

Sundaram-Clayton Limited 

48th Annual Report 2010

Board of Directors

venu srinivasan
Managing Director

Suresh Krishna

K Mahesh

Gopal Srinivasan

T K Balaji

DR Lakshmi Venu
Director - Strategy

Vice Admiral P J Jacob (Retd.)

Suresh Kumar Sharma

S Santhanakrishnan

V Subramanian

T R Sridharan

Executive Director

H Lakshmanan

President & Chief Executive Officer - Automotive Products Division

C N Prasad

President - Die Casting Division

P H Narayanan

Executive Vice President - Finance

V N Venkatanathan

Secretary

R Raja Prakash

Audit Committee

Vice Admiral P J Jacob (Retd.)
Chairman

T K Balaji

V Subramanian

T R Sridharan

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
Industrial Finance Branch
Chennai - 600 006

Auditors

SUNDARAM & SRINIVASAN
Chartered Accountants
New No. 4 (Old No. 23)
Sir C P Ramaswamy Road
Alwarpet, Chennai - 600 018.

Listing of shares with

Madras Stock Exchange Limited
National Stock Exchange of India Limited
Bombay Stock Exchange Limited

Registered Office

"Jayalakshmi Estates"
No. 29 (Old 8) Haddows Road
Chennai - 600 006, Tamil Nadu, India.
Tel. : 044 - 2827 2233
Fax : 044 - 2825 7121

Share Transfer Department

No. 22 (Old 31) Railway Colony 3rd Street
Mehta Nagar, Chennai - 600 029,
Tamil Nadu, India.
Tel. : 044 - 2374 1889
044 - 2374 2939
Fax : 044 - 2374 1889
E-mail : kr.raman@scl.co.in
sclshares@gmail.com
investorscomplaintssta@scl.co.in
r.rajaprakash@scl.co.in

Factory

Chennai

Padi, Chennai - 600 050, Tamil Nadu, India.
Tel. : 044 - 2625 8212
Fax : 044 - 2625 7177

Mahindra World City
Plot No. AA8, Central Avenue
Auto Ancillary SEZ
Kancheepuram - 603 002, Tamil Nadu, India.
Tel. : 044 - 4749 0049

Hosur

Hosur - Thally Road
Belagondapalli
Hosur - 635 114, Tamil Nadu, India.
Tel. : 04347 - 233 445
Fax : 04347 - 233 014

Website

www.sundaramclayton.com

Subsidiary Companies

Anusha Investments Limited
TVS Motor Company Limited
TVS Motor (Singapore) Pte Limited
TVS Motor Company (Europe) B.V
PT.TVS Motor Company Indonesia
Sundaram Auto Components Limited
TVS Energy Limited
TVS Investments Limited
TVS Electronics Limited
Sravanaa Properties Limited
TVS Capital Funds Limited
TVS-E Access India Limited
TVS-E Servicetec Limited
Tumkur Property Holdings Limited
Prime Property Holdings Limited

