

Sundaram-Clayton Limited



41st Annual Report 2003

Sundaram-Clayton Limited**Board of Directors**

SURESH KRISHNA
Chairman

venu srinivasan
Managing Director

gopal srinivasan
Joint Managing Director

K MAHESH

T K BALAJI

GUENTER SEEGER

CHRISTIAN WIEHEN

MICHEAL CAPPARIS

NIKHIL MADHUKAR VARTY

D E UDWADIA

D D UDESHI
Alternate to Dr. Christian Wiehen

RYNA KARANI
Alternate to Mr. Guenter Seegers

ZIYAN MOLEDINA
Alternate to Mr. Nikhil Madhukar Varty

J JAYARAMAN
Alternate to Mr. Micheal Capparis

Executive Director

H LAKSHMANAN

President - Automotive Products

C NARASIMHAN

President - Die Casting

N RAGHUNATHAN

President - Brakes

C N PRASAD

Vice President - Finance

V N VENKATANATHAN

L VENKATESAN

R MURALI

Secretary

P SRINIVASAN

Audit Committee

T K BALAJI (Chairman)

D E UDWADIA

J JAYARAMAN

Investors Grievance Committee

SURESH KRISHNA (Chairman)

venu srinivasan

T K BALAJI

K MAHESH

Bankers

STATE BANK OF INDIA

Corporate Accounts Group Branch

Greens Dugar

Greens Road

Chennai 600 006

STATE BANK OF MYSORE

Whites Road Branch

Chennai 600 014

Auditors

SUNDARAM & SRINIVASAN

Chartered Accountants

23 Sir C P Ramaswamy Road

Alwarpet, 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"

24 (Old No.8) Haddows Road

Chennai 600 006

Factories

Padi, Chennai 600 050

Belagondapalli, Hosur - 635 114

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Sundaram-Clayton Limited

FINANCIAL HIGHLIGHTS INCLUDING SELECTED INDICATORS AND RATIOS

	Rupees in lakhs									
Year ended	1994	1995	1996	1997	1998*	1999	2000	2001	2002	2003
Profit and Loss Account										
Sales	8613	12455	17484	21066	13000	16000	23183	24061	24682	29912
Other income	105	287	575	942	937	1318	1456	1463	1825	2416
Total income	8718	12742	18059	22008	13937	17318	24639	25524	26507	32328
Gross profit before interest, depreciation & tax	1593	2560	3056	4126	1708	2624	3893	3490	4152	5905
Depreciation	222	229	301	587	410	577	799	948	1086	1202
Profit before interest & tax	1371	2331	2755	3539	1298	2047	3094	2542	3066	4703
Interest	276	183	97	222	35	-61	60	153	129	-126
Profit before taxation	1095	2148	2658	3317	1263	2108	3034	2389	2937	4829
Profit after taxation	450	1217	1570	1950	694	1870	2268	1774	2185	3605
Balance Sheet										
Net fixed assets	1658	2287	3388	4940	5266	6492	8507	9618	9961	12482
Investments	2222	4364	4442	4353	4839	4352	4301	4301	4831	4318
Net current assets	2910	3324	3835	2845	2195	3036	4468	4621	2453	2815
Total	6790	9975	11665	12138	12300	13880	17276	18540	17245	19615
Share capital	948	948	948	1897	1897	1897	1897	1897	1897	1897
Reserves & surplus	3334	7573	8764	9202	9480	10718	12249	13397	13545	15820
Net worth	4282	8521	9712	11099	11377	12615	14146	15294	15442	17717
Loan funds	2508	1454	1953	1039	923	1265	3130	3246	962	890
Deferred taxation (net)									841	1008
Total	6790	9975	11665	12138	12300	13880	17276	18540	17245	19615
EPS (Rs) @**	2.37	6.41	8.28	10.28	3.66	9.86	11.95	9.36	11.52	19.00
DPS (Rs) @	1.25	2.00	2.00	2.70	2.00	3.00	3.50	3.00	6.00	6.50
Book value per share (Rs) @	22.57	44.92	51.20	58.52	59.98	66.51	74.59	80.63	81.41	93.40
Return on capital employed (ROCE) %	20.2	27.8	25.5	29.7	12.7#	15.6	19.9	14.2	17.1	25.5
Return on net worth (RONW) %	10.8	19.0	17.2	18.7	7.3#	15.6	16.9	12.1	14.2	21.7
Fixed assets turnover (No. of times)	5.7	6.3	6.2	5.1	3.0#	2.7	3.1	2.7	2.5	2.7
Working capital turnover (No. of times)	2.7	4.0	4.9	6.3	6.2#	6.1	6.2	5.3	7.0	11.4
Gross profit as % of total income	18.3	20.1	16.9	18.7	12.3	15.2	15.8	13.7	15.7	18.3
Net profit as % of total Income	5.2	9.6	8.7	8.9	5.0	10.8	9.2	7.0	8.2	11.2

@ adjusted for bonus issue.

figures are annualised.

