Sundaram-Clayton Limited

49th Annual Report 2011

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

SUDARSHAN VENU

Executive Director
H LAKSHMANAN

Group President & Chief Executive Officer - Automotive Products Division
C N PRASAD

President - Automotive Products Division
RAM NATARAJAN

President - Die Casting Division
P H NARAYANAN

Executive Vice President - Finance
V N VENKATANATHAN

Company 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
3rd Floor, Sigapi Achi Building
18/3, Rukmini Lakshmipathi Road
Egmore, Chennai - 600 008.

STATE BANK OF MYSORE
Industrial Finance Branch
576, Anna Salai, Teynampet
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

Factories

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

CONTENTS	Page No.

FINANCIAL HIGHLIGHTS INCLUDING SELECTED INDICATORS AND RATIOS

(Rupees in crores)

Year ended	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Profit and Loss Account										
Sales	246.8	299.1	417.4	536.3	629.3	816.2	426.9	492.4	492.7	**764.9**
Other income	18.3	24.2	28.4	32.5	45.3	48.6	34.5	36.3	46.3	**64.5**
Total income	265.1	323.3	445.8	568.8	674.6	864.8	461.4	528.7	539.0	**829.4**
Gross profit before interest, depreciation & tax	41.5	59.0	82.1	101.6	141.1	176.1	73.9	60.1	71.8	**108.0**
Depreciation	10.9	12.0	15.3	21.4	26.9	32.8	27.7	31.0	37.6	**40.8**
Profit before interest & tax	30.7	47.0	66.9	80.2	113.2	143.3	46.2	29.1	34.2	**67.2**
Interest	1.3	-1.3	0.5	3.8	7.9	15.2	10.8	22.1	20.5	**21.9**
Profit before taxation	29.4	48.3	65.4	76.3	105.3	128.1	35.4	7.0	13.7	**45.3**
Profit after taxation	21.9	36.1	46.0	53.4	74.9	91.6	23.9	6.3	12.4	**37.3**
Balance Sheet										
Net fixed assets	99.6	124.8	183.8	275.1	302.5	326.4	240.2	304.3	307.4	**366.2**
Investments	48.3	43.2	55.1	57.1	71.0	82.3	69.4	67.3	73.4	**68.4**
Net current assets	24.5	28.1	23.4	30.4	77.0	170.6	213.7	219.0	172.6	**207.2**
Total	172.5	196.2	262.2	362.6	450.5	579.3	523.3	590.6	553.4	**641.8**
Share capital	18.9	18.9	18.9	18.9	18.9	18.9	9.5#	9.5	18.9	**18.9**
Reserves & surplus	135.5	158.2	187.1	221.1	270.5	325.2	226.6	221.9	225.5	**241.4**
Net worth	154.4	177.1	206.0	240.0	289.4	344.1	236.1	231.4	244.5	**260.3**
Loan funds	9.6	8.9	44.8	109.2	146.1	215.8	267.4	339.3	288.7	**360.5**
Deferred taxation (net)	8.4	10.1	11.3	13.4	15.4	19.4	19.8	19.9	20.3	**21.7**
Total	172.4	196.1	262.1	362.6	450.9	579.3	523.3	590.6	553.5	**642.5**
Earning per share (Rs)	11.52	19.00	24.25	28.08	39.26	48.06	12.61	3.34	3.26	**9.82**
Dividend per share (Rs)	6.00	6.50	8.00	9.00	12.00	17.0	8.75	2.00	1.75	**5.75**
Book value per share (Rs)	81.41	93.40	108.63	126.53	152.57	181.41	127.48	122.00	64.44	**68.42**
Return on capital employed (ROCE) %	17.1	25.5	29.2	25.7	28.1	27.8	8.4	5.2	6.0	**11.2**
Return on net worth (RONW) %	14.2	21.7	24.0	23.9	28.3	28.9	8.2	2.7	5.2	**14.8**
Fixed assets turnover (no of times)	2.5	2.7	2.7	2.3	2.2	2.6	1.5	1.8	1.6	**2.3**
Working capital turnover (no of times)	7.0	11.4	16.2	20.0	11.7	6.6	2.2	2.3	2.5	**4.0**
Gross profit as % of sales (EBITDA)	16.8	19.7	19.7	18.9	22.4	21.6	17.3	12.2	14.6	**14.1**
Gross profit as % of total income	15.7	18.3	18.4	17.9	20.9	20.4	16.0	11.4	13.3	**13.0**
Net profit as % of total income	8.2	11.2	10.3	9.4	11.1	10.6	5.2	1.2	2.3	**4.5**

