

# *Sundaram-Clayton Limited*



## *46th Annual Report 2008*



**Sundaram-Clayton Limited**

Regd Office: No. 29, Haddows Road, Chennai 600 006

All the Members of Sundaram-Clayton Limited

**ABSTRACT OF VARIATION OF THE TERMS OF CONTRACT WITH MR GOPAL SRINIVASAN AS JOINT MANAGING DIRECTOR OF THE COMPANY IN TERMS OF SECTION 302 OF THE COMPANIES ACT, 1956 AND MEMORANDUM OF INTEREST.**

The board of directors of the Company, at their meeting held on 31st July 2006, reappointed Mr Gopal Srinivasan as joint managing director of the Company, subject to the approval of the shareholders in the general meeting, for a period of five years commencing from 1st December 2006 on the terms and conditions agreed to between him and the Company. Accordingly, at the annual general meeting of the Company held on 27th September 2006, the shareholders of the Company approved the reappointment of Mr Gopal Srinivasan as joint managing director, the terms of his appointment and remuneration in terms of Sections 198, 269, 309 and 310 of the Companies Act, 1956 and authorized to execute necessary agreement setting forth the terms approved by the shareholders of the Company. The remuneration so fixed included a commission not exceeding 2% on the net profits of the Company arrived at as per the provisions of Section 349 of the Companies Act, 1956 as may be fixed by the Board of Directors for each financial year. His current term as joint managing director is due to expire on 30th November 2011.

Meanwhile, Mr Gopal Srinivasan, resigned as joint managing director of the Company effective 18th August 2008 to enable him to concentrate on the new subsidiaries floated by the wholly owned subsidiary of the Company, namely TVS Investments Limited such as M/s. TVS Capital Funds Limited. The board of directors also accepted his resignation as joint managing director of the Company at their meeting held on 18th August 2008. However, he continues to be a non-executive director of the Company.

Consequent to his resignation as joint managing director of the Company, the agreement entered into between the Company and Mr Gopal Srinivasan on the terms and conditions as per the resolution passed by the shareholders at the general meeting held on 27th September 2006 to hold the office as joint managing director of the Company for a period of five years from 1st December 2006 to 30th November, 2011, stands terminated by mutual consent effective 18th August 2008.

This information is being provided to the shareholders of the Company in terms of section 302 of the Companies Act, 1956, being the variation of contract amounting to the termination of the agreement.

**Memorandum of interest**

None of the directors of the company is in any way concerned or interested in the above variation except Mr Gopal Srinivasan, being a director, Mr Venu Srinivasan, managing director and Mr T K Balaji, director, being relatives of Mr Gopal Srinivasan.

By order of the board

Chennai 600 006  
23rd August 2008

**V N Venkatanathan**  
Executive vice-president -  
Finance & Secretary

**Sundaram-Clayton Limited****Board of Directors**

**venu srinivasan**  
*Managing Director*

**Suresh Krishna**

**K. Mahesh**

**Gopal Srinivasan**

**T.K. Balaji**

**Dr. Christian Wiehen**

**Nikhil Madhukar Varty**

**Leon Liu**

**D.E. Udawadia**

**D.D. Udeshi**

**Pascale F. Rahman**

**Vice Admiral P.J. Jacob (Retd.)**

**K.S. Shah**

*Alternate to Leon Liu*

**Executive Director**

**H. Lakshmanan**

**President - Automotive Products division**

**C.N. Prasad**

**President - Die-casting division**

**P.H. Narayanan**

**Executive Vice President -**

**Finance & Secretary**

**V.N. Venkatanathan**

**Audit Committee**

**Vice Admiral P.J. Jacob (Retd.)** *Chairman*

**D.E. Udawadia**

**T.K. Balaji**

**K.S. Shah**

**Investors' Grievance Committee**

**Suresh Krishna**

*Chairman*

**Venu Srinivasan**

**K. Mahesh**

**T.K. Balaji**

**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.

Bombay Stock Exchange Ltd, Mumbai.