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.

** EPS for the years 1993 - 1996 calculated after adjusting subsequent bonus issue as per AS 20

Sundaram-Clayton Limited**Notice to the Shareholders**

NOTICE is hereby given that the forty first annual general meeting of the company will be held at 'The Music Academy', New No.168 (Old No.306), TTK Road, Chennai 600 014 on Wednesday, the 22nd October 2003, at 2.00 p.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 2003 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 the first interim dividend of Rs.2.50 per share declared by the board of directors of the company on 25th October 2002, and the second interim dividend of Rs.4/- per share declared on 12th June 2003, on 1,89,67,584 equity shares of Rs.10/- each fully paid absorbing a sum of Rs.1232.90 lakhs in the aggregate and paid to the shareholders on 15th November 2002 and 20th June 2003, respectively, be and are hereby approved as final dividend for the year ended 31st March 2003.

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, director who retires by rotation and being eligible for re-appointment be and is hereby re-appointed 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 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 annual general 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

5. 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.

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

RESOLVED THAT Mr Nikhil Madhukar Varty be and is hereby appointed as a director of the company, liable to retire by rotation.

7. To consider and if thought fit, to pass with or without modification, the following resolution as a special resolution through postal ballot:

RESOLVED THAT pursuant to the provisions of Section 192A read with Section 17 of the Companies Act, 1956, the objects clause of the memorandum of association be amended in the manner set out hereunder:

In clause III, after clause 49, the following clauses numbered as 49A and 49B be inserted:

Clause 49A:

"Subject to the provisions of the rules and regulations framed by Securities and Exchange Board of India and any other regulatory authorities, from time to time,

- i. To act as merchant bankers, portfolio managers, underwriters, sub underwriters and debenture trustees, in respect of any issue of securities made by any company / body corporate, banks and public sector companies.
- ii. To act as broking house, brokers and sub brokers, and to deal in securities issued by any company, body corporate, Government / public sector companies, banks and also securities issued by any state or Central Government and to purchase and sell such securities for and on behalf of the clients for remuneration; To act as market makers in the issue of any securities, to become members of stock exchanges / clearing houses and to carry on such other incidental activities for the said purpose.
- iii. To act as Registrar and Share Transfer Agents for any company or body corporate and to provide services as Share Transfer Agents and Registrars for any public issue, rights issue, bonus issue and issue of any securities whether in India or abroad.
- iv. To establish and manage mutual funds and asset management companies either alone or in association with any other company or body corporate as may be deemed fit by the board of directors from time to time, and to do such other acts, that are necessary and incidental for this purpose.
- v. To act as custodians of securities and depository participants, and for this purpose, become members of the depositories, and to provide all services to clients in the capacity as custodian of securities / depository participants, subject to the provisions of Depositories Act, 1996 and such other applicable laws, rules and regulations and to do such other acts, that are necessary and incidental for this purpose.

Clause 49B

To act as investor advisors, consultants and manager to deposit schemes of various companies / corporate bodies.

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

RESOLVED THAT subject to the alteration of the objects clause of the company's memorandum of association in terms of the special resolution passed in terms of Section 192A of the Companies Act, 1956 read with Companies (Passing of the resolution by postal ballot) Rules, 2001, approval be and is hereby accorded pursuant



Sundaram-Clayton Limited

to Section 149(2A) of the Companies Act, 1956 to the company commencing as and when its board of directors may think fit, all or any of the businesses specified in clauses III-49A and III-49B of the company's memorandum of association as altered.

