

*Sundaram-Clayton Limited*

*50th Annual Report 2012*

## Sundaram-Clayton Limited

### Board of Directors

**venu srinivasan**  
*Chairman & Managing Director*  
**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**  
**SUDARSHAN VENU**  
**R VIJAYARAGHAVAN**  
**KAMLESH GANDHI**

### Audit Committee

**VICE ADMIRAL P J JACOB (Retd.)**  
*Chairman*  
**T K BALAJI**  
**V SUBRAMANIAN**  
**S SANTHANAKRISHNAN**

### Investors' Grievance Committee

**venu srinivasan**  
**K MAHESH**  
**T K BALAJI**

### Executive Director

**H LAKSHMANAN**

### Group President & Chief Executive Officer - Automotive Products Division

**C N PRASAD**

### President - Die Casting Division

**P H NARAYANAN**

### Executive Vice President - Finance

**V N VENKATANATHAN**

### Company Secretary

**R RAJA PRAKASH**

### Bankers

**STATE BANK OF INDIA**  
 Corporate Accounts Group Branch  
 3<sup>rd</sup> 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 3<sup>rd</sup> 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](mailto:kr.raman@scl.co.in)  
       [sclshares@gmail.com](mailto:sclshares@gmail.com)  
       [investorscomplaintssta@scl.co.in](mailto:investorscomplaintssta@scl.co.in)  
       [r.rajabprakash@scl.co.in](mailto:r.rajabprakash@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 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](http://www.sundaramclayton.com)

### Subsidiary Companies

TVS Motor Company Limited, Chennai  
 TVS Motor Company (Europe) B.V., Amsterdam  
 TVS Motor (Singapore) Pte Limited, Singapore  
 PT.TVS Motor Company Indonesia, Jakarta  
 Sundaram Auto Components Limited, Chennai  
 TVS Housing Limited, Chennai  
 TVS Energy Limited, Chennai  
 TVS Wind Power Limited, Chennai  
 TVS Wind Energy Limited, Chennai  
 Sundaram Engineering Products Services  
 Limited, Chennai  
 Sundaram Business Development Consulting  
 (Shanghai) Co. Limited, China  
 Sundaram-Clayton (USA) Limited

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## Sundaram-Clayton Limited

### FINANCIAL HIGHLIGHTS INCLUDING SELECTED INDICATORS AND RATIOS

(Rupees in crores)

Year ended	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Sales	299.1	417.4	536.3	629.3	816.2	426.9	492.4	492.7	805.7	1017.0
Other income	24.2	28.4	32.5	45.3	48.6	34.5	36.3	46.3	22.2	34.2
Exceptional Income	—	—	—	—	—	—	—	—	—	25.3
Total Income	323.3	445.8	568.8	674.6	864.8	461.4	528.7	539.0	827.9	1076.5
Gross profit before interest, depn & tax	59.0	82.1	101.6	141.1	176.1	73.9	60.1	71.8	107.8	166.7
Depreciation	12.0	15.3	21.4	26.9	32.8	27.7	31.0	37.6	40.8	47.3
Profit before interest & tax	47.0	66.9	80.2	113.2	143.3	46.2	29.1	34.2	67.0	119.4
Interest	-1.3	0.5	3.8	7.9	15.2	10.8	22.1	20.5	21.7	38.4
Profit before taxation	48.3	65.4	76.3	105.3	128.1	35.4	7.0	13.7	45.3	81.0
Profit after taxation	36.1	46.0	53.4	74.9	91.6	23.9	6.3	12.4	37.3	72.3
Net Fixed assets	124.8	183.8	275.1	302.5	326.4	240.2	304.3	307.4	366.1	395.0
Net current assets	28.1	23.4	30.4	77.0	170.6	213.7	219.0	172.6	212.6	242.9
Share capital	18.9	18.9	18.9	18.9	18.9	9.5 <sup>(a)</sup>	9.5	18.9 <sup>(b)</sup>	18.9	9.5 <sup>(c)</sup>
Reserves & surplus	158.2	187.1	221.1	270.5	325.2	226.6	221.9	225.4	241.3	273.7
Net worth	177.1	206.0	240.0	289.4	344.1	236.1	231.4	244.3	260.2	283.2
Loan funds	8.9	44.8	109.2	146.1	215.8	267.4	339.3	288.7	359.5	389.7
Deferred taxation (net)	10.1	11.3	13.4	15.4	19.4	19.8	19.9	20.3	21.7	20.0
EPS (Rs)	19.00	24.25	28.08	39.26	48.06	12.61	3.34	3.26	9.82	30.13
DPS (Rs)	6.50	8.00	9.00	12.00	17.0	8.75	2.00	1.75	5.75	11.5
Book value per share (Rs)	93.40	108.63	126.53	152.57	181.41	127.48	122.00	64.41	68.60	149.30
Return on capital employed (ROCE) %	25.5	29.2	25.7	28.1	27.8	8.4	5.2	6.0	11.2	17.9
Return on net worth (RONW) %	21.7	24.0	23.9	28.3	28.9	8.2	2.7	5.2	14.8	26.6
Fixed assets turnover (no of times)	2.7	2.7	2.3	2.2	2.6	1.5	1.8	1.6	2.4	2.7
Working capital turnover (no of times)	11.4	16.2	20.0	11.7	6.6	2.2	2.3	2.5	4.2	4.5
Gross profit as % of sales (EBITDA)	19.7	19.7	18.9	22.4	21.6	17.3	12.2	14.6	13.4	13.9 <sup>#</sup>
Gross profit as % of total income	18.3	18.4	17.9	20.9	20.4	16.0	11.4	13.3	13.0	13.4 <sup>#</sup>
Net profit as % of total income	11.2	10.3	9.4	11.1	10.6	5.2	1.2	2.3	4.5	4.5 <sup>#</sup>