**Registered Office**

"Jayalakshmi Estates"

29 (Old No.8) Haddows Road

Chennai 600 006

Tel. : 044-28272233

Fax : 044-28257121

**Share Transfer Department**

New No. 22 (Old No. 31),

Railway Colony 3rd Street,

Mehta Nagar, Chennai 600 029

Tel. : 044-2374 1889

044-2374 2939

Fax : 044-2374 1889

E-mail : kr.raman@scl.co.in

scishares@gmail.com

investorscomplaintssta@scl.co.in

vnn@scl.co.in

**Factory**

**Chennai**

Padi, Chennai 600 050

Tel. : 044 - 2625 8212

Fax : 044 - 2625 7177

**Hosur**

Hosur - Thally Road

Belagondapalli

Hosur - 635 114

Tel. : 04347 - 233445

Fax : 04347 - 233014

**Web site :**

[www.sundaramclayton.com](http://www.sundaramclayton.com)

**CONTENTS****Page No.**

Financial highlights

2

Notice to the shareholders

3

Directors' report to the shareholders

6

Management discussion and analysis report

12

Report on Corporate governance

16

Auditors' certificate on Corporate governance

24

Auditors' report to the shareholders

25

Balance sheet

28

Profit & loss account

29

Schedules

30

Cash flow statement

55

Statement under Section 212 of the Companies Act, 1956

57

General business profile

58

Auditors' report on consolidated accounts

59

Consolidated accounts

60

Financial information of subsidiaries under Section 212(8)  
of the Companies Act, 1956.

74



## Sundaram-Clayton Limited

### FINANCIAL HIGHLIGHTS INCLUDING SELECTED INDICATORS AND RATIOS

Rupees in crores

Year ended	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Profit and Loss Account</b>										
Sales	160.0	231.8	240.6	246.8	299.1	417.4	536.3	629.3	816.2	426.9
Other income	13.2	14.6	14.6	18.3	24.2	28.4	32.5	45.3	48.6	34.5
Total income	173.2	246.4	255.2	265.1	323.3	445.8	568.8	674.6	864.8	461.4
Gross profit before interest, depn and tax (EBITDA)	26.2	38.9	34.9	41.5	59.0	82.1	101.6	141.1	176.1	73.9
Depreciation	5.8	8.0	9.5	10.9	12.0	15.3	21.4	26.9	32.8	27.7
Profit before interest & tax	20.4	30.9	25.4	30.6	47.0	66.8	80.2	114.2	143.3	46.2
Interest	(0.6)	0.6	1.5	1.3	(1.3)	0.5	3.8	7.9	15.2	10.8
Profit before tax	21.0	30.3	23.9	29.3	48.3	66.3	76.4	106.3	128.1	35.4
Profit after tax	18.7	22.7	17.7	21.9	36.1	46.0	53.4	75.3	91.6	23.9
<b>Balance Sheet</b>										
Net fixed assets	64.9	85.1	96.2	99.6	124.8	183.8	275.1	302.5	326.4	240.2
Investments	43.5	43.0	43.0	48.3	43.2	55.0	57.1	71.0	82.3	69.4
Net current assets	30.4	44.7	46.2	24.5	28.1	23.3	30.4	77.4	170.6	213.7
Total	138.8	172.8	185.4	172.4	196.1	262.1	362.6	450.9	579.3	523.3
Share capital	18.9	18.9	18.9	18.9	18.9	18.9	18.9	18.9	18.9	9.5 <sup>#</sup>
Reserves & surplus	107.2	122.6	134.0	135.5	158.2	187.1	221.1	270.5	325.2	226.6
Net worth	126.1	141.5	152.9	154.4	177.1	206.0	240.0	289.4	344.1	236.1
Loan funds	12.7	31.3	32.5	9.6	8.9	44.8	109.2	146.1	215.8	267.4
Deferred taxation (net)	-	-	-	8.4	10.1	11.3	13.4	15.4	19.4	19.8
Total	138.8	172.8	185.4	172.4	196.1	262.1	362.6	450.9	579.3	523.3
EPS (Rs)	9.86	11.95	9.36	11.52	19.00	24.25	28.16	39.26	48.06	12.61
DPS (Rs)	3.00	3.50	3.00	6.00	6.50	8.00	9.00	12.00	17.00	8.75
Book value per share (Rs)	66.51	74.59	80.63	81.41	93.40	108.63	126.53	152.57	181.41	127.48
Return on capital employed (ROCE) %	15.6	19.9	14.2	17.1	25.5	29.2	25.7	28.1	27.8	8.3
Return on net worth (RONW) %	15.6	16.9	12.1	14.2	21.7	24.0	23.9	28.5	28.9	8.2
Fixed assets turnover (no of times)	2.7	3.1	2.7	2.5	2.7	2.7	2.3	2.2	2.6	1.5
Working capital turnover (no of times)	6.1	6.2	5.3	7.0	11.4	16.2	20.0	11.7	6.6	2.2
EBITDA as % of sales	16.4	16.8	14.5	16.8	19.7	19.7	18.9	22.4	21.6	17.3
EBITDA as % of total income	15.1	15.8	13.7	15.7	18.3	18.4	17.9	20.9	20.4	16.0
Net profit as % of total income	10.8	9.2	7.0	8.2	11.2	10.3	9.4	11.2	10.6	5.2