By order of the board

Chennai
27th August 2003

P SRINIVASAN
Secretary

Registered office:
"Jayalakshmi Estates"
24 (Old No.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 notarially 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.5 to 8 as set out above is annexed hereto.
3. The first interim dividend of Rs.2.50 per equity share as declared by the board of directors was paid on 15th November 2002 to the shareholders whose names appeared in the register of members on 31st October 2002. The second interim dividend of Rs.4/- per share was paid on 20th June 2003 to the shareholders whose names appeared in the register of members of the company as on 16th June 2003 (end of the day) in respect of shares held in depositories and as on 20th June 2003 in respect of shares held in physical form. The directors have recommended no further dividend for the year 2002-2003.
4. 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 1996 and remaining unpaid / unclaimed will be transferred to investor education and protection fund established by the Central Government on **12th December 2003**. Subsequent dividends declared which remain unclaimed for a period of seven years will be transferred to the said investor education and protection fund on the due dates.

Members who have not encashed their dividend warrants in respect of the above period are requested to make their claim by surrendering the unencashed warrants immediately to the company.
5. Members holding shares in physical form, in their own interest, are requested to dematerialise the shares to avail the benefits of electronic holding / trading.
6. Members are requested to notify to the company immediately any change in their address. Members holding shares in depository are requested to advice change of address to their depository participants.
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 slip annexed to proxy form and hand over the slip at the entrance of the meeting hall.
9. In terms of clause 49 of the listing agreement with the stock exchanges, a *brief resume of directors who are proposed to be appointed / re-appointed in this meeting is given below:*
 - I **Mr K Mahesh**

Born on 11th October 1943, Mr K Mahesh is a B.Tech graduate in metallurgy. He is serving as a director of the company since 28th July 1975.

He is the past president of Automotive Component Manufacturers Association of India and also the past chairman of ACMA Centre for Technology. He is the founder trustee of TSK Memorial Trust. He is the member of the National Council of Confederation of Indian Industry.

He is the director in the following companies viz., Sundaram Brake Linings Limited (chairman and managing director), TV Sundram Iyengar & Sons Limited (whole-time director), Southern Roadways Limited, Sundaram Industries Limited, Sundaram Textiles Limited and TVS Global Trade Private Limited.

He is also a member of investors grievance committee of the company.
 - II **Mr Michael Capparis**

Born on 25th September 1962, Mr Michael Capparis is an attorney. He was co-opted by the board as an additional director on 23rd April 2003.

Mr Michael Capparis is a Bachelor of Arts (international relations) from Tufts University, Massachusetts, USA and obtained *Juris Doctor* from New York Law School, New York. He started his career as a legal assistant in the litigation department of Nabisco Brands Inc, New York, USA in 1985. From 1988 to 1990, he worked as intern at the city tax department of Department of Finance and at the mediation department of Appeals, 2d circuit, Federal Court of Appeals, New York. He joined American Standard Inc as Corporate Counsel in 1991. He joined World Standard Limited as Corporate Counsel – PRC in 1993 (Shanghai), became Far East Counsel in 1997 (Hong Kong) and rose to the position of Assistant General Counsel in 2001 (Brussels, Belgium). From 2003 onwards, in the American Standard Europe B.v.b.A, he is working as Associate General Counsel and Vice President & General Counsel of WABCO Vehicle Control Systems Division and Chief European Counsel of Bath & Kitchen Products Division. He is residing at Brussels, Belgium.

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He is the director in the following companies viz., Ideal Standard Bulgaria AD (Chairman), Amstan Trane Bulgaria AD (Chairman), Edwards Logistics France s.a.r.l (managing director), Vidima AD, Egyptian American Sanitary wares Co., EAD, Egyptian American Industrial Plastics Co., EAD, Islamic Acrylic Company ("Misr Acrylic") EAD., Sanifrance SA, American Standard Italia, s.r.l, Ideal Standard Sanitaryware (Thailand) Limited, Sophista Limited and A-S China Plumbing Products Servco Limited.

III Mr Nikhil Madhukar Varty

Born on 16th August 1964, Mr Nikhil Madhukar Varty is post graduate in commerce from Bombay University and also a chartered accountant. He also has an MBA degree from University of Scranton in Scranton, Pennsylvania, USA.

He has worked for Sony Orson and Borosil Glass Works in India and for Coopers & Lybrand and Allied Signal (now Honeywell) in the USA. He has almost 18 years of experience in various accounting, finance, consulting and business leadership roles.

At present, he is the vice president and chief financial officer of WABCO vehicle control systems, a division of American Standard Inc., and works in Brussels, Belgium.

He was appointed as a director in the casual vacancy caused by the resignation of Mr Julian Holmes, with effect from 17th April 2002.

He does not hold directorship in any other company.





Sundaram-Clayton Limited

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 27th August 2003 and shall be taken as forming part of the notice.

Item Nos. 5 & 6

Mr Michael Capparis was co-opted by the board as an additional director on 23rd April 2003.