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Sundaram-Clayton Limited

FINANCIAL HIGHLIGHTS INCLUDING SELECTED INDICATORS AND RATIOS

Rupees in crores

Year ended	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Profit and Loss Account										
Sales	240.6	246.8	299.1	417.4	536.3	629.3	816.2	426.9	492.4	492.7
Other income	14.6	18.3	24.2	28.4	32.5	45.3	48.6	34.5	36.3	46.3
Total income	255.2	265.1	323.3	445.8	568.8	674.6	864.8	461.4	528.7	539.0
Gross profit before interest, depreciation & tax (EBIDTA)	34.9	41.5	59.0	82.1	101.6	141.1	176.1	73.9	60.1	71.8
Depreciation	9.5	10.9	12.0	15.3	21.4	26.9	32.8	27.7	31.0	37.6
Profit before interest & tax	25.4	30.6	47.0	66.8	80.2	114.2	143.3	46.2	29.1	34.2
Interest	1.5	1.3	(1.3)	0.5	3.8	7.9	15.2	10.8	22.1	20.5
Profit before taxation	23.9	29.3	48.3	66.3	76.4	106.3	128.1	35.4	7.0	13.7
Profit after taxation	17.7	21.9	36.1	46.0	53.4	75.3	91.6	23.9	6.3	12.4
Balance Sheet										
Net Fixed assets	96.2	99.6	124.8	183.8	275.1	302.5	326.4	240.2	304.3	307.4
Investments	43.0	48.3	43.2	55.0	57.1	71.0	82.3	69.4	67.3	73.4
Net current assets	46.2	24.5	28.1	23.3	30.4	77.4	170.6	213.7	219.0	172.6
Total	185.4	172.4	196.1	262.1	362.6	450.9	579.3	523.3	590.6	553.4
Share capital	18.9	18.9	18.9	18.9	18.9	18.9	18.9	9.5 [#]	9.5	18.9
Reserves & surplus	134.0	135.5	158.2	187.1	221.1	270.5	325.2	226.6	221.9	225.5
Net worth	152.9	154.4	177.1	206.0	240.0	289.4	344.1	236.1	231.4	244.4
Loan funds	32.5	9.6	8.9	44.8	109.2	146.1	215.8	267.4	339.3	288.7
Deferred taxation (net)		8.4	10.1	11.3	13.4	15.4	19.4	19.8	19.9	20.3
Total	185.4	172.4	196.1	262.1	362.6	450.9	579.3	523.3	590.6	553.4
Earnings Per Share (EPS) (Rs) *	4.68	5.76	9.50	12.13	14.08	19.63	24.03	6.31	1.67	3.26
Dividend Per Share (DPS) (Rs)	3.00	6.00	6.50	8.00	9.00	12.00	17.0	8.75	2.00	1.75
Book value per share (Rs)	80.63	81.41	93.40	108.63	126.53	152.57	181.41	127.48	122.00	64.43
Return on capital employed (ROCE) %	14.2	17.1	25.5	29.2	25.7	28.1	27.8	8.3	5.2	6.0
Return on net worth (RONW) %	12.1	14.2	21.7	24.0	23.9	28.5	28.9	8.2	2.7	5.2
Fixed assets turnover (no. of times)	2.7	2.5	2.7	2.7	2.3	2.2	2.6	1.5	1.8	1.6
Working capital turnover (no. of times)	5.3	7.0	11.4	16.2	20.0	11.7	6.6	2.2	2.3	2.5
EBIDTA as % of sales	14.5	16.8	19.7	19.7	18.9	22.4	21.6	17.3	12.2	14.6
EBIDTA as % of total income	13.7	15.7	18.3	18.4	17.9	20.9	20.4	16.0	11.4	13.3
Net profit as % of total income	7.0	8.2	11.2	10.3	9.4	11.2	10.6	5.2	1.2	2.3

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.

* After consideration of issue of bonus shares in 2009-10 in the ratio of 1:1.

Figures of 2007-08 are not comparable with that of previous years' in view of demerger of brakes division of the Company.

Notice to the Shareholders

NOTICE is hereby given that the forty-eighth 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 September 2010 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 2010 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 T K Balaji, 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 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.

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

RESOLVED THAT the retiring statutory auditors M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai having the Firm Registration No. 004207S issued by the Institute of Chartered Accountants of India, 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

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

RESOLVED THAT Mr T R Sridharan, who was appointed as an additional director and who holds office upto the date of this annual general meeting as per the provisions of the Companies Act, 1956, be and is hereby appointed as a director of the Company, subject to retirement by rotation.

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

RESOLVED THAT Dr Lakshmi Venu, who was appointed as an additional director and who holds office upto the date of this annual general meeting as per the provisions of the Companies Act, 1956, be and is hereby appointed as a director of the Company, subject to retirement by rotation.