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.

# During 2007-08, the face value of share has been reduced from Rs. 10 to Rs. 5 per share in view of de-merger of brakes division of the company.

Figures of 2007-08 are not comparable with that of previous years' in view of de-merger of the brakes division of the company.

## Sundaram-Clayton Limited



### Notice to the Shareholders

NOTICE is hereby given that the fortysixth 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 Thursday, the 25<sup>th</sup> September 2008 at 10.30 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 31<sup>st</sup> March 2008 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 Suresh Krishna, 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 Mr Nikhil Madhukar Varty, 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 Mr D E Udwadia, director who retires by rotation and being eligible for re-appointment be and is hereby re-appointed 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 D D Udeshi, director who retires by rotation and being eligible for re-appointment be and is hereby re-appointed 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 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.

Chennai  
18<sup>th</sup> August 2008

By order of the board  
V N VENKATANATHAN  
Executive Vice President-  
Finance & Secretary

Registered office:  
"Jayalakshmi Estates"  
29, (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 Register of members and the Share transfer register will remain closed for a period of three days from 2<sup>nd</sup> September 2008 to 4<sup>th</sup> September 2008 (both days inclusive) for the purpose of payment of second interim dividend declared by the board on 18<sup>th</sup> August 2008.
3. In terms of Section 205A read with Section 205C of the Companies Act, 1956, the dividends declared by the Company, which remain unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund (IEPF), established by the Central Government on the due dates. The particulars of due dates for transfer of such unclaimed dividends to IEPF are furnished in the report on Corporate Governance forming part of the annual report. Members who have not encashed their dividend warrants in respect of the above periods are requested to make their claim by surrendering the unencashed warrants immediately to the Company.
4. Members holding shares in physical form, in their own interest, are requested to dematerialise the shares to avail the benefits of electronic holding / trading.
5. Members are requested to notify to the Company immediately any change in their address. Members holding shares in depository are requested to advise change of address to their depository participants.
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.



## Sundaram-Clayton Limited

8. In terms of clause 49 (IV)(G) of the listing agreement with the stock exchanges, a brief resume of directors, who are proposed to be re-appointed in this meeting, nature of their expertise in specific functional areas, their other directorships and committee memberships and their shareholdings in the company and their relationships with other directors in the Company are given below:

### I. Mr Suresh Krishna

Mr Suresh Krishna was born in Madurai, South India, on 24th December 1936.

Mr Krishna received his Bachelor of Science degree from Madras Christian College in the year 1955. He received his M.A. in Literature from the University of Wisconsin in 1959 and did his post-graduate work in Literature in the University of Munich, Germany.

Mr Krishna is the Chairman & Managing Director of M/s. Sundram Fasteners Limited (SFL), the leading company in high tensile fasteners in India. Under his dynamic leadership, SFL received international recognition by achieving several 'firsts' as mentioned below:

- First Indian Company to receive ISO certification;
- First and only Indian Company to receive "Best Supplier Award" from General Motors, USA. SFL received this award for five consecutive years;
- First Engineering company in India to receive the TPM Excellence Award from Japan Institute of Plant Maintenance;
- First Engineering company from India to set up a manufacturing facility in China.

Mr Krishna held the Presidentship of Confederation of Engineering Industry for the year 1987-88. He was the President of the Automotive Component Manufacturers Association of India during 1982-84.

He has been involved in several other public bodies, from time to time, by the Central as well as the State Governments. He was appointed as a Director on the Central board of the Reserve Bank of India from 2000 to 2006. He was one of the members of the Advisory Council to the Prime Minister, formed to advise the Prime Minister on matters relating to trade and industry. The Government of Tamil Nadu appointed Mr Krishna as the Sheriff of Madras for 1992 and 1993.