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 demerger of brakes division of the Company.

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

Directors' report to the shareholders

The directors have pleasure in presenting the forty-ninth annual report and the audited accounts for the year ended 31st March 2011.

1. FINANCIAL HIGHLIGHTS

(Rupees in lakhs)

Details	Year ended 31.03.2011	Year ended 31.03.2010
Sales and other income	**82,941.55**	53,896.83
Gross profit before interest and depreciation	**10,796.62**	7,175.07
Less: Interest - Net	**2,187.69**	2,052.35
Depreciation	**4,083.09**	3,755.89
Profit before tax	**4,525.84**	1,366.83
Less: Provision for :		
Income tax	**661.52**	90.00
Deferred tax	**138.48**	41.28
Profit after tax	**3,725.84**	1,235.55
Add: Tax relating to earlier years	**70.68**	(75.98)
	3,796.52	1,159.57
Surplus brought forward from previous year	**1,482.39**	1,110.25
Total	**5,278.91**	2,269.82
Appropriations:		
First Interim dividend paid	**948.38**	189.68
Dividend tax paid	**3.75**	–
Second Interim dividend payable	**1,232.89**	474.19
Dividend tax payable	**37.78**	–
Transfer to general reserve	**372.59**	123.56
Balance carried to Balance Sheet	**2,683.52**	1,482.39
	5,278.91	2,269.82

2. DIVIDEND

The board of directors at their meeting held on 28th January 2011, declared first interim dividend of Rs.2.50 per share (50%) absorbing a sum of Rs.9.48 Cr for the year 2010-11 and the same was paid to the shareholders on 7th February 2011.

The board of directors at their meeting held on 12th August 2011 declared a second interim dividend of Rs.3.25 per share (65%) absorbing a sum of Rs.12.33 Cr for the year 2010-11. Hence, the total amount of dividend including the second interim dividend payable, for the year ended 31st March 2011 will aggregate to Rs.5.75 per share (115%) on 3,79,35,168 equity shares of Rs.5/- each.

The board of directors do not recommend any further dividend for the year under consideration.

3. PERFORMANCE

The global economic conditions continued to be strong and positive in 2010-11, resulting in a strong growth for the automotive sector. The Indian economy posted a remarkable recovery in terms of overall growth figures more importantly, in terms of certain fundamentals, which justify optimism for India in the medium to the long term. The data on National Income released by the Central Statistical Organisation estimates the growth of GDP at 8.6% in Financial Year (FY) 2010-11.

During the FY 2010-11, the domestic automotive demand has recorded highest peaks in the history, with growth at 26.2% compared to FY 2009-10.

During the year under review, the medium / heavy commercial vehicles segment recorded a positive growth of 32% and the light commercial vehicle segment also registered a positive growth of 23%. Car segment achieved a positive growth of 30% and two wheeler segment registered a growth of 26% (Source: SIAM).

During 2010-11, economies across the world were on a steady growth path and the positive upswing in the World economy was better during second half of 2010.

- GDP in US surged by 2.9% in 2010 as against -2.6% in 2009. (Source: FTR).
- GDP in European Union (EU) was positive at 1.8% in 2010 compared to -4.3% in 2009 (Source: Eurostat / IMF)

In this background, North American class 8 trucks market witnessed a positive growth of 28% (Source: FTR). Similarly, the Europe medium and heavy trucks witnessed a positive growth of 6% (Source: ACEA).

