

Sundaram-Clayton Limited



38th Annual Report 2000

Sundaram-Clayton Limited**Board of Directors**

SURESH KRISHNA
Chairman

venu srinivasan
Managing Director

GOPAL SRINIVASAN
Joint Managing Director

K MAHESH

T K BALAJI

MICHAEL BROUGHTON

JULIAN HOLMES

MICHAEL CAPPARIS

GUENTER SEEGERs

D E UDWADIA

D D UDESHI

Alternate to Mr. Michael Broughton

B M MIRZA

Alternate to Mr. Michael Capparis

S K WARRIOR

Alternate to Mr. Julian Holmes

RYNA KARANI

Alternate to Mr. Guenter Seegers

Executive Director

H LAKSHMANAN

President - Brakes Division

C NARASIMHAN

Executive Vice President - Brakes Division

N RAGHUNATHAN

Vice President - Finance

V N VENKATANATHAN

L VENKATESAN

Secretary

P SRINIVASAN

Bankers

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

STATE BANK OF MYSORE
Whites Road Branch
Chennai 600 014

Auditors

SUNDARAM & SRINIVASAN
Chartered Accountants
Chennai 600 018.

Listing of shares with :

Madras Stock Exchange Ltd., Chennai.
The National Stock Exchange of India Ltd.,
Mumbai.
The Stock Exchange, Mumbai.

Registered Office

"Jayalakshmi Estates"
8 Haddows Road
Chennai 600 006

Share Transfer Department

Tel : 3742939 / 3741889

Fax : 044-4846939

Factories

Padi, Chennai 600 050

Belagondapalli, Hosur - 635 114

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Subsidiaries

Anusha Investments Limited	38
Harita Stocks Limited	45
TVS Electronics Limited	49
Sundram Infocom Private Limited	63
ICL Foundries Limited	65
Sundram Telematics Limited	70
TVS Finance Limited	74
TVS Electronics South Asia Limited	81
Sundram Infosel Limited	87
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Sundaram-Clayton Limited

FINANCIAL HIGHLIGHTS

	Rupees in lakhs									
Year ended	1991	1992	1993	1994	1995	1996	1997	1998*	1999	2000
Profit and Loss Account										
Sales	7609	8824	6538	8613	12455	17484	21066	13000	16000	23183
Other Income	250	173	283	105	287	575	942	937	1318	1456
Total Income	7859	8997	6821	8718	12742	18059	22008	13937	17318	24639
Gross Profit before Interest, depreciation & tax	1051	1340	1168	1593	2560	3056	4126	1708	2624	3893
Depreciation	259	252	212	222	229	301	587	410	577	799
Profit before Interest & tax	792	1088	956	1371	2331	2755	3539	1298	2047	3094
Interest	414	463	380	276	183	97	222	35	-61	60
Profit before taxation	378	625	576	1095	2148	2658	3317	1263	2108	3034
Profit after taxation	103	160	175	455	1212	1668	1947	975	1583	2267
Balance Sheet										
Net Fixed assets	1817	1591	1386	1658	2287	3388	4940	5266	6492	8507
Investments	1812	1812	1951	2222	4364	4442	4353	4839	4352	4301
Net current assets	4128	3790	3459	2910	3324	3835	2845	2195	3036	4468
Total	7757	7193	6796	6790	9975	11665	12138	12300	13880	17276
Share capital	948	948	948	948	948	948	1897	1897	1897	1897
Reserves & surplus	3072	3091	3121	3334	7573	8764	9202	9480	10718	12249
Net Worth	4020	4039	4069	4282	8521	9712	11099	11377	12615	14146
Loan funds	3737	3154	2727	2508	1454	1953	1039	923	1265	3130
Total	7757	7193	6796	6790	9975	11665	12138	12300	13880	17276
EPS (Rs) @	0.54	0.84	0.92	2.40	6.39	8.79	10.26	6.17 #	8.35	11.95
DPS (Rs) @	0.75	0.75	0.75	1.25	2.00	2.00	2.70	2.00	3.00	3.50
Book value per share (Rs) @	21.19	21.29	21.45	22.57	44.92	51.20	58.52	59.98	66.51	74.59
Return on capital employed (ROCE) %	10.8	14.6	13.7	20.2	27.8	25.5	29.7	12.7 #	15.6	19.9
Return on net worth (RONW) %	2.6	4.0	4.3	10.9	18.9	18.3	18.7	10.3 #	13.2	16.9
Fixed assets turnover (No. of times)	4.0	5.2	4.4	5.7	6.3	6.2	5.1	3.0 #	2.7	3.1
Working capital turnover (No. of times)	2.1	2.2	1.8	2.7	4.0	4.9	6.3	6.2 #	6.1	6.2
Gross profit as % of total income	13.4	14.9	17.1	18.3	20.1	16.9	18.7	12.3	15.2	15.8
Net profit as % of total Income	1.3	1.8	2.6	5.2	9.5	9.2	8.8	7.0	9.1	9.2