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

RONW is profit after tax divided by average network

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.

(a) 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. Hence, figures of 2007-08 are not comparable with that of previous years' in view of demerger of brakes division of the Company

(b) Bonus issue of 1:1 in 2009

(c) Capital reduction consequent to approval of scheme of arrangement by the Hon'ble High Court of Judicature at Madras.

# Profitability ratios of 2011-12 are calculated without considering the exceptional income of Rs.25.3 crores

#### Notes:

- 2011-12 financials have been prepared giving effect to composite scheme of arrangement between Sundaram-Clayton Limited, Anusha Investments Limited and Sundaram Investment Limited as approved by the Hon'ble High Court of Judicature at Madras. Hence, the figures of 2011-12 are not comparable with that of previous years.
- The figures for 2011-12 and 2010-11 are based on the Revised Schedule VI classifications. The figures upto 2009-10 are based on the respective year's reported results.

## Sundaram-Clayton Limited

### Notice to the Shareholders

NOTICE is hereby given that the fiftieth 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 29<sup>th</sup> day of November 2012 at 10.00 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 2012 and the statement of profit and loss 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 T K Balaji, director, who retires by rotation and being eligible offers himself 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 K Mahesh, director, who retires by rotation and being eligible offers himself 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 V Subramanian, director, who retires by rotation and being eligible offers himself 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 Dr Lakshmi Venu, director, who retires by rotation and being eligible offers herself 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 statutory auditors M/s.Sundaram & Srinivasan, Chartered Accountants, Chennai having 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

7. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:  
RESOLVED THAT Mr R Vijayaraghavan, who was appointed as an additional director of the Company 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 Mr Kamlesh Gandhi, who was appointed as an additional director of the Company 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.

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

"RESOLVED THAT, pursuant to the provisions of Section 314 and other applicable provisions, if any of the Companies Act, 1956 ("the Act") (including any statutory modifications or re-enactment thereof for the time being in force), consent be and is hereby accorded to Mr Sudarshan Venu, director and a relative of the chairman & managing director and director - strategy of the Company, for holding and continuing to hold an office of profit as vice-president of TVS Motor Company Limited (TVSM), a subsidiary of the Company, effective 1<sup>st</sup> December 2011 on a remuneration not exceeding Rs.2,50,000/- per month and on such terms and conditions that may be applicable to the similarly placed executives of TVSM.

By order of the board

Chennai  
28<sup>th</sup> August 2012

R Raja Prakash  
Company 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 business as set out in the Notice is annexed hereto.
- 3) The register of members and the share transfer register will remain closed for two days viz., 28<sup>th</sup> November 2012 and 29<sup>th</sup> November 2012, for the purpose of Annual General Meeting of the Company.
- 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.