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

RESOLVED THAT subject to the provisions of Sections 198, 269 read with Schedule XIII, 309 and 317 of the Companies Act, 1956 (the Act), and other applicable provisions, if any of the Act, Dr Lakshmi Venu, be and is hereby appointed as Director-Strategy in the rank of managing director of the Company for a period of five years from 22nd March 2010 and the remuneration payable to Dr Lakshmi Venu upon such appointment, as set out in the agreement dated 22nd March, 2010 entered into between the Company and Dr Lakshmi Venu, copy of which was placed before the meeting and initialed by the chairman for the purpose of identification, be and is hereby approved.

RESOLVED FURTHER THAT the board may revise the remuneration payable to her during the currency of present tenure of office in such manner as may be agreed to between herself and the Board of Directors, provided that the remuneration by way of salary, perquisites, commission, other allowance and benefits shall not exceed the limits prescribed under Schedule XIII and such other applicable provisions of the Companies Act, 1956 as amended and that may be in force, from time to time.

RESOLVED FURTHER THAT the scope and quantum of remuneration specified hereinabove, may be enhanced, enlarged, widened, altered or varied by the Board of Directors, in the light of and in conformity with any amendments to the relevant provisions of the Companies Act, 1956 / Income Tax Act 1961 and/or the rules and regulations made there under and/or such guidelines, as may be announced by the Central Government, from time to time.

RESOLVED FURTHER THAT Dr Lakshmi Venu, Director-Strategy of the Company, shall have the powers and duties as set out in the aforesaid agreement, and that may be vested in her, by the board, from time to time.

By order of the board

Chennai
13th August 2010

R Raja Prakash
Secretary

Registered office:
"Jayalakshmi Estates"
No. 29 (Old 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 of attorney or other 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 the special businesses as set out in the Notice is annexed hereto.
- 3) The register of members and the share transfer register will remain closed for a period of 3 days from 19th August 2010 to 21st August

2010 (both days inclusive) for the purpose of payment of second interim dividend declared by the board of directors at their meeting held on 13th August 2010.

- 4) 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 on due dates to the Investor Education and Protection Fund (IEPF), established by the Central Government. 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(s) by surrendering the unencashed warrants immediately to the Company.

- 5) Members holding shares in physical form, in their own interest, are requested to dematerialize the shares to avail the benefits of electronic holding / trading.
- 6) Members are requested to notify to the Company any change in their address immediately. Members holding shares in electronic form are requested to advise 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(IV)(G) of the Listing Agreement with the Stock Exchanges, a brief resume of directors who are proposed to be re-appointed / appointed in this meeting, nature of their expertise in specific functional areas, their other directorships and committee memberships, their shareholdings and relationships between directors, inter se, 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; and
- 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.

The Central as well as the State Governments have involved Mr Krishna in several other public bodies from time to time. He was appointed as a director on the Central Board of the Reserve Bank of India. He was a member of the Indo-German Consultative Group, jointly set up by the Prime Minister of India and the Chancellor of the Federal Republic of Germany, with a view to improve bilateral relations between the two countries. 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 Krishna. He was the recipient of the "Entrepreneur of the Year" Award for 2001 from Ernst & Young. In the year 2004, the Mayor of Jiaxing City, Zhejiang Province, China, has honoured Mr Krishna with the 'South Lake Friendship Award' for his contribution to the economy and culture of China.

The Government of India conferred the "Padma Shri" award on Mr Krishna in 2006.

He holds 3,064 equity shares in the Company. Mr Suresh Krishna and Mr K Mahesh, directors of the Company, being brothers, are relatives.

He is a chairman of the investors' grievance committee of director 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 memberships/ chairmanships
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	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 T K Balaji

Born on 12th July 1948, Mr T K Balaji is a Bachelor of Engineering, securing first rank from Madras University and is also a Master of Business Administration from IIM Ahmedabad with a Gold medal for outstanding scholastic performance.