He was awarded the prestigious Sir Jehangir Ghandy Medal for "Industrial Peace" by XLRI in 1991. The Business India magazine selected him as the Businessman of the year 1995. He was awarded the "Qimpro Platinum Standard 1997" for being a role model for Quality Leadership for Corporate India, and the "Juran Quality Medal" by the Indian Merchants Chamber, Mumbai. The Asian Productivity Organisation, Japan, conferred the National Award for 2000 (for India) on Mr Krishna, for his outstanding contribution towards productivity improvement in the country during the last five years. The All India Management Association gave the prestigious

"JRD Tata Corporate Leadership Award" for the year 2000 to Mr Suresh Krishna. Mr Krishna was the recipient of the "Entrepreneur of the Year" Award for 2001, from Ernst & Young.

Mr Krishna has been conferred with the "Padma Shri" award by the Government of India in 2006.

He was co-opted as a director of the Company by the board on 23rd May 1979.

He is the chairman of the Investors' Grievance committee of the board of directors of the Company.

He holds 1532 equity shares in the Company. Mr Suresh Krishna and Mr K Mahesh, directors of the Company, being brothers, are relatives. Details of his other directorships and memberships / chairmanships of committees are given below:

S. No.	Name of the company	Position held	Committee membership/ chairmanship
1	Sundram Fasteners Limited	Chairman and Managing Director	Member - Share Transfer & Shareholder Investor Grievance Committee
2	T V Sundram Iyengar & Sons Ltd.	Director	Member - Audit Committee
3	TVS Sewing Needles Limited	Director	
4	Lucas - TVS Limited	Director	Chairman - Audit Committee
5	Tata Steel Limited (formerly TISCO)	Director	Member - Investors' Grievance Committee
6	Sundram Non-Conventional Energy Systems Limited	Chairman	
7	TVS Logistics Services Limited	Chairman	
8	Sundram International Inc., USA	Director	
9	Upasana Engineering Limited	Chairman	

### II. Mr Nikhil Madhukar Varty

Mr Nikhil Madhukar Varty is a post graduate in commerce from University of Bombay and Chartered Accountant. He also has an MBA degree from University of 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 21 years of experience in various business leadership, finance and consulting roles.

At present, he is the vice president and business unit leader for the compression and braking business unit of WABCO Vehicle Control Systems and works in Brussels, Belgium.

He was co-opted as a director of the Company by the board on 17th April 2002.

He does not hold any position as a member of any committee of directors of any Company.

He does not hold any share in the Company and he is not related to any other directors of the Company. Details of his other directorships are given below:



## Sundaram-Clayton Limited



S. No.	Name of the Company	Position held
1.	WABCO Compressor Manufacturing Company	Chairman
2.	WABCO-TVS (INDIA) Limited	Director

### III. Mr. Darius Erach Udwadia

Mr Darius Erach Udwadia is a post-graduate from the University of Bombay. He is an advocate and solicitor of the Bombay High Court. He is also a Solicitor of the Supreme Court of England.

Mr Udwadia was a partner of Crawford Bayley & Co., Mumbai, one of India's leading law firms for over 22 years. He is currently one of the founding partners of Udwadia & Udeshi.

He has during his nearly 45 years of active law practice acquired valuable knowledge, experience and expertise in the following areas of law, namely corporate law, mergers, acquisitions and takeovers, corporate re-structuring, foreign collaboration, joint ventures, project and infrastructure finance, telecommunication, international loan and finance related transactions and financial instruments, mutual funds, real estate and conveyancing.

Mr Udwadia was the Chairman of the Indian Advisory Board of ABN Amro Bank N.V for 6 years.

He was co-opted as a director of the Company by the board on 2<sup>nd</sup> December 1987.

He is the member of the audit committee of the board of directors of the Company.