@ adjusted for bonus issue.

ROCE is profit before interest and taxation divided by average networth plus loan funds.

RONW is profit after tax divided by average networth.

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

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

* Figures for ten months ended 31st March 1998.

Figures are annualised.

Sundaram-Clayton Limited



Notice to the Shareholders

NOTICE is hereby given that the thirty eighth annual general meeting of the company will be held at The Music Academy, 306, T T K Road (Mowbrays Road), Chennai 600 014 on Friday, the 29th September 2000, at 10.15 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 March, 2000 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 Mr Gopal Srinivasan, director who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a director of the company.

3. **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 re-appointed 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.

SPECIAL BUSINESS

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

RESOLVED THAT Mr Michael Capparis be and is hereby appointed as a director of the company liable to retire by rotation.

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

RESOLVED THAT Mr Julian Holmes be and is hereby appointed as a director of the company liable to retire by rotation.

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

RESOLVED THAT pursuant to the provisions of section 31 and other applicable provisions, if any, of the Companies Act, 1956, the articles of association of the company be and is hereby altered in the manner specified below:

Article 28 be substituted by the following article:

Thirty days' notice in writing at the least of any call shall be given by the company specifying the time and place of payment, and the person or persons to whom such call shall be paid.

Articles 56 and 56 A be deleted.

Article 118 (c) be substituted by the following article:

The fee payable to a Director (including Managing or Whole-time director, if any) for attending a meeting of the Board or Committee thereof shall be such sum as may be determined by the Board from time to time within the limits prescribed in that behalf under or pursuant to the Act or by the Central Government from time to time.

By order of the Board

Chennai
21st August, 2000

P SRINIVASAN
Secretary

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

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 and the power of attorney or other authority, if any, under which it is signed or a notorially certified copy of that power or authority shall be deposited at the registered office of the company not later than 48 hours before the time fixed for holding the meeting.**
2. The explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of special business under item nos. 4, 5 & 6 as set out above is annexed hereto.



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3. The register of members and the share transfer books of the company will remain closed from 20th September 2000 to 29th September 2000 (both days inclusive).
 4. The interim dividend on the equity shares as recommended by the Board of Directors was paid on 22nd May 2000 to those shareholders (or their mandatees) whose names appeared in the register of members of the company on 3rd May 2000.
 5. *Consequent upon the amendment to section 205A read with section 205C of the Companies Act, 1956, the dividend declared for the year ended 31st May 1995 and for any financial year ending thereafter which remain unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund established by the Central Government.*
- Members who have not encashed their dividend warrants in respect of the above period are requested to make their claim to the company by surrendering the unencashed warrants immediately.
6. Members are requested to notify immediately any change in their address to the company.
 7. 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.*
 8. Members are requested to affix their signature at the space provided on the attendance sheet annexed to proxy form and hand over the slip at the entrance of the meeting hall.

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Explanatory statement pursuant to section 173(2) of the Companies Act, 1956

The following explanatory statement sets out all material facts relating to the special business mentioned in the accompanying notice dated 21st August, 2000 and shall be taken as forming part of the notice.