Mr T K Balaji is a member of Development Council for Automobiles & Allied Industries, Government of India. He was the past president of Automotive Component Manufacturers Association of India (ACMA). He had served on the CII National Council for a number of years. He was conferred a Special Award by the FIE Foundation of Maharashtra in March 1995 in recognition of his contribution to the development of automotive component industry.

He does not hold any share in the Company and is not related to any director of the Company in terms of the Companies Act, 1956. He is a member of the audit committee and investors' grievances committee of 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 memberships/ chairmanships
1.	India Nippon Electricals Limited	Chairman	Investors' Grievance Committee - Chairman
2.	Lucas-TVS Limited	Managing director	–
3.	Delphi-TVS Diesel Systems Limited	Managing director	–
4.	Lucas Indian Service Limited	Director	–
5.	T V Sundram Iyengar & Sons Limited	Director	–
6.	Titan Industries Limited	Director	Audit Committee - Member Remuneration Committee - Chairman
7.	Apollo Hospitals Enterprise Limited	Director	–
8.	TVS Automotive Systems Limited	Director	–
9.	TVS Investments Limited	Director	–
10.	India Japan Lighting Private Limited	Chairman	–
11.	Punarvasu Swasthi Private Limited	Director	–
12.	Hastham Swasthi Private Limited	Director	–
13.	Harita Electronics Private Limited	Director	–
14.	TVS Credit Services Limited	Director	–

III. Mr K Mahesh

Born on 11th October 1943, Mr K Mahesh is a B.Tech graduate in metallurgy. He was the past president of Automotive Component Manufacturers Association of India (ACMA) and also the past chairman of ACMA Centre for Technology. He is the founder trustee of TSK Memorial Trust. He was the member of the National Council of Confederation of Indian Industry.

He holds 486 equity shares in the Company. Mr K Mahesh and Mr Suresh Krishna, directors of the Company, being brothers, are relatives. He is a member of the investors' grievances committee

of 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 memberships/ chairmanships
1.	T V Sundram Iyengar & Sons Limited	Whole-time Director	–
2.	Sundaram Textiles Limited	Director	–
3.	Southern Roadways Limited	Director	–
4.	Sundaram Brake Linings Limited	Chairman and Managing Director	Investors' Grievance Committee - Member
5.	Sundaram Industries Limited	Director	–
6.	TVS Global Trade Private Limited	Director	–

IV. Mr T R Sridharan

Born on 15th May 1939, Mr T R Sridharan is a B.Com (Hons) and a Certified Associate of Indian Institute of Bankers (CAIIB). He has over four decades of experience in international banking, capital markets, administrative and operational portfolios in banking sector.

He was the ex-chairman and managing director of Canara Bank. He also served as a member of BIFR. He is currently involved in the evaluation of Country Financial Accountability Assessment (CFAA) of various countries as a consultant for the World Bank.

He was co-opted as an additional director of the Company by the board on 25th January 2010.

He does not hold any share in the Company and he is not related to any director of the Company.

He is a member of the audit committee of directors of the Company effective 13th August 2010. Details of his other directorships and memberships/chairmanships of committees are given below:

S. No.	Name of the Company	Position held	Committee memberships/ chairmanships
1	Optimus Global Services Limited	Director	Audit Committee - Member

V. Dr Lakshmi Venu

Born on 16th April, 1983, Dr Lakshmi Venu, a graduate of Yale University, holds a Doctorate in Engineering Management from the University of Warwick.

She underwent her initial training for three years as a Management Trainee in Sundaram Auto Components Limited, a subsidiary of the Company, beginning from 2003. She was deputed to work in TVS Motor Company Limited, another subsidiary of the Company, wherein she, pursuant to an extensive in-depth induction, was working in the areas of Business Strategy, Corporate Affairs, Product Design and Sales & Marketing.