Particulars	2010-11	2009-10	Growth%
Sales (Tonnage)	32,239	23,193	39
Sales (Rs. Cr)	764.86	492.68	55
Domestic sales (Rs. Cr)	478.12	319.96	49
Export sales (Rs. Cr)	286.74	172.72	66
PBT (Rs. Cr)	45.26	13.67	231

4. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

I. Industry Structure and Development:

Domestic

The Indian economy has recovered strongly from the slowdown caused by the global financial crisis. The GDP recorded a robust growth rate estimated at 8.6%, driven by growth in the agricultural sector (5.4%), industrial sector (8.1%) and services sector (9.6%). The year also witnessed strong inflationary trends, which necessitated successive increases in CRR and other changes in the monetary policy to curb inflation. As a result, the second half of the fiscal year saw a drop in the Index for Industrial Production (IIP) as industrial activity was affected.

The automotive industry in India grew steadily during the year 2010-11. New product launches, attractive discounts and availability of finance at affordable interest rates helped industry in registering strong growth in vehicle sales over 2009-10. The industry witnessed a substantial increase in exports and overall export growth was 30% compared to 18% in 2009-10 (Source: SIAM).

Category	2010-11 Nos.	2009-10 Nos.	Growth %
Commercial Vehicles (CV)	6,76,408	5,32,721	27.0
Passenger cars	25,20,421	19,51,333	29.2
Three wheelers	5,26,022	4,40,392	19.4
Two wheelers	1,17,90,305	93,70,951	25.8

(Source: SIAM)

Exports

The US economy continues to recover from its worst financial crisis. Economic activity expanded at a moderate pace in the second half of

2010. US economies grew by 2.9% as against - 2.6% in the last year. (Source: FTR)

EU growth prospects remain subject to risks. The pace of recovery differs across EU10. The EU countries are targeting ambitious fiscal adjustments for stability and growth. GDP in European Union was positive at 1.8% in 2010 compared to -4.3% in 2009 (Source : Eurostat / IMF).

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

Market	Category	2010	2009	Growth%
North America	Class 8 Trucks	1,53,969	1,19,734	28.6
North America	Class 5-7 Trucks	95,782	94,495	1.4
Europe	Medium & Heavy trucks	3,92,825	3,71,276	5.8

(Source: ACT Research & ACEA)

II. Business outlook and overview

Going forward, India's GDP growth is expected to be moderate due to higher inflation pressures and rising interest rates. Impact of past rate hikes, reduction in pricing power and higher crude prices pose downside risks to overall growth.

Capital flows are expected to remain robust in 2011-12 in view of slower economic recovery in the West *vis-à-vis* India. It is expected that the Rupee is to remain in the range of Rs.43-44 per US dollar during 2011-12.

Growth in most emerging and developing economies continues to be strong. Overall, global economy expanded at an annualized rate of 4.3 percent in the first quarter and forecasts for 2011-12 are broadly unchanged, with offsetting changes across various economies (Source: IMF).

All segments of automotive industry are expected to register a moderate growth during 2011-12 at a lower growth rate than previous year.

III. Opportunities & Threats

The Company supplies 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 auto industry, the ambitious export plans of OEMs and increase in sourcing of components by Global OEMs are likely to benefit the Company.

In view of stringent emission norms, more and more global customers are going in 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 continuing either to set up new capacities or expand existing capacities for catering 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 the price reduction from their suppliers and the Company also will have to pass on some of the learning curve benefits in the form of annual price reductions.

The Company's supply contracts provide for periodic price adjustments indexed to the international prices of aluminium and this should offer some protection from volatility of the commodities' prices.

IV. Risks and concerns

Economy

The instability in global economic recovery is a major concern. Apart from the political unrest in some countries, tight monetary stance, the septicity of hardening crude and commodity prices in international markets are expected to impact Indian economy significantly. The slowdown or delay in recovery of US and European economies will adversely affect the Company's revenues.