Pursuant to Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amount lying with companies) Rules 2012, the Company shall provide / host the required details of unclaimed amounts referred to under Section 205C(2) of the Act on its website and also in the website of the Ministry of Corporate Affairs (MCA) in the relevant form every year. For the financial year ended 31<sup>st</sup> March 2011, the above information has already been filed by the Company.

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- 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 correspondence and email addresses 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) The Company would be holding the annual general meeting for the year 2012 after 30<sup>th</sup> September 2012, subject to approval of the Registrar of Companies, Chennai, Tamil Nadu.
- 10) 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 annual general meeting, nature of their expertise in specific functional areas, their other directorships and committee memberships, their shareholdings and relationships with other directors in the Company are given below:

### I. Mr T K Balaji

Born on 12<sup>th</sup> 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.	TVS Credit Services Limited	Director	—
11.	India Japan Lighting Private Limited	Chairman	—
12.	Punarusu Swasthi Private Limited	Director	—
13.	Hastham Swasthi Private Limited	Director	—
14.	Harita Electronics Private Limited	Director	—

### II. Mr K Mahesh

Born on 11<sup>th</sup> 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 246 equity shares in the Company and is not related to any director of the Company. 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	—

### III. Mr V Subramanian

Born on 17<sup>th</sup> June 1948, Mr Subramanian is a B.Com from University of Madras and Certified Associate of Indian Institute of Bankers, Bombay.

He joined the premier Indian Administrative Service in 1971 (West Bengal Cadre). He also served as Secretary to the Government of India in Ministry of New and Renewable Energy.

In recognition of expertise and experience in dealing with foreign exchange management in India, he was appointed Adviser on Loan and Grant Management to the Government of Mozambique, Maputo by Commonwealth Secretariat, London for two and half years. During the stint with Ministry of Finance, he had dealt with public sector projects in the areas of transport, steel & mines, fertilizers, welfare, etc., external commercial borrowings, exchange control and bilateral aid. He successfully negotiated and finalized loans for public sector enterprises and took initiative of taking Indian PSEs to the bond markets of Japan, Germany and Switzerland to access low cost funds.

He has occupied many key senior positions in Government of India and the Government of West Bengal during his career of 37 years. Presently, he is the Secretary General of the Indian Wind Energy Association, a non-governmental body formed by the wind energy generating companies and equipment manufacturers. He is also the Business Development Adviser to the Council for Industrial and Scientific Research at New Delhi. He also offers consultancy to various companies in the field of renewable energy.

His vast experience spans over different fields like law and order, land management, development administration, welfare, energy,



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labour etc. He has also spent six months in Sri Lanka as Civilian Adviser to the IPKF for the restoration of civilian administration in Jaffna.

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

He does not hold any share in the Company and is not related to any 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.	Mount Everest Mineral Water Limited	Director	Audit Committee - Member Investors' Grievance Committee - Member
2.	PTC Energy Limited	Director	Audit Committee - Member
3.	TVS Energy Limited	Director	Audit Committee - Member
4.	Titan Energy Systems Limited	Director	–
5.	Rural Electrification Corporation Limited	Director	–
6.	WindForce Management Services Private Limited	Director	–
7.	Lanco Solar Energy Private Limited	Director	–
8.	Gravitational Network Advisors Private Limited	Director	–
9.	Enfragy Solutions India Private Limited	Director	–

#### IV. Dr Lakshmi Venu

Born on 16<sup>th</sup> 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 22<sup>nd</sup> 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 22<sup>nd</sup> March, 2010.

She holds the position as director in Sundaram Auto Components Limited. She does not hold any position as a member of any committee of directors of any other company.

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

#### V. Mr R Vijayaraghavan

Born on 2<sup>nd</sup> January 1950, Mr R Vijayaraghavan is an advocate in Chennai and has been practicing law for over 20 years. He is the legal advisor to many business groups and is a member of board of

directors and audit committee of reputed companies. He has a vast breadth of experience in the fields of corporate law, mergers and acquisitions, tax laws, commercial aspects of doing business in India.

He holds a Master degree in Science from Madurai University and also Master degree in business administration from Syracuse University.

He is a partner of a reputed tax consultant firm in Chennai, providing a single window facility to the business community for all their legal requirements in the form of taxation consultancy, opinion, arbitration and conciliation, documentation approvals and litigation.