In terms of Section 260 of the Companies Act, 1956, he will hold office only upto the date of this annual general meeting.

Mr Nikhil Madhukar Varty was appointed as a director in the casual vacancy caused by the resignation of Mr Julian Holmes with effect from 17th April 2002.

In terms of Section 262 of the Companies Act, 1956, Mr Nikhil Madhukar Varty will hold office only upto the date of this annual general meeting, when Mr Julian Holmes 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 M/s Michael Capparis and Nikhil Madhukar Varty for the office of directors and to move the resolution as set out in item no.5 & 6 of this notice.

The directors recommend the resolutions for adoption by the shareholders.

M/s Michael Capparis and Nikhil Madhukar Varty are deemed to be concerned or interested in the respective resolutions.

Item No.7

Securities and Exchange Board of India (SEBI) vide its circular No. D & CC/ FITTC/Cir-15/2002 dated 27th December 2002 made it mandatory for listed companies to have a common agency for maintaining share registry work in respect of both the physical and electronic transfers of securities at a single point i.e either in house by the company or by a SEBI registered Registrar and Transfer Agent (RTA).

The share registry work relating to physical transfers is done in-house. M/s.Integrated Enterprises (India) Limited, Chennai, provides connectivity for downloading beneficial ownership data (BENPOS) from time to time for updation of register of members at our end. In order to comply with the requirement of SEBI circular referred above and with a view to provide speedy and efficient service to investors, the board of directors decided to carryout the entire work pertaining to transfer of shares, in-house.

This will also help the company to carry on the work of RTA for group companies without any additional investment and thus share the expenses resulting in reducing the cost of operations. This, being a new line of business activity,

requires a specific provision in the memorandum of association. Consequently it is proposed to alter the objects clause of the memorandum of association of the company by incorporating a specific clause to authorise undertaking of RTA business, as contained in the resolution.

The amendment to objects clause of the memorandum of association requires approval of shareholders by a special resolution in terms of Section 17 of the Companies Act, 1956 and also requires approval of shareholders by postal ballot in terms of section 192A of the Act read with companies (passing of Resolution by Postal Ballot) Rules 2001.

A separate notice is being sent to shareholders under certificate of posting alongwith the draft resolution and explanatory statement. Shareholders are requested to send their assent / dissent to the resolution in writing on the ballot paper sent alongwith the notice, on or before 9th October 2003.

Passing of resolution by postal ballot will be in lieu of passing the same in the annual general meeting. The results of the postal ballot will be announced by the chairman in the annual general meeting.

None of the directors is interested or concerned in the resolution.

Item No.8

The company proposes to commence new business activity as elaborated in clauses III-49A and III-49B of the memorandum of association, newly inserted, upon approval of the resolution set out in item no.7 of the notice convening the meeting, by postal ballot in terms of Section 192A of the Companies Act, 1956.

The company being an existing company incorporated prior to the commencement of Companies (Amendment) Act, 1965, commencement of such new activities contained in the objects clause requires approval of the shareholders in terms of Section 149(2A) of the Companies Act, 1956.

The directors recommend the resolution for adoption by the shareholders.

None of the directors is interested or concerned in the resolution

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
27th August 2003

P SRINIVASAN
Secretary

Registered office:
"Jayalakshmi Estates"
24 (Old No.8) Haddows Road
Chennai 600 006

Sundaram-Clayton Limited



Directors' report to the shareholders

The directors herewith present the forty first annual report and the audited accounts for the year ended 31st March 2003.

2. FINANCIAL HIGHLIGHTS

Details	Rs. in lakhs	
	Year ended 31.03.2003	Year ended 31.03.2002
Sales and other income	32327.67	26506.58
Gross profit before interest and depreciation	5904.76	4151.91
Interest (Net)	(126.78)	128.94
Depreciation	1202.14	1086.02
Profit before tax	4829.40	2936.95
Provision for taxation	1450.00	900.00
Profit after tax	3379.40	2036.95
Add:		
Credit for deferred taxation	93.25	56.81
Tax relating to earlier years	132.03	91.19
	3604.68	2184.95
Surplus brought forward from previous year	1182.28	735.39
Total	4786.96	2920.34
Interim dividend paid @ 25% (last year 60%)	474.20	1138.06
Proposed II dividend @ 40%	758.70	-
Tax on dividend	97.21	-
Transfer to general reserve	2200.00	600.00
Surplus in profit & loss account	1256.85	1182.28
	4786.96	2920.34

3. DIVIDEND

During the year, the board of directors declared two interim dividends of Rs.2.50 per share on 25th October 2002, and Rs.4/- per share on 12th June 2003, thus totalling Rs.6.50 per share (i.e 65%) absorbing in the aggregate a sum of Rs.1232.90 lakhs. The directors have recommended no further dividend for the year ended 31st March 2003.