Item Nos. 4 & 5

Mr Michael Capparis was appointed as a director of the company with effect from 30th October 1998 in the casual vacancy caused by the resignation of Mr Frederick W Jaqua. In terms of section 262 of the Companies Act, 1956 Mr Michael capparis will hold office only upto the date of this annual general meeting, when Mr Frederick W Jaqua would have retired in the normal course.

Mr Julian Holmes was appointed as a director of the company with effect from 20th October 1997 in the casual vacancy caused by the resignation of Mr William Hunter Frew. In terms of section 262 of the Companies Act, 1956 Mr Julian Holmes will hold office only upto the date of this annual general meeting, when Mr William Hunter Frew would have retired in the normal course.

Notices have been received from certain members of the company under section 257 of the Companies Act, 1956 alongwith a deposit of Rs.500/-in each case signifying their intention to propose the candidature of Mr Michael Capparis and Mr Julian Holmes for the office of directors and to move the resolutions as set out in item nos. 4 & 5 of this notice.

The directors recommend the resolutions for approval of the shareholders.

Mr Michael Capparis and Mr Julian Holmes are deemed to be concerned or interested in the respective resolutions.

notice period for making a call is 30 days. Hence this clause is proposed to be amended.

Articles 56 & 56A are proposed to be deleted in line with the amendments made to the Companies Act, 1956.

Article 118 (c) of the existing Articles of Association of the company provides that the sitting fee payable to a director (including a Managing or whole-time director, if any) for attending a meeting of the Board or Committee thereof shall be the maximum amount prescribed in this respect under the Act or by the Central Government from time to time.

It has been proposed to amend this article to enable the board to fix the sitting fee payable to directors from time to time within the maximum amount prescribed by the Central Government in this regard.

As per section 31 of the Companies Act, 1956, amendment to Articles of Association of the company requires approval of the shareholders by way of a special resolution.

Accordingly, the resolution is placed before shareholders for approval.

All the directors will be deemed to be interested in the resolution for amendment of clause 118(c) of the Articles of Association to the extent of sitting fee payable to them.

Inspection of documents

The documents referred to in the notice and the explanatory statement will be available for inspection at the registered office of the company on any working day between 10.00 a.m. and 12.00 noon.

By order of the Board

Chennai
21st August, 2000

P SRINIVASAN
Secretary

Item No. 6

Article 28 of the existing Articles of Association of the company requires that Fifteen days' notice in writing at the least of any call shall be given by the company specifying the time and place of payment, and the person or persons to whom such call shall be paid. As per the listing agreement with stock exchanges, the minimum

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



Sundaram-Clayton Limited

Directors' report to the Shareholders

The directors have pleasure in presenting the 38th annual report and the audited accounts for the year ended 31st March 2000.

2. FINANCIAL HIGHLIGHTS

	Rupees in lakhs	
Details	Year ended 31.3.2000	Year ended 31.3.1999
Sales and other income	24638.57	17318.41
Gross profit before interest and depreciation	3893.22	2684.45
Interest (Net)	60.07	—
Depreciation	799.23	576.62
Profit before tax	3033.92	2107.83
Provision for taxation	767.00	525.00
Profit after tax	2266.92	1582.83
Add:		
Tax relating to earlier years	0.76	287.54
Surplus brought forward from previous year	653.21	464.46
Export incentive reserve withdrawn	2.00	—
Debenture redemption Reserve withdrawn	252.00	—
Total	3174.89	2334.83
Interim dividend paid	663.87	—
	(35%)	
Proposed dividend	—	569.03
		(30%)
Tax on dividend	73.03	62.59
Transfer to general reserve	1650.00	1050.00
Surplus in Profit & Loss Account	787.99	653.21
	3174.89	2334.83

3. DIVIDEND

The company paid an interim dividend of Rs.3.50 per share to all the shareholders who were on the register of members on the record date viz., 3rd May 2000 and a sum of Rs.663.87 lakhs was paid to eligible shareholders on 22nd May 2000. The board of directors do not recommend any final dividend for the year ended 31st March 2000.

4. PERFORMANCE

During the year under review, heavy and medium segments of the commercial vehicle industry registered a positive growth of 33% in sales over that of the previous year. The brakes division was able to achieve a turnover of Rs.202 crores during the year 1999-2000 as against Rs.143 crores in the previous year ended 31st March 1999.