Any failure of monsoon could trigger further fuelling inflation and interest rates.

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 interest and energy cost.

Industry specific

The Company caters to the requirements of the automotive industry. The revenue of the Company is largely dependent on global commercial vehicle industry. WTO's Free Trade Agreements and other similar policies could make the market, less competitive for local manufacturers.

The commercial vehicle Industry has strong relation with the economy of the country and is cyclical. The Company has placed itself as one of the important suppliers to passenger cars and two wheelers industry also to minimize the impact of this cyclicity.

The competition has increased significantly in Indian market due to entry of new players and expansion plans of existing ones. The Company is aware of the increasing competition and is taking measures to remain competitive in the market place.

The Company is developing several new products for future projects of global customers. Any delay in ramping up of these new projects could impact the projections of Original Equipment Manufacturers (OEM) for these new platforms. This may have an impact on the Company's new product sales.

Power crisis continues to be a cause for concern in the State. The Company is resorting to captive power generation using diesel generators and purchase from alternate sources to meet the shortfall.

Sourcing

With many economies coming out of recession, prices of commodities are expected to rise. While the Company continues to pursue cost reduction initiatives, increase in price of input materials could impact the Company's profitability to the extent not compensated by customers. However, no shortage of aluminium is expected.

Forex

The Company's operations are subject to fluctuations in forex rates. However, the Company has a well defined forex hedging policy to mitigate the risks.

Contractual

The stipulation and requirements of the automotive industry demands high quality products. Quality is, therefore, key and monitored closely.

Although every reasonable precaution is taken, defects may lead to incurring considerable expenses for rework or product recall in rare cases. Appropriate recall and product liability insurance in line with standard industry practice has been taken to minimize the risks.

Capacity utilization

The Company continuously sets up capacities to meet the projected demand of customers. The capacity utilization will be adversely affected if the programs of the customers are delayed or postponed.

The Company closely monitors the progress of customer projects to minimize the risk of capacity under-utilization.

V. Internal control system and their adequacy

The Company has effective and adequate internal control systems covering all areas of operations. The internal control system provides for well documented policies / guidelines, authorisations and approval procedures.

The Company, through its own Internal Audit Department, carries out periodic audits at all locations and functions based on the plan approved by the Audit Committee. The observations, arising out of audit, are periodically reviewed and compliance ensured. The summary of the Internal Audit observations and the corrective action status are submitted to the Audit Committee of the board of directors. The status of implementation of the recommendations are reviewed by the Committee on a regular basis and concerns, if any, are reported to the Board.

VI. Operations review

A. Manufacturing

The Company implemented the best practices such as Total Quality Management (TQM), Total Productivity Management (TPM) and Lean Manufacturing in its manufacturing facilities. It also has in place best-in-class practices for safety, pollution control, work environment, water and energy conservation.

Continuous improvement actions are implemented to improve manufacturing quality and productivity in all the manufacturing locations. The Company's journey of manufacturing excellence was recognized and rewarded by various agencies / customers during 2010-11.

- Gold category in Indian Manufacturing Excellence award 2010 conducted by Frost and Sullivan.
- WABCO - "Best supplier award" for New product development.
- Best suppliers award for excellent performance from Cummins ABO.

B. Quality

Achieving customer delight by consistently providing products of excellent quality is the prime motto of the Company. This is achieved through state of art technology, training, effective quality system, continuous improvement methodology and total employee involvement. Poka-yokes, process audits, utilization of statistical tools for process optimization and online process controls also contribute towards improving and achieving consistency in product quality.

The quality system is certified for ISO/ TS 16949 requirements.

TQM is a way of life in the Company. 100% employee involvement has been successfully achieved for the 12th consecutive year.

Employees have completed more than 307 projects by applying statistical tools through Quality Control Circles (QCC) in 2010-11. The average number of suggestions implemented per employee in 2010-11 was 58.