He does not hold any share in the Company and he is not related to any other directors of the Company. Details of his other directorships and memberships / chairmanships of committees are given below:

S. No.	Name of the company	Position held	Committee membership/ chairmanship
1	ABB Limited	Director	Member – Audit Committee Member – Shareholders Grievance Committee
2	ADF Foods Limited	Director	
3	AstraZeneca Pharma India Limited	Chairman	Member – Audit Committee
4	Avesthagen Limited	Vice-Chairman	
5	Bombay Burmah Trading Corporation Limited	Director	Member – Audit Committee
6	Coromandel Fertilisers Limited	Director	
7	Development Credit Bank Limited	Director	Member – Audit Committee
8	Eureka Forbes Limited	Director	
9	ITD Cementation India Limited	Director	Member – Audit Committee
10	JM Financial Limited	Director	

S. No.	Name of the company	Position held	Committee membership/ chairmanship
11	Macmillan India Limited	Vice-Chairman	Member – Audit Committee
12	Mechanalysis (India) Limited	Director	
13	Wyeth Limited	Director	Member – Audit Committee
14	WABCO-TVS (INDIA) Limited	Director	
15	Habasi Lakoka Pvt.Ltd.,	Director	
16	JM Financial & Investment Consultancy Services Pvt.Ltd.,	Director	
17	JM Financial Trustee Company Pvt.Ltd.,	Director	
18	JM Financial Consultants Pvt.Ltd.,	Director	
19	Quantum Advisors Pvt.Ltd.,	Director	
20	Nitesh Estates Pvt.Ltd.,	Director	
21	Rossi Gearmotors (India) Pvt. Ltd.,	Director	

### IV. Mr. D D Udeshi

Mr Dilip Dwarkadas Udeshi is a graduate from the University of Bombay. He is an Advocate of the Bombay High Court and has qualified as a Solicitor, having passed the examination conducted by the Incorporated Law Society of Bombay in 1958.

Mr Udeshi was a partner in one of the India's leading law firm Messrs Crawford Bayley & Co. Mumbai for 22 years.

During his nearly 47 years of active law practice he has gathered invaluable experience and expertise in the areas of commercial litigation, arbitration (both domestic and international), banking, constitutional law, banking documentation, real estate transactions and intellectual property matters.

Mr Udeshi was the Chairman of the Local Advisory Board of ABN Amro Bank N.V for 6 years and he is also on the Board of several reputed public limited companies.

He was co-opted as a director of the Company by the board on 31<sup>st</sup> December 2005.

He does not hold any position as a member of any committee of directors of any Company.

He does not hold any share in the Company and he is not related to any other directors of the Company. Details of his other directorships are given below:

S. No.	Name of the Company	Position held
1	Advanced Oral Care Products Pvt.Ltd.,	Director
2	Baltic Consultancy & Services Pvt.Ltd.,	Director
3	Chandabhoj & Jassoobhoj Consultants Pvt.Ltd.,	Director
4	Nova Synthetic Limited	Director
5	Sefar Filtration (India) Pvt.Ltd.,	Director
6	Secure Meters Limited	Director
7	Serandib Investments Pvt.Ltd.,	Director



## Sundaram-Clayton Limited

### Directors' report to the shareholders

The directors herewith present the fortysixth annual report and the audited accounts for the year ended 31<sup>st</sup> March 2008.

### 2. FINANCIAL HIGHLIGHTS

Details	Rs. in lakhs	
	Year ended 31.03.2008	Year ended 31.03.2007
Sales and other income	46141.70	86481.45
Gross profit before interest and depreciation	7390.57	17611.33
Interest – Net	1080.78	1523.77
Depreciation	2774.43	3279.30
Profit before tax	3535.36	12808.26
Provision for taxation (including deferred tax and fringe benefit tax)	1143.34	3692.39
Profit after tax	2392.02	9115.87
Add: Tax relating to earlier years	155.68	52.35
	2547.70	9168.22
Surplus brought forward from previous year	4123.91	2682.69
Total	6671.61	11850.91
Appropriations:		
First Interim dividend	384.10	1327.73
Second Interim dividend	331.93	1517.41
Proposed dividend	–	379.35
Tax on dividend	121.69	463.50
Transfer of profit to WABCO-TVS (INDIA) Limited on demerger of the demerged undertaking	3435.13	–
Transfer to general reserve	1532.12	4039.01
Surplus in profit & loss account	866.64	4123.91
	6671.61	11850.91

Notes: The results of the Company for the current financial year 2007-2008 are not comparable with that of the previous year 2006-2007 as the current year's figures are exclusive of figures of the demerged undertaking, namely brakes business which stood transferred to WABCO-TVS (INDIA) Limited with effect from 28<sup>th</sup> March 2008 in terms of the Scheme of Arrangement between the Company and WABCO-TVS (INDIA) Limited and their respective shareholders and creditors sanctioned by the Hon'ble High Court of Madras vide its order dated 20<sup>th</sup> February 2008 and the same was filed with the Registrar of Companies, Tamilnadu, Chennai on 28<sup>th</sup> March 2008.

