Sundaram-Clayton Limited

51st Annual Report 2013

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
M MUTHURAJ

Executive Vice President - Finance
V N VENKATANATHAN

Company Secretary
R RAJA PRAKASH

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, Chennai.

Cost Auditor
A.N. Raman
Cost Accountant, Chennai.

Listing of shares with
Madras Stock Exchange Limited
National Stock Exchange of India Limited
BSE 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
"Jayalakshmi Estates", 1st Floor,
No.29 (Old No.8), Haddows Road,
Chennai - 600 006
Tamil Nadu, India.
Tel. : 044 - 2828 4959; 2827 2233
Fax : 044 - 2825 7121
E-mail : kr.raman@scl.co.in
sclshares@gmail.com
investorscomplaintssta@scl.co.in
r.rajaprakash@scl.co.in

Factories

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 - 2746 0500
Fax : 044 - 2746 0520

Oragadam
Plot No.B-14, SIPCOT
Industrial Growth Centre,
Sriperumbudur Taluk,
Kancheepuram District - 602 105
Tamil Nadu, India.
Tel. : 044 - 6710 3300

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
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 Business Development Consulting (Shanghai) Co. Limited, Shanghai

Sundaram-Clayton (USA) Limited, USA

CONTENTS

FINANCIAL HIGHLIGHTS INCLUDING SELECTED INDICATORS AND RATIOS

(Rupees in crores)

Year ended	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Sales	417.4	536.3	629.3	816.2	426.9	492.4	492.7	805.7	1017.0	1018.6
Other income	28.4	32.5	45.3	48.6	34.5	36.3	46.3	22.2	34.2	38.1
Total	445.8	568.8	674.6	864.8	461.4	528.7	539.0	827.9	1051.2	1056.7
Exceptional Income	-	-	-	-	-	-	-	-	25.3	-
Total Income	445.8	568.8	674.6	864.8	461.4	528.7	539.0	827.9	1076.5	1056.7
Gross profit before interest, depn & tax	82.1	101.6	141.1	176.1	73.9	60.1	71.8	107.8	166.7	127.9
Depreciation	15.3	21.4	26.9	32.8	27.7	31.0	37.6	40.8	47.3	51.3
Profit before interest & tax	66.9	80.2	113.2	143.3	46.2	29.1	34.2	67.0	119.4	76.6
Interest	0.5	3.8	7.9	15.2	10.8	22.1	20.5	21.7	38.4	44.3
Profit before taxation	65.4	76.3	105.3	128.1	35.4	7.0	13.7	45.3	81.0	32.3
Profit after taxation	46.0	53.4	74.9	91.6	23.9	6.3	12.4	37.3	72.3	35.4 (a)
Net Fixed assets	183.8	275.1	302.5	326.4	240.2	304.3	307.4	366.1	395.0	408.8
Net current assets	23.4	30.4	77.0	170.6	213.7	219.0	172.6	212.6	230.0	248.6
Share capital	18.9	18.9	18.9	18.9	9.5 (b)	9.5	18.9 (c)	18.9	9.5 (d)	9.5
Reserves & surplus	187.1	221.1	270.5	325.2	226.6	221.9	225.4	241.3	273.0	282.6
Net worth	206.0	240.0	289.4	344.1	236.1	231.4	244.3	260.2	282.5	292.1
Loan funds	44.8	109.2	146.1	215.8	267.4	339.3	288.7	359.5	389.7	414.3
Deferred taxation (net)	11.3	13.4	15.4	19.4	19.8	19.9	20.3	21.7	20.0	16.9
EPS (Rs)	24.25	28.08	39.26	48.06	12.61	3.34	3.26	9.82	30.13	18.67
DPS (Rs)	8.00	9.00	12.00	17.0	8.75	2.00	1.75	5.75	11.5	14.0
Book value per share (Rs)	108.63	126.53	152.57	181.41	127.48	122.00	64.41	68.60	148.93	153.98
Return on capital employed (ROCE) %	29.2	25.7	28.1	27.8	8.4	5.2	6.0	11.2	17.9	10.8
Return on net worth (RONW) %	24.0	23.9	28.3	28.9	8.2	2.7	5.2	14.8	26.6	12.3
Fixed assets turnover (no of times)	2.7	2.3	2.2	2.6	1.5	1.8	1.6	2.4	2.7	2.5
Working capital turnover (no of times)	16.2	20.0	11.7	6.6	2.2	2.3	2.5	4.2	4.6	4.3
Gross profit as % of sales (EBITDA)	19.7	18.9	22.4	21.6	17.3	12.2	14.6	13.4	13.9 (#)	12.6
Gross profit as % of total income	18.4	17.9	20.9	20.4	16.0	11.4	13.3	13.0	13.4 (#)	12.1
Net profit as % of total income	10.3	9.4	11.1	10.6	5.2	1.2	2.3	4.5	4.5 (#)	3.4