She was co-opted as an additional director of the Company by the board on 22nd March 2010 and also as Director-Strategy in the rank of a managing director of the Company for a period of five years commencing from 22nd March, 2010.

She does not hold any share in the Company and is related to Mr Venu Srinivasan, managing director of the Company.

She does not hold any position as a director in any other Company or as a member of any committee of directors in the Company.



EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 6

Mr T R Sridharan was appointed as an additional director of the Company with effect from 25th January 2010. In terms of Section 260 of the Companies Act, 1956, Mr T R Sridharan holds office only upto the date of this annual general meeting.

A notice has been received from a member of the Company under Section 257 of the Companies Act, 1956, along with a deposit of Rs. 500/- signifying his intention to propose the candidature of Mr T R Sridharan and to move the resolution as set out in Item No. 6 of this notice.

The directors recommend the said resolution to be approved as an ordinary resolution by the shareholders.

None of the directors, except Mr T R Sridharan, is deemed to be concerned or interested in the resolution.

Item No. 7

Dr Lakshmi Venu was appointed as an additional director of the Company with effect from 22nd March 2010. In terms of Section 260 of the Companies Act, 1956, Dr Lakshmi Venu holds office only upto the date of this annual general meeting.

A notice has been received from a member of the Company under Section 257 of the Companies Act, 1956, along with a deposit of Rs. 500/- signifying his intention to propose the candidature of Dr Lakshmi Venu and to move the resolution set out in Item No. 7 of this notice.

The directors recommend the said resolution to be approved as an ordinary resolution by the shareholders.

Dr Lakshmi Venu is deemed to be interested in this resolution since it relates to her appointment and Mr Venu Srinivasan, managing director, may also be deemed to be interested, being a relative of Dr Lakshmi Venu.

Item No. 8

The board of directors appointed Dr Lakshmi Venu as Director-Strategy in the rank of managing director of the Company for a period of five years from 22nd March, 2010 to 21st March, 2015 and fixed her terms of appointment and remuneration within the limits prescribed under sections 198 and 309 read with Schedule XIII of the Companies Act, 1956, subject to the approval of the shareholders in the ensuing annual general meeting of the Company.

Necessary agreement was entered into between the Company and Dr Lakshmi Venu in this regard. Details of the remuneration payable in terms of the agreement dated 22nd March, 2010 entered into between the Company and Dr Lakshmi Venu are as under:

- (i) SALARY : Rs.1,00,000/- per month.
- (ii) COMMISSION : Such percentage of net profits of the Company as may be determined by the board depending on the Company's performance every year, from time to time.
- (iii) PERQUISITES
 - I. Housing
 - Housing I : The Company shall provide its own furnished accommodation free of rent.

Housing II : In case no accommodation is owned by the Company, the following be provided for her accommodation :

- a. The expenditure on hiring furnished accommodation for her will be subject to a ceiling of sixty per cent of the salary ; or
- b. She will be entitled to house rent allowance subject to a ceiling of sixty per cent of the salary.

Explanation: The expenditure incurred by the Company on gas, electricity, water and furnishings will be valued as per the Income-tax Rules, 1962 or any re-enactment thereof. This shall, however, be subject to a ceiling of ten per cent of her salary.

II. Medical Reimbursement

Reimbursement of medical expenses for self and family, including premium for medical insurance.

III. Leave Travel Concession

Leave travel concession once in a year, incurred in accordance with the rules of the Company.

IV. Club Fees

Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

V. Personal accident insurance

Personal accident insurance for an amount, the annual premium of which does not exceed Rs.10,000/-.

VI. Company's contribution to provident fund, which will not exceed 12% of the salary or such other higher rate as may be notified by the Central Government, from time to time.

VII. Gratuity as per rules of the Company, not exceeding half a month's salary for each completed year of service.

VIII. Earned leave: On full pay and allowances as per rules of the Company, but not exceeding one month's leave for every eleven months of service. Leave accumulated shall be encashable at the end of the tenure.