### 3. SCHEME OF ARRANGEMENT AND SHARE CAPITAL

During the year under review, the Hon'ble High Court of Madras approved the Scheme of Arrangement between the Company and WABCO-TVS (INDIA) Limited and their shareholders and creditors (the Scheme) vide its order dated 20<sup>th</sup> February 2008 without any modification as approved

by the shareholders of the Company in the Court convened meeting held on 22<sup>nd</sup> October 2007 under the Chairmanship of Mr Venu Srinivasan, managing director of the Company.

As per the Scheme and in terms of sections 391-394 read with sections 78, 100 to 103 and other applicable provisions of the Companies Act, 1956, the Demerged undertaking, namely brakes business of the Company comprising of all properties (with rights and powers of every description), investments, assets and liabilities (includes duties of every description) stood transferred to / vested in WABCO-TVS (INDIA) Limited from the Effective date, namely 28<sup>th</sup> March 2008.

In pursuance of the said Scheme, the Company's issued and paid up equity capital stood reduced by Rs.9,48,37,920 from Rs.18,96,75,840 as being no longer represented by the assets of the Company consequent to the demerger of the Demerged undertaking, namely brakes business and such reduction was effected by reducing the face value of the equity shares of the Company from Rs.10/- per equity share to Rs.5/- per equity share.

Accordingly, the authorized capital of the Company stood reduced to Rs.10,00,00,000 consisting of 2,00,00,000 equity shares of Rs.5/- each from Rs.20,00,00,000 consisting of 2,00,00,000 equity shares of Rs.10/- each. Further, the Company also issued and allotted on 7<sup>th</sup> May 2008, 1,89,67,584 equity shares of Rs.5/- each fully paid up equity shares to the shareholders of the Company in the ratio of one equity share of Rs.5/- each for every one equity share of Rs.10/- each held by the shareholders of the Company consequent to the cancellation and extinguishment of the existing equity shares with a face value Rs.10/- each in terms of the Scheme.

Similarly, the shareholders of the Company were also issued and allotted on 7<sup>th</sup> May 2008, 1,89,67,584 equity shares of Rs.5/- each fully paid up equity shares in the ratio of one equity share of Rs.5/- each for every one equity share of Rs.10/- each by the board of directors of WABCO-TVS (INDIA) Limited in pursuance of the said Scheme.

### 4. LISTING OF SHARES

The new equity shares of Rs.5/- each issued by the Company in terms of the Scheme were listed and admitted for trading on the Madras Stock Exchange Limited, Bombay Stock Exchange Limited and the National Stock Exchange of India Limited with effect from 20<sup>th</sup> June, 2008.

The trading on new equity shares was commenced effective 20<sup>th</sup> June 2008 in BSE and NSE. The old equity shares of Rs.10/- each of the Company were suspended for trading from these Stock Exchanges from the last week of April 2008, since the equity shares with a face value of Rs.10/- each stood automatically cancelled and to be of no effect from the Record date, namely 2<sup>nd</sup> May 2008 in terms of the Scheme.

### 5. DIVIDEND

During the year, the board of directors of the Company declared an interim dividend of Rs.7/- per share on 30<sup>th</sup> October 2007 and paid to the shareholders on 7<sup>th</sup> November 2007.



## Sundaram-Clayton Limited



With the face value of Rs.10/- per share in October 2007, before the Scheme was sanctioned by the Hon'ble High Court of Madras, Rs.7/- per share was declared as an interim dividend by the Company as a composite entity. Translating this interim dividend for the face value of Rs.5/- each post demerger of the Company, on a share capital of Rs.948.38 lakhs, represented by 1,89,67,584 equity shares of Rs.5/- each, dividend attributable post demerger of the Company was arrived at as Rs.384.10 lakhs, namely Rs.2.05 per share (41%).

The board of directors of the Company at their meeting held on 18<sup>th</sup> August 2008 have declared a second interim dividend of Rs.1.75 per share (35%), for the year ended 31<sup>st</sup> March 2008, absorbing a sum of Rs.331.93 lakhs.