ROCE is profit before interest and taxation divided by average of 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.

(a) Profit after tax is after considering deferred tax asset of Rs.3.1 crores.

(b) 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.

(c) Bonus issue of 1:1 in 2009.

(d) 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:

1) 2011-12 financials have been prepared giving effect to composite scheme of arrangement between Sundaram-Clayton Limited (SCL), Anusha Investments Limited (AIL) and Sundaram Investment Limited (SIL) as approved by the Hon'ble High Court of Judicature at Madras.Hence, the figures of 2011-12 are not comparable with that of the previous years.
2) The figures from 2010-11 are based on the Revised Schedule VI classifications. The figures upto 2009-10 are based on the respective year's reported results.

Notice to the Shareholders

NOTICE is hereby given that the fifty first annual general meeting of the Company will be held at 'The Music Academy' New No. 168 (Old No. 306), TTK Road, Royapettah, Chennai 600 014 on Tuesday, the 27th day of August 2013 at 10.35 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 2013, the statement of profit and loss and cash flow statement 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 Gopal Srinivasan, 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 Vice Admiral P J Jacob (Retd), 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 S Santhanakrishnan, 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 Mr Suresh Kumar Sharma, 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.

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 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 Captain N S Mohan Ram, a relative of Mr T K Balaji, director of the Company, for holding and continuing to hold an office of profit as a consultant in TVS Motor Company Limited (TVSM), a subsidiary of the Company, effective 1st April 2013 on a consolidated salary of Rs. 2,00,000/- per month together with perquisites on such terms and conditions as agreed to between him and the subsidiary."

   "RESOLVED FURTHER THAT the Board, be and is hereby authorized to do all such acts, deeds and things as may be required to give effect to the aforesaid resolution."

By order of the board

Chennai
8th May 2013

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 (the Act) 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 a period of five days from 23rd August 2013 to 27th August 2013, for the purpose of annual general meeting of the Company.

4) In terms of Section 205A read with Section 205C of the Act, 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 period 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.

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 any change in their address to the Company 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. Corporate members are requested to send a duly certified copy of the board resolution / power of attorney authorizing their representative to attend and vote at the annual general meeting.

9) In terms of clause 49(IV)(G) of the Listing Agreement with the Stock Exchanges, a brief profile of directors, who are proposed to be re-appointed in this meeting, nature of their expertise in specific functional areas, their other directorships and committee memberships, their shareholdings and relationships with other directors in the Company are given below:

I. Mr Gopal Srinivasan

Born on 4th August 1958, Mr Gopal Srinivasan is the Chairman & Managing Director of TVS Capital Funds Limited, that has launched an India focused growth private equity fund. The vision is to develop and nurture India's mid-cap businesses into world class companies. The fund will make investments in companies that are at the intersection of high growth consumer consumption driven opportunities and a developmental theme, such as organizing the unorganized / inefficient sectors. The fund will target to source proprietary investment opportunities, and be a strategic partner to the entrepreneur and the enterprise to help expand businesses beyond their existing roots, professionalize their operations and enhance their management team.

Mr Gopal Srinivasan, a member of the TVS family, is the founder and Chairman of TVS Electronics Limited, and is a Director in T V Sundram Iyengar & Sons Ltd, the holding company and several group companies. He was also a Board member in Great Lakes Institute of Management.

He was the Chairman of the "Confederation of Indian Industry (CII)" Tamil Nadu State Council for the fiscal year 2007-08. He was also the Chairman of CII National Committee for Private Equity & Venture Capital for the fiscal year 2010-11. He has also served on various leadership roles in several business associations.