He was co-opted as an additional director of the Company by the board on 10<sup>th</sup> February 2012.

He holds the position as director in Sanco Trans Limited, Bimetal Bearing Limited, T. Stanes & Company Limited, Lucas-TVS Limited and Redington (India) Investments Limited. He does not hold any position as a member of any committee of directors of any other company.

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

#### VI. Mr Kamlesh Gandhi

Born on 16<sup>th</sup> June, 1950 Mr Kamlesh Gandhi, a commerce graduate, is associated with Capital and Financial Markets in India for the past 39 years and was a member of the BSE for 14 years from 1981 to 1995. He was a director on the Board of Association of Merchant Bankers of India for 4 years from inception of the Association. As a merchant banker, he is instrumental in raising funds for over 325 capital issues and is involved in placement of equities of several companies with retail, high net worth and institutional investors, both domestic and overseas.

He was the guest speaker at Training Institutes of Banks and Bankers Training College of RBI on merchant banking activities. He was a Non-Executive Director of several companies and is involved in advising several NRI investors including many high net worth NRIs.

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.	Bhagyanagar India Limited	Director	Audit Committee - Member
2.	Bhoruka Power Corporation Limited	Director	–
3.	Kirloskar Electric Company Limited	Director	–
4.	NCL Industries Limited	Director	Audit Committee - Member Remuneration Committee - Member
5.	Net 4 India Limited	Director	–
6.	Lalbawa Investment and Trading Company Private Limited	Director	–
7.	Ogene Systems India Private Limited	Director	Audit Committee - Chairman

## ***Sundaram-Clayton Limited***

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

The following explanatory statement sets out all material facts relating to the special businesses mentioned in the accompanying notice dated 28<sup>th</sup> August 2012 and shall be taken as forming part of the notice.

#### **Item No. 7**

Mr R Vijayaraghavan was appointed as an additional director of the Company effective 10<sup>th</sup> February 2012. In terms of Section 260 of the Companies Act, 1956, he will hold 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 R Vijayaraghavan 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.

None of the directors of the Company except Mr R Vijayaraghavan is deemed to be concerned or interested in the resolution.

#### **Item No. 8**

Mr Kamlesh Gandhi was appointed as an additional director of the Company effective 8<sup>th</sup> August 2012. In terms of Section 260 of the Companies Act, 1956, Mr Kamlesh Gandhi will hold 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 Kamlesh Gandhi and to move the resolution 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.

None of the directors of the Company except Mr Kamlesh Gandhi is deemed to be concerned or interested in the resolution.

#### **Item No. 9**

Mr Sudarshan Venu, a director of the Company, was appointed as the vice-president of TVS Motor Company Limited, a subsidiary of the Company on 1<sup>st</sup> December 2011 on a remuneration not exceeding Rs. 2,50,000/- per month.

Being a director of the Company and also a relative of the chairman & managing director and director-strategy of the Company, his appointment in the subsidiary company may amount to holding an office of profit in terms of the first proviso to Sub-section (1) of Section 314 of the Companies Act, 1956. In terms of the said proviso, his appointment needs to be approved by a special resolution by the shareholders at the general meeting that is held for the first time after the said appointment.

The directors recommend the said resolution to be approved as a special resolution by the shareholders as set out in Item No. 9 of this notice.

None of the directors of the Company except Mr Sudarshan Venu, Mr Venu Srinivasan, chairman & managing director and Dr Lakshmi Venu, director-strategy, is 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  
28<sup>th</sup> August 2012

R Raja Prakash  
Company Secretary

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

## Sundaram-Clayton Limited

### Directors' report to the shareholders

The directors have pleasure in presenting the fiftieth annual report and the audited accounts for the year ended 31<sup>st</sup> March 2012.