The board of directors of the Company do not recommend any further dividend for the year under consideration and the interim dividends paid amounting to Rs.716.03 lakhs, be considered as the final dividend for the year 2007-2008.

### 6. PERFORMANCE

During the year under review, the vehicle industry registered a negative growth of 2.1%. While the medium / heavy commercial vehicles segment recorded a negative growth of 1%, the light commercial vehicle segment registered a growth of 13%. Car segment achieved a positive growth of 14% and two wheeler segment suffered a negative growth of 5%.

Against this backdrop, the die casting division sold 19,296 tonnes of castings against 19,541 tonnes of castings sold in 2006-07, registering a marginal decline of 1.3%. Despite this, the Company achieved sales of Rs.427 crores during 2007-08 as against Rs.309 crores in 2006-07, registering a growth of 38.2%.

On export front, North American heavy truck market witnessed a negative growth of 52% during the year mainly due to switching over to US 07 norms. Exports sales were also affected due to the appreciation in the Indian rupee against the US Dollar by over 12%. Against this twin impact, exports sales registered a growth of 20% at Rs.156.81 crores against Rs.133.60 crores achieved in 2006-07. This growth was mainly due to introduction of new products to our customers Volvo, Cummins and their subsidiaries.

### 7. OUTLOOK

The growth in domestic automotive industry is expected to slow down during 2008-09. While the passenger car segment is likely to register a growth of 8%, the two wheeler segment is expected to be flat. The domestic MCV and HCV segment is expected to have a marginal growth of 2% in 2008-09. The sales of Class 8 trucks (GVW > 14.75T) in

the US market are projected to remain stagnant owing to the recessionary conditions in the US market. European heavy truck sales are expected to grow by around 2.5%.

The Company plans to achieve a sale of Rs.515 crores in 2008-09, a growth of 14% over 2007-08 (including notional value of material). This growth will mainly come from the ramp-up of new businesses received from both domestic customers – Hyundai, Visteon, TVS Motor Company Limited, WABCO-TVS (INDIA) Limited and overseas customers – Volvo, Cummins and Ford UK.

### 8. CAPITAL EXPENDITURE

During the year 2008-09, the company proposed to make additional investments of Rs.100 crores, which is planned after taking into account the long term business prospects and export orders. The cash outgo is planned to be met partly by internal accruals and partly by rupee and foreign currency borrowings.

### 9. SUBSIDIARIES

During the year, M/s. WABCO-TVS (INDIA) Limited ceased to be a wholly owned subsidiary of the Company consequent to the extinguishment of 1,00,000 equity shares of Rs. 5/- each held by the Company, including the equity shares held by its nominees from the Effective date namely 28<sup>th</sup> March 2008, in terms of the Scheme of Arrangement sanctioned by the Hon'ble High Court of Madras vide its order dated 20<sup>th</sup> February 2008.

During the year, M/s. TVS Electronics Limited (TVSE), a subsidiary of the Company, has promoted the following new companies namely, M/s TVS-E Servicetec Limited, M/s Tumkur Property Holdings Limited and M/s Prime Property Holdings Limited, Chennai, as its wholly owned subsidiaries with a paid up capital of Rs.5,00,000/- each.

Similarly, during the year under review, M/s TVS Investments Limited (TVS-I), a wholly owned subsidiary of the Company, has promoted the following new companies, namely M/s. TVS Capital Funds Limited and M/s. TVS-E Access India Limited with a paid up capital of Rs. 5,00,000/- each.

During the year under review, M/s. TVS Finance & Services Limited, a listed subsidiary of TVS-I, a wholly owned subsidiary of the Company, was delisted from Bombay Stock Exchange Limited and Madras Stock Exchange Limited on 5<sup>th</sup> June 2008 and 12<sup>th</sup> June 2008 respectively, consequent to the 'Delisting Offer' made by TVS-I in accordance with Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003 and became an unlisted subsidiary of the Company.