4. PERFORMANCE

During the year under review, the company has maintained its market share. The sales of air brake equipment increased to Rs.227 crores as against Rs.200 crores in the preceding year. This was possible due to significant increase in the production of heavy and medium commercial vehicles.

Die casting division achieved a sales tonnage of 9072 tonnes during the year as against 6734 tonnes in the last year recording a growth of 35%.

5. OUTLOOK

In the first quarter of the current financial year 2003-04, the commercial vehicle production witnessed a growth of 4% over the corresponding quarter of the previous year. With better monsoon anticipated in the current year, it is estimated that the heavy and medium vehicle segments would post a growth of 15% in the current year as compared to 2002-03. The Die Casting business is planning to achieve production of 12000 tonnes during the current year by servicing of new orders received from overseas customers and also by increase in sales to existing customers in domestic market.

6. SUBSIDIARIES

During the year, the company transferred its entire holding of 1,00,63,318 equity shares of Rs.10/- each in TVS Electronics Limited (TVSE) to its wholly owned subsidiary company, TVS Investments Limited. Thus TVSE has become a subsidiary of TVS Investments Limited (TVSI) and also continues to be a subsidiary of the company under Section 4(1)(c) of the Companies Act, 1956.

ICL Foundries Limited, Sundram Telematics Limited, AuctionIndia.com Limited and Harita Technical Services Limited, subsidiaries of the company amalgamated with TVS eTechnology Limited (TVS eTech), another subsidiary of the company with effect from 1st November 2002. In another scheme of amalgamation, TVSE amalgamated with TVS eTech effective 9th December 2002. The amalgamated entity, viz., TVS eTech will be renamed as TVS Electronics Limited, in terms of the scheme of amalgamation approved by the High Court of Madras.

In terms of Accounting Standard 21 prescribed by the Institute of Chartered Accountants of India, the accounts of the subsidiaries are consolidated with the accounts of the company and the consolidated accounts form part of this report.

An application in terms of Section 212(8) of the Companies Act, 1956 has been made to the Central Government, seeking exemption from attaching the balance sheet and profit and loss account of the subsidiaries alongwith the report of the board of directors and that of the auditors' thereon, with the company's accounts and the approval of the Central Government is awaited. This will help reducing the cost of printing and mailing the annual report. However, copies of the accounts of subsidiaries together with directors' report and auditors' report thereon, will be sent to the members, upon request.

M/s.Lakshmi Auto Components Limited, a subsidiary company, has acquired the entire paid up capital of Sundaram Auto Components Limited (SACL) i.e., 2,50,000 equity shares of Rs.10/- each for cash at par on 1st April 2003. Consequently, SACL has become a subsidiary of the company with effect from 1st April 2003.

7. ANNUAL GENERAL MEETING

In view of the amalgamation scheme of various subsidiary companies with TVS eTechnology Limited and with a view to meet the requirement of Accounting Standard 21 (Consolidation of accounts), the board of directors sought extension of time for holding the annual general meeting by three months before 31st December 2003 and the same was approved by Registrar of Companies.

8. DIRECTORS

Mr Nikhil Madhukar Varty who was appointed as a director on 17th April 2002 in the casual vacancy caused by the resignation of Mr Julian Holmes, will vacate his office in terms of Section 262 of the Companies Act, 1956 at the ensuing annual general meeting of the company and is eligible for re-appointment.

Mr Michael Capparis was appointed as an additional director with effect from 23rd April 2003. In terms of Section 260 of the Companies Act, 1956, he will hold office up to the date of the ensuing annual general meeting of the company.

Notices have been received from certain members of the company in terms of Section 257 of the Companies Act, 1956, signifying their intention to propose the candidature of Mr Nikhil Madhukar Varty and Mr Michael Capparis for the office of director.



Sundaram-Clayton Limited

Mr K Mahesh, director, will be retiring at this annual general meeting and is eligible for re-appointment.

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 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 the 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 as amended by Companies (Particulars of Employees) Rules, 2002 are given in annexure II to this report.

