	B.E (Hons.) Mech	14	—
21.	Nandakishore Rao	43	Sr Manager-QA	23.06.86	420754	B.Sc., BE (Metallurgy)	21	Officer A, Ewac Alloy Ltd
22.	Nandakumar A V	36	Manager-PE	03.03.86	454875	B.E., M.Tech	11	—
23.	Narasimha Rao B V	51	DGM-Engg.	04.10.79	618911	M.Tech (Production)	27	Sr. Dev. Engr, TELCO
24.	Narasimhan A K	59	Vice President-internal Audit	08.04.68	671410	B.A., ACS, AICWA	38	Cost Accountant, Ministry of Finance
25.	Narasimhan C	56	President	30.08.95	1318091	Diploma in Mechanical Engg	37	Group GM, Crompton Greaves Ltd
26.	Narayanan P H	35	Unit Manager	17.07.85	457443	B.Sc (Maths) B.Tech., M.Sc.	11	—
27.	Narayanan S	41	Member-R&D	29.12.81	494781	M.Sc (Engg)	18	Graduate Trainee, ACC Vickers Babcock
28.	Pasupathimath G R	38	Manager-CAD	15.03.96	323265	BE.(Mech), M.Tech(Prod).	13	Asst. Project Director, Aeronautical Dev. Agency
29.	Radhakrishnan K N	35	Manager-Business Planning	03.03.87	459890	M.Tech	10	—
30.	Ragunathan N	54	Executive Vice President	17.04.78	1078489	B.E.(Mech) M.I.E	30	Asst. General Foreman, Hindustan Steels
31.	Ramakrishnan A V	50	AGM - Maintenance	13.12.68	479207	LME, AMIE	31	Mech Supr-Western India Erectors
32.	Ramakrishnan B	40	AGM - HRD	01.09.86	528819	M.Com (PM & IR)	18	Dy Personnel Manager, HAL
33.	Ramaswamy Iyer KA	55	Unit Manager	01.06.66	360217	LME, MBA	37	Supervisor - Lantics M/c Pvt. Ltd.
34.	Ramesh Babu P	47	Unit Manager	05.01.77	438890	DME, PD Auto Engg.	24	Foreman, Hindustan Motors Ltd.
35.	Sankarar Krishnan B	41	Manager - Purchase	04.05.88	372722	B.Sc (Engg), M.Sc	18	Sr Design Engineer, TI Cycles
36.	Sarathy R	33	Manager-Accounts	24.04.89	457505	ACS, ACA, AICWA, CFA	8	—
37.	Sathyanarayanan P S	51	General Manager-QA	10.10.80	419981	AMIE (Mech), PG in SQC and O.R	27	Manager (QC), Enfield India Ltd.
38.	Selvamani S	43	General Manager - R&D	16.01.80	574058	B.E. Hons. (Mech), M.Sc.	21	Development Engineer, Sahney Paris Rhone Ltd.
39.	Seshadri R	61	Group Civil Engineer	06.11.74	686770	B.E. (Civil)	38	Gr. Civil Engr. Wheels India Ltd.
40.	Shahul Hameed T N M	47	Vice President - Foundry	19.05.76	674724	B.E. (Mech)	24	Graduate Trainee, Lucas TVS Ltd.
41.	Sreedharan P V	55	Manager - Accounts	27.04.87	362427	B.A. (Eco), Dip Acc./Tax Law	35	Assistant-Indi Chemicals Ltd.
42.	Srikantha Rao B K	48	Manager - Maintenance	10.11.75	377748	DME	28	Supervisor - Mysore Kirloskar
43.	Srinivasan K	58	Sr Manager-Service	12.06.68	463909	LAE	39	Engg. Asst, TELCO