Subsequently, as part of restructuring of their core and non-core business activities among TVS-E Cluster companies, the shareholdings by TVSE and TVS-I in their respective subsidiaries were rearranged. As on date of this report, the following are the subsidiaries of the Company:



## Sundaram-Clayton Limited

S.No	Name of the company	Subsidiary of
1.	Anusha Investments Ltd.	Sundaram-Clayton Limited
2.	Auto (India) Engineering Ltd.	Anusha Investments Limited
3.	TVS Motor Company Limited	Sundaram-Clayton Limited
4.	TVS Motor (Singapore) Pte Ltd	TVS Motor Company Limited
5.	TVS Motor Company (Europe) B.V	TVS Motor Company Limited
6.	PT TVS Motor Company Indonesia	TVS Motor Company Europe (B.V)
7.	Sundaram Auto Components Ltd	TVS Motor Company Limited
8.	TVS Investments Limited	Sundaram-Clayton Limited
9.	TVS Electronics Limited	TVS Investments Limited
10.	TVS Finance and Services Ltd.	TVS Investments Limited
11.	Sravanaa Properties Limited	TVS Capital Funds Limited
12.	TVS Capital Funds Limited	TVS Investments Limited
13.	TVS-E Access India Limited	TVS Investments Limited
14.	TVS-E Servicetec Limited	TVS Investments Limited
15.	Tumkur Property Holdings Ltd	TVS Electronics Limited
16.	Prime Property Holdings Ltd	TVS Electronics Limited

### 10. CONSOLIDATED ACCOUNTS

In terms of Accounting Standard 21 prescribed by the Institute of Chartered Accountants of India/Companies (Accounting Standards) Rule, 2006, 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 was 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.

The Central Government vide its letter No. 47/483/2008-CL-III dated 22<sup>nd</sup> July 2008 granted exemption from attaching the audited accounts and reports of the subsidiaries with that of the Company for the year ended 31<sup>st</sup> March 2008. This would help the Company to save considerable costs in printing and mailing.

As directed by the Central Government, the Company is presenting the consolidated financial statements of each of its subsidiaries duly audited by the statutory auditors.

The annual accounts of the subsidiaries and the related detailed information will be made available, at any point of time, to the investors of both the holding and the subsidiary companies upon seeking such information.

The annual accounts of the subsidiary companies will also be kept for inspection by the members at the registered office of the Company and that of the subsidiary companies concerned during the business hours on any working day.

### 11. DIRECTORS

Effective 23<sup>rd</sup> July 2008, Mr Suresh Krishna resigned as Chairman of the board for personal reasons. However, he continues to be a director of the Company, liable to retire by rotation in terms of the articles of association of the Company.

Several beneficial developments took place under his leadership in the business activities of the Company. Many new subsidiary companies came under the fold of the Company and as a promoter of M/s. TVS Motor Company Limited (TVSM), the Company has been supporting and providing necessary managerial and financial support to TVSM.

In all these spheres, Mr Suresh Krishna has been a source of great strength through his wise counsel and matured advice. His role as an entrepreneur exhibiting his vision, farsighted approach for taking advantage of the business environment and meeting the challenges of the industry, is well known in the automotive industry.

The board of directors wish to place on record their appreciation of the valuable services rendered by Mr Suresh Krishna during his tenure as Chairman of the Company for 29 years.

Effective 18<sup>th</sup> August 2008, Mr Gopal Srinivasan, resigned as joint managing director of the Company to enable him to concentrate on the new subsidiaries floated by TVS-I such as M/s. TVS Capital Funds Limited. However, he continues to be a non-executive director of the Company. Accordingly, the agreement entered into between the Company and Mr Gopal Srinivasan on the terms and conditions, as per the resolution passed by the shareholders at the general meeting held on 27<sup>th</sup> September 2006, of his re-appointment to hold the office as joint managing director of the Company for a period of five years from 1<sup>st</sup> December 2006 to 30<sup>th</sup> November, 2011, stands terminated by mutual consent.

Since Mr Gopal Srinivasan assumed the office of joint managing director in 1986, his drive and relentless pursuit to maximize the use of information technology in all spheres of the company's administration and management are remarkable. The level of competence and the e-friendly environment presently witnessed in all areas of SCL group companies are, in no small measure, due to his deep insight and thorough involvement.

He has been primarily responsible for the substantial improvement in the communication network.

He continuously strives for achieving excellence by introducing up-to-date advancements in the field of information technology and communication. SCL group companies as a whole, are grateful to him for facilitating and recording such a progress, keeping in line with the modern advanced systems adopted by many leading companies in the country.

The board records its deep appreciation of his services as joint managing director to the Company and to the SCL group as a whole. By agreeing to continue to serve on the board as directors, the board looks forward to the continuous association and expert advice of M/s. Suresh Krishna and Gopal Srinivasan in the years to come.