As required under Section 217(2AA) of the Companies Act, 1956, the directors' responsibility statement is enclosed in annexure III to this report.

11. CORPORATE GOVERNANCE

The company has complied with the provisions of Listing Agreement concerning corporate governance and a report to this effect is enclosed as

required by Clause 49 of the listing agreement with the stock exchanges. A certificate issued by the auditors of the company regarding compliance of conditions of corporate governance, is also annexed to the said report.

A management discussion and analysis report as required by listing agreement is also enclosed which forms part of this report.

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 and bankers 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 in yet another year. The directors specially thank the shareholders for their continued faith in the company.

By order of the board

Chennai
27th August 2003

SURESH KRISHNA
Chairman

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Sundaram-Clayton Limited



Annexure I to directors' report for the year ended 31st March 2003

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

A. CONSERVATION OF ENERGY

1. Measures taken:

- (i) Extension of providing ceiling fans in shop floor;
- (ii) Reduction of water consumption by 20 KL/day;
- (iii) Reduction of power consumption in AC Plant;
- (iv) Substitution of existing air conditioners with centralised air conditioners;
- (v) Power savings through drives;
- (vi) Reduction of oil consumption.

The above measures have resulted in an annual saving of about Rs.10.45 lakhs.

2. Proposed measures:

- (i) Energy saving in compressor by reducing air leaks;
- (ii) Introducing flat belt drive instead of V-belt drive in 80 HP compressor;
- (iii) Reducing fixed energy consumption in air compressors;
- (iv) Energy savings by providing air curtains instead of blowers & mancoolers;
- (v) Energy savings in factory lighting;
- (vi) Energy savings in sewage treatment plant;
- (vii) Energy savings in 3 systec machines fixing variable frequency drives;
- (viii) LED indication lamps in 100 machines.

This will result in a saving of about Rs.13.40 lakhs per annum.

B. TECHNOLOGY ABSORPTION

Research & Development (R & D)

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

Existing activities:

- (a) Design and development of innovative products like drying and distribution unit to replace the existing air dryer, SC230 compressor for Hino Engines and inversion relay valve for MERITOR WABCO, who will be supplying this to North American OEMs;
- (b) Design and development of a new compact spring brake actuator platform to replace the current product;
- (c) Design and development of Zero Dead Stroke Vacuum Brake Valves to provide customer vehicles with car-like feel when braking;

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

- (a) Improved reliability of the braking system and cost reduction;
- (b) The development of drying and distribution unit will improve value to customer and strengthen our competitive position in the market. The development of inversion relay valve will help us make an entry into design and development of products for the North American OEMs;
- (c) The innovative ideas generated during the year has enabled us in filing applications for four patents.

(3) Future plan of action:

- (a) Upgrading our products to meet international benchmarks of performance and durability;

- (b) Development of a new compressor platform, with substantially improved life and performance and simplifying manufacturing;
- (c) Introduction of electronic braking systems in commercial vehicles;
- (d) The extensive road development projects will lead to larger and faster vehicles for carrying goods and passengers in India. The company's R&D's focus will be to develop reliable and cost effective products meeting international benchmarks for the new generation vehicles. The products to be developed include the latest anti-lock braking systems;
- (e) The R&D efforts will also be to develop air brake system products for export markets.

(4) Expenditure in R & D:	Rs. in lakhs
Capital expenditure	98.00
Recurring expenditure (including salaries)	615.59
	713.59
Total expenditure as percentage of turnover	2.2%

Technology absorption, adaptation and innovation:

(a) Efforts in brief:

1. Preparation of a technology development plan and product upgradation plan;
2. Continued efforts in evolving design rules from technology development projects to reduce development lead times;
3. Improvement in productivity in 3D solid modelling through standardisation and utilising advanced features to reduce design lead times;
4. Utilising the services of eminent consultants to improve efficiency in product development;

(b) Benefits derived as a result of the above efforts:

1. Developed innovative products to improve competitive position in the market;
2. Reduced lead time for product development;
3. Introduced new products that would improve braking efficiency and system reliability.

(c) Details relating to imported technology:

Manufacture of type 12 and 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:

Exports during the year ended 31st March 2003 amounted to Rs.980.16 lakhs as against Rs.977.38 lakhs for the year ended 31st March 2002.

Total foreign exchange used and earned:

a) Foreign exchange used	Rs.2387.69 lakhs
b) Foreign exchange earned	Rs.980.16 lakhs

By order of the board

Chennai
27th August 2003

SURESH KRISHNA
Chairman