C. Cost management

The Company continues its rigorous focus on its costs through an effective cost management system. Reducing process scrap and operational efficiency projects are being pursued for cost reduction for insulation against cost escalation. TPM initiatives are deployed Company-wide to achieve reduction in manufacturing cost.

D. Information Technology

The Company uses ERP system (SAP) that integrates all business processes across the Company. During the year, the Company has focused on further consolidation of ERP system. Several projects have been implemented during the year to improve the productivity and quality. The Company also uses Project Management system to monitor and reduce the new product development lead time, control cost and improve quality. During the year, the Company has developed applications and dashboards to monitor and improve product quality using early watch and alert system. Most of the business transactions among the Company, suppliers and customers are done through ERP.

VII. Human Resource Development

Human Resource Development is focused and aligned to business needs towards improved performance and business results. The key components of HR are - Employee engagement, Resourcing, Performance & compensation management, Competency based development, Career & succession planning and Organisation building.

The Company focuses on attracting the best talent and enjoys a good brand image across leading educational institutions and industry. The Company blends successfully mid-career recruitment with internally grown talents.

Career development workshops are conducted to identify high potential employees. A reward and recognition system is in place to motivate and also provide fast track growth for the high potential employees.

Executives are sponsored to overseas and inland universities for developing their competencies to handle new technologies and modern management practices. Customised management development programs have been developed with reputed educational institutions to hone the leadership skills of the senior executives.

People are encouraged to take up higher responsibilities and stretch assignments from the very early stages of their career. Periodic job rotations help the employees to get a broad perspective to assume leadership roles in future.

A cordial industrial relations environment continues to prevail at all the manufacturing units of the Company during the year.

As of 31st March 2011, the Company had 3679 employees on its rolls.

VIII. Environment & Safety

Safety management is integrated with the overall Environment, Health and Safety (EHS) management system. Padi and Hosur plants are certified for OHSAS 18001. The Company has implemented Integrated Management System (IMS) combining ISO 14001 and OHSAS 18001 systems and procedures.

The Company is committed to energy conservation. During the year, several key energy conservation projects have been implemented:

- Harmonic active filter in alloy plant
- Redesigning the cooling tower pipeline in PDC
- Auto door for Electric Holding Furnaces
- Use of energy efficient lighting without affecting luminosity
- Automatic power factor controller for transformers.
- Timer cut off Hydraulic Motor during Idle running

IX. Community development and social responsibility

Srinivasan Services Trust (SST), co-sponsored by the Company with the vision of building self reliant rural community, was established in 1996. Over 15 years of service, SST has played a pivotal role in changing lives of people in rural India by creating self-reliant communities that are models of sustainable development.

At present, SST is working in 1,000 villages, spread across Tamil Nadu, Karnataka, Maharashtra, Gujarat and Himachal Pradesh. Its major focus areas are: Economic Development, Health, Education, Environment and Infrastructure. Its significant achievements are:

- Through partnership with the community helped to form over 2,635 Self Help Groups (SHG)
- The Infant Mortality Rate and Maternal Mortality Rate reduced to 2/1000 live births and 25/one lakh births.
- 100% enrolment of children in schools and over 36,000 adult women made literate.
- Proper solid and liquid waste management practices adopted in 662 villages.
- Over 1,62,000 hectares of degraded forests reforested and 13,000 hectares of dry land covered by watershed development activities.
- Over 39,657 families have taken up income generating activities. They earn an additional income from Rs.2,000/- to Rs.4,000/- per month.
- SHG members have a group saving of Rs.10.01 Cr.
- Over 61,600 of the families living in these villages have a monthly income around Rs.10,000/- per family.

Over 200 persons are involved in the activities, consisting of employees, volunteers, field directors, doctors, etc.