#### 1. FINANCIAL HIGHLIGHTS

	(Rupees in lakhs)	
Details	Year ended 31.03.2012	Year ended 31.03.2011
Sales and other income	1,05,123.04	82,789.35
Profit before finance cost and depreciation	14,134.24	10,777.82
Less: Finance Cost	3,841.75	2,174.14
Depreciation	4,733.90	4,083.09
Profit after finance cost and depreciation	5,558.59	4,520.59
Add : Exceptional Item (Income)	2,534.45	—
Profit before tax	8,093.04	4,520.59
Less: Provision for :		
Income tax	1,035.09	656.27
Deferred tax	(172.00)	138.48
Profit after tax	7,229.95	3,725.84
Surplus brought forward from previous year	2,683.52	1,482.39
Total	9,913.47	5,208.23
Appropriations:		
First interim dividend paid	—	948.38
Second interim dividend payable	—	1,232.89
Interim dividend payable	2,181.29	—
Dividend tax paid	—	3.75
Dividend tax payable	353.86	37.78
Tax relating to earlier years	338.54	(70.68)
Transfer to general reserve	723.00	372.59
Balance carried to Balance Sheet	6,316.78	2,683.52
	9,913.47	5,208.23

#### Notes:

The results of the Company for the current financial year 2011-12 are not comparable with that of the previous year 2010 -11 as the current year's figures are inclusive of figures of its wholly owned subsidiary, viz., Anusha Investments Limited effective 7<sup>th</sup> July 2011 and exclusive of figures of the demerged undertaking, viz., the non automotive related business which stood transferred to Sundaram Investment Limited with effect from 7<sup>th</sup> July 2011 in terms of the Composite Scheme of Arrangement as explained below.

#### 2. SCHEME OF ARRANGEMENT AND RE-ORGANISATION OF SHARE CAPITAL

During the year under review, the Company entered into a Composite Scheme of Arrangement including amalgamation and demerger ('the Scheme') between the Company and its two wholly owned subsidiaries, Anusha Investments Limited (AIL) and Sundaram Investment Limited (SIL) and their respective shareholders (the Scheme).

The Scheme envisaged amalgamation of AIL with the Company and demerger of Company's non-automotive business into SIL in terms of the provisions contained under Sections 391-394 of the Companies Act, 1956 ('the Act').

The Scheme was approved by the equity shareholders of the respective companies at the Court convened meetings held on 18<sup>th</sup> May 2012.

The Hon'ble High Court of Madras sanctioned the Scheme without any modification as approved by the shareholders by its order dated 3<sup>rd</sup> August 2012 and it was filed with the Registrar of Companies, Chennai on 21<sup>st</sup> August 2012 i.e., the Effective Date.

In terms of the Scheme and in terms of Sections 391-394 read with Sections 100-103 and other applicable provisions of the Companies Act, 1956, as and from the Appointed Date viz., 7<sup>th</sup> July 2011, AIL amalgamated with the Company with all its assets & liabilities, investments and all rights & powers of every description, all of which have been transferred to and vested or deemed to have been transferred to or vested in the Company as a going concern and have been recorded in the books of the Company at the respective book values. The entire equity shares of AIL held by SCL got cancelled pursuant to the provisions of the Scheme.

Consequent to the merger of AIL with SCL on the Appointed Date 7<sup>th</sup> July 2011, the authorised share capital of the Company stood increased from Rs.20 crores consisting of 4,00,00,000 equity shares of Rs.5/- each to Rs.25 crores of 5,00,00,000 equity shares of Rs.5/- each, following the inclusion of the authorised share capital of Rs.5 crores with which AIL merged on the Appointed Date. This increase in the authorised share capital of the Company as approved by the shareholders in terms of the Scheme, has been sanctioned by the Hon'ble High Court of Madras.

With effect from the Appointed Date, viz., 7<sup>th</sup> July 2011, the entire non-automotive business of SCL comprising of the investments and current assets relating to traded goods as has been indicated under the heading non-automotive business in the annual reports of the Company in the earlier years got demerged from the Company and transferred and vested or deemed to have been transferred and vested into SIL as a going concern and have been recorded in the books of SCL at their respective book values satisfying the ingredients of Section 2(19AA) of the Income Tax Act, 1961, on demerger.

With the sanction of the Hon'ble High Court of Madras, as envisaged in the Scheme, following demerger and in terms of the provisions of the Companies Act, 1956 the equity share capital of the Company has been reduced by Rs.9,48,37,920/- as being no longer represented by assets. Based on this capital reduction, the paid up equity share capital of the Company comprise of 1,89,67,584 equity shares of Rs.5/- each fully paid up amounting to Rs.9,48,37,920/-.