IX. She shall be provided with car for use on Company's business and telephone at residence. Personal long distance calls on telephone and use of car for private purposes shall be dealt with by the Company as per the applicable provisions under the Income-tax Rules, 1962 or any re-enactment thereof.

X. Reimbursement of all actual expenses, including expenses incurred by her on entertainment and travelling in the course of the Company's business.

XI. No sitting fees be paid for attending the meetings of the board of directors or committees thereof.

XII. Benefits and Amenities :

- (i) Loan and other schemes - Benefits under loan and other schemes in accordance with the practices, rules and regulations in force, in the Company, from time to time; and
- (ii) Other benefits and amenities - Such other benefits and amenities as may be provided by the Company to other senior officers from time to time.

Total remuneration as aforementioned shall not exceed 5% of net profits of the Company as computed under section 349 of the Companies Act, 1956 every year.

In the event of loss or inadequacy of profits for any financial year, the board of directors will revise the remuneration payable to her during such financial year, in such manner as agreed to between the board of directors and her within the limits prescribed in this behalf under Schedule XIII of the Companies Act, 1956.

The abstract of the terms of appointment and remuneration and memorandum of interest was already circulated to members on 6th April, 2010 pursuant to section 302 of the Companies Act, 1956.

In compliance with the provisions of sections 198, 269 read with Schedule XIII, 309 and 317 of the Companies Act, 1956, the terms of appointment and the remuneration specified above are now being placed before the shareholders for their approval as set out in item No. 8 of this notice.

The directors recommend the said resolution to be approved as an ordinary resolution by the shareholders.

Dr Lakshmi Venu, Director-Strategy, is deemed to be interested in this resolution since it relates to her appointment and remuneration. Mr Venu Srinivasan, managing director, may also be deemed to be interested, being relative of Dr Lakshmi Venu.

None of the other directors is deemed to be concerned or interested in the resolution.

Inspection of documents :

The document(s) 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
13th August 2010

R Raja Prakash
Secretary

Registered office:
"Jayalakshmi Estates"
No. 29 (Old 8), Haddows Road
Chennai 600 006



Directors' report to the shareholders

The directors have pleasure in presenting the forty-eighth annual report and the audited accounts for the year ended 31st March 2010.

1. FINANCIAL HIGHLIGHTS

Details	Year ended 31.03.2010	Rs. in lakhs Year ended 31.03.2009
Sales and other income	53,896.83	52,869.87
Gross profit before interest and depreciation	7,175.07	6,008.07
Less: Interest - Net	2,052.35	2,207.17
Depreciation	3,755.89	3,105.06
Profit before tax	1,366.83	695.84
Less: Provision for :		
Income tax	90.00	—
Fringe benefit tax	—	51.00
Deferred tax	41.28	12.18
Profit after tax	1,235.55	632.66
Add: Dividend tax set off	—	56.41
	1,235.55	689.07
Surplus brought forward from previous year	1,110.25	866.64
Total	2,345.80	1,555.71
Appropriations:		
Tax relating to earlier years	75.98	2.78
First Interim dividend paid	189.68	189.73
Second Interim dividend payable	474.19	—
Proposed dividend	—	189.68
Transfer to general reserve	123.56	63.27
Balance carried to Balance Sheet	1,482.39	1,110.25
	2,345.80	1,555.71

2. DIVIDEND

The board of directors of the Company at its meeting held on 25th January 2010, declared first interim dividend of Re.0.50 per share (10%) absorbing a sum of Rs.1.90 Cr for the year 2009-10 and the same was paid to the shareholders on 8th February 2010.

The board at its meeting held on 13th August 2010 declared a second interim dividend of Rs.1.25 per share (25%) absorbing a sum of Rs.4.74 Cr for the year 2009-10. Hence the total amount of dividend including the second interim dividend, for the year ended 31st March 2010 will aggregate to Rs.1.75 per share (35%) on 3,79,35,168 equity shares of Rs.5/- each.