X. Financial / Operational performance

The financial and operational performance for the year 2010-2011 as compared to the previous year is furnished in the following table:

Particulars	**Year ended 31st March 2011**		Year ended 31st March 2010	
	Rs. in lakhs	**%**	Rs. in lakhs	%
Sales	**76,486.64**	**92.22**	49,267.53	91.41
Other income	**6,454.91**	**7.78**	4,629.30	8.59
Total income	**82,941.55**	**100.00**	53,896.83	100.00
Raw materials consumed	**41,690.36**	**50.27**	23,889.11	44.33
Cost of traded goods sold	**197.67**	**0.24**	459.71	0.85
Staff cost	**9,629.99**	**11.61**	6,887.82	12.78
Stores and tools consumed	**6,464.88**	**7.79**	4,971.16	9.22
Power and fuel	**4,456.51**	**5.37**	3,146.45	5.84
Repairs and maintenance	**2,056.81**	**2.48**	1,738.11	3.22
Other expenses	**7,648.71**	**9.22**	5,629.40	10.44
Interest - net	**2,187.69**	**2.64**	2,052.35	3.81
Depreciation	**4,083.09**	**4.92**	3,755.89	6.97
Total expenditure	**78,415.71**	**94.54**	52,530.00	97.46
Profit before tax	**4,525.84**	**5.46**	1,366.83	2.54
Provision for taxation				
- Income tax	**661.52**	**0.80**	90.00	0.17
- Deferred tax	**138.48**	**0.17**	41.28	0.08
Profit after tax	**3,725.84**	**4.49**	1,235.55	2.29

Charitable organizations, voluntary institutions, commercial entities have also joined us as 'Partners in Progress'.

XI Cautionary statement

Statements in the management discussion and analysis report describing the Company's objectives, projections, estimates and expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand / supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.

5. RESTRUCTURING OF COMPANIES

It may be recalled that the board of directors earlier in August 2010 approved a draft composite Scheme of arrangement and amalgamation among the Company (the Scheme), and its wholly owned subsidiaries, namely Sundaram Investment Limited (SIL), TVS Investments Limited (TVSI) and Anusha Investments Limited (AIL) and their respective shareholders under Sections 391-394 of the Companies Act, 1956, (the Act), subject to the approval of the shareholders and other regulatory approvals, as may be required under the applicable securities laws.

Committee of directors formed for this purpose is in consultation with Merchant Bankers and Valuers for finalising the draft scheme and will be presenting it to the board of directors within the next 6 to 8 weeks.

The directors intend to take steps for finalising the Scheme during the current financial year, seek the approval of the Stock Exchanges and complete the process of getting the approval of Hon'ble High Court of Madras.

6. SUBSIDIARY COMPANIES

As of 31st March 2011, the following are the subsidiaries of the Company:

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

Performance of major unlisted subsidiaries:

Anusha Investments Limited (AIL)

During the year, the wholly owned subsidiary, namely AIL, has earned a total income of Rs.2,268.26 lakhs, which included a dividend income of Rs.1,755.82 lakhs. The profit for the year before tax stood at Rs.2,066.98 lakhs. The Company paid dividend of Rs.255/- per share (255%) on 5,00,000 equity shares of Rs.100/- each during the year 2010-11.

TVS Investments Limited (TVSI)

During the year, another wholly owned subsidiary, namely TVSI, has earned a total income of Rs.1,430.43 lakhs. The profit for the year before tax stood at Rs.113.61 lakhs.

7. CONSOLIDATED ACCOUNTS

As required under the Listing Agreement with the Stock Exchanges, Consolidated Financial Statements of the Company and all its subsidiaries are attached. The Consolidated Financial Statements have been prepared in accordance with the relevant Accounting Standards as prescribed under Section 211 (3C) of the Companies Act, 1956 (the Act). These financial statements disclose the assets, liabilities, income, expenses and other details of the Company, its subsidiaries and associates.

The Ministry of Corporate Affairs (MCA) vide its circular no.2 in file No. 51/12/2007-CL-III dated 8th February 2011 has granted general exemption under Section 212(8) of the Act, for holding companies from attaching annual reports of subsidiaries along with the annual report of the holding companies without seeking any approval of the Central Government. However, this is subject to fulfilment of conditions as stipulated in the said circular granting general exemption to the holding company and passing of a resolution by the board of directors in this regard.