In terms of the provisions of the Scheme as sanctioned by the Hon'ble High Court of Madras, the existing share holders of the Company will be issued new equity shares in the Company at the rate of one equity share of Rs. 5/- fully paid up for every two existing equity shares of Rs.5/- each paid up held on the Record Date i.e., 10<sup>th</sup> September, 2012, consequent to similar number of equity shares in the same face value to be allotted to all the existing shareholders of the Company in the paid up capital of SIL.

As part of demerger and as envisaged in the Scheme sanctioned by the Hon'ble High Court of Madras, one of the subsidiaries of the Company, Sundaram Engineering Products Services Limited (SEPSL) issued Unsecured Optionally Fully Convertible Debentures (OFCD) for a sum of Rs.18.21 crores before the Effective Date but after the Appointed Date. The same has been subscribed to by AIL initially and after demerger vested with the Company. In terms of the Scheme the investment held in SEPSL including OFCD stood transferred to and vested in SIL following the demerger and the transfer of all



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assets and liabilities relating to the non-automotive business vesting with SCL.

The new equity shares of face value of Rs.5/- each to be issued to the shareholders would be relisted on the Stock Exchanges where the Company's shares are presently listed, viz., BSE Limited (BSE), National Stock Exchange of India Limited (NSE) and Madras Stock Exchange Limited (MSE).

The share certificates in relation to the equity shares held by the shareholders in the Company shall, without any further application, act, instrument or deed, be deemed to have been automatically cancelled and cease to have any effect, on and from the Record Date and similarly, in respect of the shares held in dematerialized or electronic form, the old shares would stand deleted from the respective depository accounts of the shareholders.

### 3. DIVIDEND

The board of directors of the Company at their meeting held on 20<sup>th</sup> April 2012, declared an interim dividend of Rs.5.75 per share (115%) absorbing a sum of Rs.2,535.15 lakhs for the year 2011-12 and the same was paid to the shareholders on 3<sup>rd</sup> May 2012.

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

### 4. PERFORMANCE

The year 2011 witnessed volatile economic developments that were marked by large swings in investor sentiment alongwith, fluctuating oil and commodity prices. Continuing crisis of confidence in the Eurozone and the first ever downgrading of US treasury securities had significant impact on the global economic growth. There was a beginning of slowdown in growth in emerging markets combined with volatility in currency rates and commodity prices. Overall there was a slowing trend in the global economy in 2011.

India's economy grew at its weakest pace in recent years and ended up with GDP growth of 6.5%. The main reason for the slowdown was sharp contraction in growth in manufacturing.

During 2011, GDP in US grew by 1.7% as against 3% in 2010. (Source: FTR). GDP growth in the European Union was at 1.5% in 2011 compared to 2% in 2010 (Source: Eurostat / IMF)

In this background, North American class 8 truck segment witnessed a growth of 65% (Source FTR). Similarly, the Europe medium and heavy trucks witnessed a growth of 37% (Source ACEA).

The following table highlights the performance of the Company during 2011-12 :

Particulars	2010-11	2011-12	Growth%
Sales (Tonnage)	32239	36488	13
Sale of goods (Rs Cr)	759.59	972.91	28
Domestic sales (Rs Cr)	484.17	559.64	16
Export sales (Rs Cr)	275.42	413.27	50
Profit before Tax (Rs Cr)	45.21	80.93*	79

\* includes exceptional income and figures of Anusha Investments Limited consequent upon amalgamation and demerger of non-automotive business to Sundaram Investment Limited.

## 5. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### I. Industry Structure and Development:

#### Domestic

The Indian economy, grew by 8.6% in FY 2010-11 but began showing signs of softening in second half of FY 2010-11. This was mainly due

to inflationary pressures and monetary policy that was targeted at controlling this.

India's GDP growth declined to 6.5% in FY2011-12, with GDP growth in Q4 of FY 2011-12 at 5.3%. (CSO).The Industrial growth (IIP) decelerated from 8.2% in FY 2010-11 to 2.8% in FY2011-12. Inflation continued to remain at higher levels with Wholesale Price Index (WPI) at 8.8% during FY12 compared to 9.6% in the previous year.

Indian currency was adversely affected by higher crude oil prices, lower net capital inflows and lower export growth in the last six months of the FY2011-12 figures. The global oil prices continued to remain above US\$85 per barrel for FY2012 and were above US\$100 per barrel for large part of the year. Such high energy costs had put severe pressure on operating margins.