3. BONUS SHARES

During the year, the Company issued and allotted 1,89,67,584 equity shares of Rs.5/- each on 14th October 2009 in the ratio of 1:1 to the eligible holders of equity shares of Rs.5/- each as on the record date, i.e., 12th October 2009 as bonus equity shares by capitalizing an equivalent amount standing to the credit of the general reserve account of the Company. As a result, the Company's paidup equity share capital now stands at Rs.18.97 Cr. The said issue and allotment of bonus shares was completed within the stipulated period of two months of its declaration by the board of directors in terms of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

4. PERFORMANCE

During 2009-10, economies across the world (barring few) showed signs of recovery and moved to growth phase after experiencing difficult market conditions due to economic slowdown in the automotive sector in previous years.

The Indian economy is able to bounce back quickly and strongly growing at 7.2% in 2009-10. The automotive sector in India grew steadily at the beginning of the year, gained momentum in all segments in the second half of the year. It has ended the year with a record growth and performance.

During the year under review, the medium / heavy commercial vehicles segment recorded a positive growth of 34% and the light commercial vehicle segment also registered a positive growth of 43%. Car segment achieved a positive growth of 26% and two wheeler segment registered a growth of 26%.

The Company's export business remained affected by the economic downturn in the key markets namely, US and Europe. US manufacturing showed signs of improvement during second half of the year, whereas the depressed conditions continued in Europe throughout 2009-10.

In this backdrop, North American class 8 trucks market witnessed a negative growth of 42%, while the class 5-7 trucks market witnessed a negative growth of 38%. Similarly, the Europe medium and heavy trucks witnessed a negative growth of 60%.

This corresponds to the sale of 19,499 tonnes of castings sold by the Company in the year 2009-10 as against 17,633 tonnes of castings sold in 2008-09. The Company achieved sales of Rs.492.68 Cr during 2009-10 as against Rs.492.37 Cr in 2008-09. Exports registered a decline and stood at Rs.172.72 Cr against Rs.197.49 Cr achieved in 2008-09. The Company achieved profit of Rs.12.36 Cr as against Rs.6.33 Cr in previous year, registering a growth of 95%.

5. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

I. Industry Structure and Development:

Domestic

Indian economy bounced back and grew by 7.2% in 2009-10 as against 6.7% growth in 2008-09. The automotive industry in India grew steadily in the first two quarters and recorded significant growth in the last two quarters of 2009-10. Indian economy exhibited clear momentum in recovery despite deficient monsoon, high volatility in foreign exchange rates and commodity prices, due to increased spending by government followed by stimulus packages.

New product launches, attractive discounts and availability of finance at lower interest rates helped industry in registering strong growth in vehicle sales over 2008-09. However the industry did not witness any major increase in exports due to capacity constraints and surge in domestic demand. Overall export growth was 18% compared to 54% in 2008-09.

Category	2009-10	2008-09	Growth
Commercial Vehicles (CV)	531,395	384,194	38.3%
Passenger cars	1,949,776	1,552,703	25.6%
Three wheelers	440,368	349,727	25.9%
Two wheelers	9,371,231	7,437,619	26.0%

(Source: SIAM)

Exports

Recovery in the global economy picked up momentum in the fourth quarter of 2009. The speed of recovery, however, remains significantly divergent. US and Europe economies declined by -2.4% and -3.9% respectively in 2009 compared to previous year.

The following table highlights the North American and Europe truck industry production figures in vehicle units.

Market	Category	2009	2008	Growth
North America	Class 8 Trucks	118,440	205,237	-42%
North America	Class 5-7 Trucks	97,750	157,561	-38%
Europe	Medium & Heavy trucks	330,323	833,105	-60%

(Source: ACT Research & ACEA)

Though the production of Class 8 trucks in North America in 2009 was lower by 42% over the previous year, the second half production was higher by 8% over first half in 2009.