The board of directors at their meeting held on 5th May 2011 passed necessary resolution for complying with all the conditions enabling the circulation of annual report of the Company without attaching all the documents referred to under Section 212(1) of the Act of the subsidiary companies to the shareholders of the Company.

The annual accounts, reports and other documents of the subsidiary companies will be made available to the members, on receipt of a request from them. The annual accounts of the subsidiary companies will be available at the registered office of the Company and at the registered offices of the respective subsidiary companies concerned. If any member or investor wishes to inspect the same, it will be available during the business hours of any working day of the Company.

A statement giving the following information in aggregate of each subsidiary including subsidiaries of subsidiaries consisting of (a) capital (b) reserves (c) total assets (d) total liabilities (e) details of investment (except in case of investment in the subsidiaries) (f) turnover (g) profit before taxation (h) provision for taxation (i) profit after taxation (j) proposed dividend has been attached with the consolidated balance sheet in accordance with the conditions of the said circular issued by MCA.

8. DIRECTORS

M/s.Gopal Srinivasan, Vice Admiral P J Jacob (Retd), Suresh Kumar Sharma and S Santhanakrishnan, directors will be retiring at this annual general meeting and, being eligible, offer themselves for re-appointment in terms of Articles of Association of the Company.

The brief resume of the aforesaid directors to be re-appointed and other connected information have been detailed in the Notice convening the annual general meeting of the Company. Appropriate resolutions for their re-appointment are being placed for approval of the shareholders at the ensuing annual general meeting. The directors recommend their re-appointment as directors of the Company.

9. AUDITORS

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

The Company has received a letter from them, stating that the appointment, if made, will be within the prescribed limit under Section 224(1B) of the Act.

10. CORPORATE GOVERNANCE

The Company has been practicing the principles of good corporate governance over the years and lays strong emphasis on transparency, accountability and integrity.

A separate section on Corporate Governance and a certificate from the statutory auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange(s) form part of the Annual Report.

The managing director (CEO) and the executive vice president - finance (CFO) of the Company have certified to the board on financial statements and other matters in accordance with the clause 49(V) of the Listing Agreement pertaining to CEO/CFO certification for the financial year ended 31st March 2011.

11. STATUTORY STATEMENTS

Conservation of energy, technology absorption and foreign exchange earnings and outgo

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

Particulars of employees

The particulars required pursuant to Section 217(2A) of the Act read with the Companies (Particulars of Employees) Rules, 1975 as amended, are given in Annexure II to this report. However, in terms of the provisions of Section 219(1)(b)(iv) of the Act, the Directors' Report (excluding Annexure II) is being sent to all the shareholders of the Company. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the registered office of the Company.

Public Deposits

The Company has not accepted any deposit from the public within the meaning of Section 58A of the Act for the year ended 31st March 2011.

Directors' Responsibility Statement

In accordance with the provisions of Section 217(2AA) of the Act with respect to Directors' Responsibility Statement, it is hereby stated:

(i) that in the preparation of annual accounts for the financial year ended 31st March 2011, the applicable Accounting Standards had been followed and that there were no material departures;

(ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;

(iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

(iv) that the directors had prepared the accounts for the financial year ended 31st March 2011 on a "going concern basis".

12. ACKNOWLEDGEMENT

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

The directors thank the vehicle manufacturers, vendors and bankers for their continued support and assistance.

The directors wish to place on record their appreciation of the continued excellent work done by all the employees of the Company during the year.

The directors specially thank the shareholders for their continued faith in the Company.