The performance of the foundry division improved during the year with sales reaching 6178 tonnes as compared to 4389 tonnes during the previous year ended 31st March 1999. The foundry division received its first exports order from Cummins, USA.

During the year 1999-2000, the company initiated total productive maintenance (TPM) in the selected model machines in the shop floor and has obtained significant results in reducing break down, rejections and improving overall efficiency of the equipment. The company achieved 100% employee participation in quality control circle improvement projects.

5. OUTLOOK

In the first quarter of the current financial year 2000-2001, the commercial vehicle sales witnessed a slump with a negative growth of 6% over the corresponding quarter of 1999-2000. It is expected that this segment may not grow during 2000-2001.

Foundry division is planning to achieve sales of 8500 tonnes during 2000-2001.

During the current year, the company plans to extend the TPM initiatives to all the machines in the shop floor. Brakes division is planning for QS 9000 accreditation in the second quarter of the current year 2000-2001.

Foundry division has been recommended for QS 9000 certification. Brakes and foundry divisions are planning for ISO 14000 accreditation by March 2001.

6. FINANCE

During the current financial year 2000-2001, the company proposes to incur capital expenditure of Rs.13 crores in brakes division for development of new products and testing facility. Capital expenditure of Rs.20 crores is planned for foundry division to augment the production facilities. Of the total proposed capital expenditure of Rs.33 crores, Rs.10 crores is being funded by a term loan from State Bank of India and the balance will be met out of internal accruals.

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7. SUBSIDIARY AND ASSOCIATE COMPANIES

The net profit of our associate company, TVS-Suzuki Limited has increased from Rs.82.09 crores to Rs.87.40 crores. The company paid an interim dividend of 80% for the year ended 31st March 2000.

TVS Electronics Limited, our subsidiary has improved its performance during the year ended 31st December 1999 with a turnover of Rs.172 crores, compared to the turnover of Rs.85 crores for the nine months period ended 31st December 1998. The profit after tax was Rs.2.29 crores in 1999 as against Rs.1.09 crores in 1998. The company paid an interim dividend of 10% for the year ended 31st December 1999.

Anusha Investments Limited, our wholly owned subsidiary paid an interim dividend of 70% for the year 2000-2001.

The above said dividends aggregating to Rs.618.63 lakhs have been received by the company during the first quarter ended 30th June 2000.

TVS Finance Limited, another subsidiary, is now out of hire purchase and leasing business activities and will be focussing on investment activities, looking for new opportunities.

8. DIRECTORS

Mr Gopal Srinivasan, joint managing director will be retiring at this annual general meeting and is eligible for re-appointment.

Mr Michael Capparis and Mr Julian Holmes who were appointed as directors in the casual vacancies caused by the resignation of Mr Frederick W Jaqua and Mr William Hunter Frew respectively, will be vacating their office in the ensuing annual general meeting and are eligible for re-appointment. Notices have been received from certain members of the company, signifying their intention to propose the appointment of the said directors in terms of section 257 of the Companies Act, 1956 alongwith the requisite deposit of Rs.500/- for each.

Mr Antoine DiPasquale resigned from directorship with effect from 1st February 2000 and Mr Guenter Seegers was appointed as a director in the casual vacancy caused by the resignation of Mr Antoine DiPasquale on 27th March 2000. The board of directors wish to place on record their appreciation of the services rendered by Mr Antoine DiPasquale during his tenure as a director of the company.

9. AUDITORS

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

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 with the balance sheet of the company.

As per the requirements of section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the information regarding conservation of energy, technology absorption and foreign exchange earnings and outgo are given in annexure I to this report.

The particulars required pursuant to 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. CORPORATE GOVERNANCE

The guidelines on corporate governance will be applicable to the company with effect from 1.4.2001. The company is taking necessary steps to comply with these guidelines as required by the listing agreement with Stock Exchanges.

12. ACKNOWLEDGEMENT

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

The directors 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.