The unfavorable macroeconomic conditions and higher interest rates had a significant impact on the growth of the automotive industry. Further, sharp increases in petrol prices adversely impacted growth of vehicles sales. As a result, the Indian auto industry grew at a moderate rate of 7.2% in FY 2011-12, with 20% growth in Commercial Vehicles (M&HCV & LCV) and 5% growth in Passenger Vehicles.

Category	2010-11 Nos.	2011-12 Nos.	Growth %
Medium and Heavy Commercial Vehicles (M & HCV)	3,51,229	3,76,618	7
Light Commercial Vehicles (LCV)	3,99,225	5,25,577	32
Buses - M & HCV	57,539	58,704	2
Cars & MUVs (Multi Utility Vehicles)	29,73,296	31,29,250	5
Two wheelers	1,33,24,714	1,53,82,967	15

(Source: SIAM)

### Exports

The US economy has recovered more favourably than other mature economies since the economic downturn. However, with falling GDP growth and rising unemployment, the position remains fragile.

The Euro debt crisis intensified over the course of 2011. The economic situation and the results of the recent national elections in a few member countries have increased uncertainty around the stability of the Euro zone. Credit continues to be difficult to obtain for customers and the outlook remains volatile.

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

Market	Category	2011	2010	Growth%
North America	Class 8 Trucks	254,727	153,969	65%
North America	Class 4-7 Trucks	129,488	95,782	35%
Europe	Medium & Heavy trucks	236,063	172,080	37%

(Source: ACT Research & ACEA )

### II. Business outlook and overview

Going forward, growth expected to remain moderate in 2012-13 unless substantive policy measures are undertaken to boost investment sentiments. Administrative obstacles and the practical halt to

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implementation of key structural reforms have acted as a serious constraint on growth. It has also had a negative impact on sentiments of domestic businesses as well as on the investors, both domestic and foreign.

The three major concerns would be high inflation, high current account deficit and fiscal consolidation.

In view of weakness in foreign investment inflow and deteriorating macroeconomic conditions, the rupee continues to depreciate and likely to be above Rs.53 per dollar during 2012-13.

### **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.

In the medium to long term, 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 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.

Our country is continuing to emerge as one of the major hub for global manufacturing because of lower input costs, availability of talent and local supplier base. The Company is perfectly placed to leverage the above and continue pursuing international business.

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

OEM customers across the world are continuing their pressure on price reduction from their suppliers and the Company also will have to pass on some of the productivity benefits in the form of annual price reductions.

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 commodity prices.

### **IV. Risks and concerns**

#### **Economy**

In the short term, the instability in global economic recovery is continuing to be a major concern. Apart from the political unrest in some countries, tight monetary stance, volatile crude and commodity prices in international markets are expected to impact Indian economy significantly.

More than 40% of revenues come from the US and Europe. Global market uncertainties remain cause of concern and any slowdown or delay in recovery of US and European economies would adversely affect the Company's revenues.

Any failure of monsoon would trigger further inflation and increase of 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 volume reduction and 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, Free Trade Agreements and other similar policies could make the market, less competitive for local manufacturers.

The Indian commercial vehicle Industry has strong correlation 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 risk.

Competition has increased significantly in the 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.

Power crisis continues to be a cause of concern in the State of Tamil Nadu. This will have a negative effect on operating margin of the Company. The Company is resorting to purchase of power from alternate sources and captive power generation using diesel generators to meet the shortfall.

#### **Sourcing**

While the Company continues to pursue cost reduction initiatives, increase in price of input materials could impact the Company's profitability to the extent that the same are not compensated by customers. However, no shortage of aluminium is expected.

#### **Forex**

With significant exports & foreign currency liabilities, the Company is always exposed to global currency fluctuations. However, the Company has a well-defined forex hedging policy to mitigate the risks.

#### **Contractual**

The stipulation and requirements of the automobile 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 have been taken to minimize the risks. Just-in-time delivery is another important contractual obligation. The Company may incur premium freights to overcome delays in deliveries due to quality issues or project implementation delays. Robust quality and project management systems are in place to minimize these risks.

#### **Capacity utilization**

The Company continuously steps 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 under-utilization of capacities.

### **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 internal control system stipulates a reasonable assurance with regard to maintaining of proper accounting controls, protecting assets from unapproved use and compliance of statutes.

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