For and on behalf of the board

Chennai	GOPAL SRINIVASAN	VENU SRINIVASAN
12th August 2011	Director	Managing Director

Annexure I to Directors' report

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

A. CONSERVATION OF ENERGY

1. **Measures taken:**
   - (i) Introduced demand side controller for compressor.
   - (ii) Introduced harmonic active filter in alloy plant and automatic power factor controller to substation transformers.
   - (iii) Redesigned the cooling tower pipeline and pumps to eliminate Water Chillers from 800 II,III,1350 V,1350 III & 1100 II.
   - (iv) Developed auto door for Electric Holding Furnaces.
   - (v) Reduced energy consumption in Factory lighting by converting 400 W MV to 250 MH.
   - (vi) Introduced timer to cut off hydraulic motor during Idle running production machines - 12 Nos Control hydraulic motor RPM by introducing Variable Frequency Drives (VFD) in Cooling tower.

   These measures have resulted in an annual saving of about Rs. 57 lakhs.

2. **Proposed measures:**
   - (i) Improvement in furnace insulation to reduce skin temperature and thyristor controller for controlling temperature.
   - (ii) Reduction in motor power consumption by introducing VFD, Star delta starter and right sizing of motors.
   - (iii) Introduction of timer to cut off hydraulic motor during idle running of trimming presses in Pressure Die Casting (PDC).
   - (iv) Replacement of 70 W street lights with 36 W CFL lamps.
   - (v) Replacement of air heater with coil type heater in canteen electrical fryer.

   These measures will result in an annual saving of about Rs. 82 lakhs.

B. TECHNOLOGY ABSORPTION

Research & Development (R & D)

1. **Specific areas in which R & D is carried out by the Company**

   Completed activities:
   - (a) Development of prototype Magnesium alloy based casting for the customer.
   - (b) Development trails at IISc for semi solid processing.
   - (c) Development of technologies for reducing the consumption of furnace oil for melting by 20%.
   - (d) Development of prototype castings through sand casting.
   - (e) Development of automated tooling for distortion correction after heat treatment for 3 Gravity Die Casting (GDC) parts.
   - (f) Development of 73 Nos. die cast products.
   - (g) Established R&D facilities for Magnesium die casting.
   - (h) Development of heat treatment process for High Premium Die Casting (HPDC) parts.

   Ongoing activities:
   - (a) Development of product design capabilities for heat treated aluminium HPDC to increase structural integrity of safety critical parts.
   - (b) Establishment of processes to enhance die life.
   - (c) Establishment of in-house capability for Magnesium die casting technologies.
   - (d) Development of magnesium pressure die cast components.
   - (e) Development of liquid forging for difficult to cast aluminium alloys for high strength structural applications.
   - (f) Establishment of LPG fired furnaces for melting aluminium to reduce metal loss by 50%.
   - (g) Development of automated tooling for distortion correction for HPDC parts.

2. **Benefits derived as a result of R & D:**
   - (a) Energy saving.
   - (b) Developed new die cast products for customers.
   - (c) Validation of product life by performance testing.
   - (d) Ideas generated for new businesses.
   - (e) Upgradation of technical skill of employees.

3. **Future plan of action:**
   - (a) Development of innovative methods of liquid metal transfer technologies to reduce energy consumption.
   - (b) Development of investment casting technology for aluminium alloys.
   - (c) Development of non-heat treatable high strength aluminium alloys.

4. **Expenditure on R & D:**

	(Rs. in lakhs)
Capital expenditure	125.70
Recurring expenditure (including salaries)	446.89
Total	**572.59**
Total expenditure as percentage of sales turnover	0.75%

Technology absorption, adaptation and innovation:

Details relating to imported technology: (Technology imported during the last 5 years reckoned from the beginning of the financial year)

Nil

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

EXPORT ACTIVITIES

Export during the year ended 31st March 2011 amounted to Rs.28,674.27 lakhs as against Rs.17,272.36 lakhs for the previous year ended 31st March 2010.

Total foreign exchange used and earned:	(Rs. in lakhs)
a) Foreign exchange used	32,555.61
b) Foreign exchange earned	28,674.27

For and on behalf of the board

Chennai	GOPAL SRINIVASAN	VENU SRINIVASAN
12th August 2011	Director	Managing Director