The production of heavy trucks in Europe fell by 60% in 2009. However, the second half production recorded growth of 2% over first half in 2009.

II. Business outlook and overview

In 2009-10, the first half was slightly weak; however economies across the world have shown signs of revival. In 2010-11, the global growth is expected to be more than 4%. The Indian economy is expected to grow by 8% as per the latest RBI notification (28th July, 2010). Other structural factors being favourable, this augurs well for Indian Automotive Industry. Key export markets of the Company (US and Europe) are expected to grow moderately during 2010. With increase in Government spending on infrastructure and increase in Industrial production, the vehicle industry is expected to do better during 2010-11.

With the recovery in global markets, commodity prices are expected to increase, in turn increasing the input cost for the Company. Interest rates and liquidity may be affected as a result of inflationary pressure faced by the country.

The following are the growth rates forecast in the key macro-economic indicators:

Services sector	: 8.4%
Agricultural sector	: 5.5%
Index of Industrial Production	: 8.6%

(Source: Crisil)

All segments of automotive industry except heavy truck for European market are expected to register a strong growth during 2010-11.

- Passenger car segment +13%
- Two wheeler segment +10%
- M&HCV segment +10%
- Class 8 trucks (North America) +23% (2010)

III. Opportunities & Threats

The Company's products are raw aluminium castings and machined castings for the commercial vehicle, passenger car and two wheeler segments of the automotive industry.

The projected growth of the domestic car industry and the ambitious export programme of Original Equipment Manufacturer's (OEM) are likely to benefit the Company. New orders that have been received from existing domestic customers will be met during 2010-11.

The Company's sale of products to heavy commercial vehicle industry is estimated to increase in view of significant increase expected during 2010-11.

Issues of environmental pollution and increasing labour costs in shrinking markets are forcing the Global OEMs and Tier 1 companies to increase sourcing of parts like castings and forgings from low cost countries. In view of stringent emission norms, more and more global customers are going for light weight metals resulting in increasing aluminium content per vehicle. This provides growth opportunities since the Company is already a preferred source for aluminium castings to major customers in India and abroad.

However, many Indian die casting companies and new manufacturers are either setting up new capacities or expanding existing capacities to cater to this new demand, resulting in increased competition for export of castings in the future.

The OEM customers across the world are continuing their pressure on price reduction from their suppliers and our Company also will have to pass on some of the learning curve benefits in the form of annual price reductions. However, the Company's supply contracts provide for periodic price adjustments indexed to the international prices of aluminum and this should offer some protection from volatility of the commodities' prices.

IV. Risks and concerns

Economy

The current recovery from global meltdown and credit crisis are positively supporting the customer and could continue to result in increased demand for castings during the year.

The risks to the overall global macroeconomic environment have, however, increased because of large public debt in advanced economies, on the back of concerns relating to reduction in potential output, high unemployment rates, impaired financial systems and premature exit from the policy stimulus. The slowdown or delay in recovery of US and European economies would adversely affect the Company's revenues.

Hardening of interest rates and fuel prices will have adverse impact on sales of the automobiles in domestic industry. It will have negative impact on margins of the Company owing to increased borrowing and energy cost.

Industry specific

The Company caters to the requirements of the automotive industry. The revenue of the Company is significantly dependent on global commercial vehicle industry. Stringent emission norms and safety regulations could bring new complexities and cost increases for automotive industry, impacting vehicle sales. WTO, Free Trade Agreements and other similar policies could make the market, less competitive for local manufacturers.

The commercial vehicle Industry has strong linkage with the economy of the country and is cyclical. The Company has positioned itself as one of the leading players in less cyclical segments like passenger cars and two wheelers.

Intensity of competition has increased in Indian market due to entry of new players and expansion plans of existing ones. The Company is aware of