Chennai
21st August 2000

By order of the Board
SURESH KRISHNA
Chairman



Sundaram-Clayton Limited

Annexure I to Directors' report for the year ended 31st March 2000

Information as required under section 217(1)(e) of the Companies Act, 1956

A. CONSERVATION OF ENERGY

1. Measures taken:

Introduction of steam heating instead of electric heating for drinking water application.

Switch over from water cooled to air cooled condensers for packager air-conditioners.

Timer introduced for chip conveyor in CNC machines.

Change over from LDO to furnace oil in reverberatory furnace for melting aluminium ingots.

FRP sheets for better lighting in factory and conservation of lighting power during the day.

The above measures have resulted in savings of approximately Rs.45.60 lakhs.

2. Proposed measures:

PLC for automatic switching off lights and air-conditioners in design office and R & D.

Introduction of additional power factor improvement capacitors.

Power saver for factory lighting in foundry division.

The above measures are expected to result in annual saving of approximately Rs.1.90 lakhs.

B. TECHNOLOGY ABSORPTION

Research & Development (R & D)

(1) Specific areas in which R & D is carried out by the company.

Existing activities:

- Customer oriented product development including Type 12/12 Spring brake actuator, Exhaust brake assembly.
- Redesign of brake chamber and purge tank to reduce cost.
- Development of advanced braking systems - in particular Anti-lock Braking System (ABS) with Anti-Spin Regulation (ASR) System presently undergoing field trials.

(2) Benefits derived as a result of R & D:

The development of products like exhaust brake assembly, Type 12/12 spring brake actuator, new wedge brake actuator and vacuum solenoid valve will lead to increase in business in the Indian Market.

Development of products like R14 Vertical, R14 Horizontal and R12 Horizontal relay valves for exports market will lead to our participation in the International Market.

Enhanced safety for commercial vehicles fitted with ABS/ARS system by reducing accidents due to skidding and consequent loss of control on slippery roads. As a major proportion of road accidents and loss of life involves commercial vehicles. These devices benefit the society considerably.

(3) Future plan of action:

- Concentrated efforts in the sphere of value engineering using modern techniques.
- Develop more products for exports.
- Develop new technology product like air processing unit and automatic slack adjuster.
- Widen market acceptance of ABS across all segments of medium and heavy commercial vehicles.
- Develop concept Electronic Braking System (EBS).

(4) Expenditure in R & D:

Rs. in lakhs

Capital expenditure	1047.44
Recurring expenditure (including salaries)	451.77
	<u>1499.21</u>

Total expenditure as a percentage of turnover 6.47%

Technology absorption, adaptation and innovation:

a) Efforts in brief:

- Systematic training of personnel in the management of new products development for introduction of quality products with reduced lead time and cost.
- Implementation of solid modelling and finite element analysis for speed in new product development.



Sundaram-Clayton Limited

- iii. ABS/ASR System for commercial vehicles has been developed indigenously.
 - iv. A proving ground has been set up near Chennai for both developmental and regulatory testing of vehicles fitted with brake system.
- b) Benefits derived as a result of the above facts:
- i. Developed products to meet customer requirements with reduced time.
 - ii. Increase in design capabilities using solid modelling.
 - iii. Many new competencies have been acquired by the company such as control algorithms, software coding, electronics design and manufacture, sensors, specialised vehicle testing, instrumentation and data acquisition.
- c) Details relating to imported technology:
- Manufacture of type 12 and type 12/16 wedge brake chamber and actuators respectively.

Year of import : 1994
Has technology been fully absorbed : Yes

C. FOREIGN EXCHANGE EARNINGS AND OUTGO EXPORT ACTIVITIES:

- i. Exports during the year ended 31st March 2000 amounted to Rs.600.17 lakhs as against Rs.484.15 lakhs for the year ended 31st March 1999.
- ii. Expanding the product base and increasing the penetration through an optimal mix of pricing and promotions.
- iii. Establishment of a warehouse in USA to improve the delivery schedule.

Total foreign exchange used and earned:

a) Foreign exchange used	Rs.1923.07 lakhs
b) Foreign exchange earned	Rs.600.17 lakhs

By order of the Board

Chennai
21st August 2000

SURESH KRISHNA
Chairman

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