Mr Gopal Srinivasan has incubated over eight businesses, and has over twenty five years of operational experience in India, along with a wide network of relationships across the world.

A passionate entrepreneur, he is also actively involved in the promotion of Entrepreneurship as an angel investor. He is associated with Chennai Angels as well as TiE (The Indus Entrepreneurs) where he provides guidance to the budding entrepreneurs on incubating businesses.

He earned a B.Com from Loyola College, Chennai and an MBA from University of Michigan, USA.

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

He holds 66 equity shares in the Company and he is related to Mr Venu Srinivasan, chairman & managing director of the Company and Mr T K Balaji, director of the Company.

Details of his other directorships and membership of committees are given below:

S. No.	Name of the Company	Position held	Committee memberships
1.	TVS Investments Limited	Chairman and Managing Director	Member - Audit Committee
2.	TVS Capital Funds Limited	Chairman and Managing Director	
3.	Harita Academy Limited	Chairman	
4.	Harita Techserv Limited	Chairman	
5.	TVS Electronics Limited	Chairman	Member - Remuneration and Compensation Committee
6.	TVS-E Servicetec Limited	Chairman	
7.	T V Sundram Iyengar & Sons Limited	Director	
8.	TVS Logistics Services Limited	Director	
9.	Sundaram Investment Limited	Chairman	
10.	Sundaram Industries Limited	Director	
11.	Sundaram Engineering Products Services Limited	Director	
12.	Lucas-TVS Limited	Director	
13.	Dunar Foods Limited	Director	
14.	Landmark Limited (Part IX)	Director	
15.	Harita Electronics Private Limited	Director	
16.	Cross Creek Channel Investment Advisors Pvt Ltd	Director	
17.	Nextwealth Entrepreneurs Private Limited	Director	
18.	Indian Cookery Private Limited	Director	
19.	Mosaic Media Ventures Private Limited	Director	

II. Vice Admiral P J Jacob (Retd)

Born on 23rd February 1941, Vice Admiral P J Jacob retired in 2001 as the Vice Chief of the Naval Staff. An alumnus of the National Defence Academy, Defence Services Staff College and the National Defence College, he has held a variety of key operational and training assignments in a career spanning forty years. He has commanded the Eastern Fleet, was the Director General of the Indian Coast Guard and the Chief of Personnel of the Navy before taking over as Vice Chief of the Naval Staff. As the Vice Chief, he was active in strategic planning and charting the future development of the Indian Navy. He has overseen numerous training initiatives and has led several Ministry of Defence / Navy delegations to negotiate intergovernmental agreements on strategic issues with various countries. He has also held a diplomatic assignment as the naval attache in Tehran during a very turbulent period in that country's history.

Since leaving the Navy, he has taken up an assignment as a Director in Dua Consulting, a leading Delhi based firm, consulting in a number of areas such as infrastructure development, maritime, aviation and telecom.

Vice Admiral Jacob is vastly experienced in the field of maritime security. He was appointed by the Sri Lankan Government as its advisor on Maritime security. His experience in this field has also been tapped at various fora like the Asia Centre and the National Institute of Advanced studies, Bangalore. He was also invited by Japanese Ministry of Foreign Affairs to interact with Japanese think tanks on the future of Indo Japanese maritime co-operation.

He was also involved in a second tract initiative in conjunction with CII to attract greater Taiwanese investment in India, particularly in IT and small and medium scale manufacturing.

Vice Admiral Jacob was till recently a member of the National Security Advisory Board to the Prime Minister of India. He is currently Chairman of the Global India Foundation, a newly created organization aiding decision makers in strategizing policy initiatives.

He is a member and chairman 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.

He holds the position as director in Dua Consulting Private Limited. He does not hold any position as a member of any committee of directors of any other company.

III. Mr S Santhanakrishnan

Born on 8th November 1944, Mr S Santhanakrishnan is Post graduate in M.Sc (Madras University), CAIIB, D.S.M (Bombay University), Dip. in Training and Development (ISTD).

Joined State Bank of India (SBI) as a Probationary Officer, he rose to the position of Dy. Managing Director after 36 years of experience. In SBI, he was mostly in the arena of credit marketing and administration, particularly in SME and large corporates. As an All India Head of credit (Corporate Accounts Group), he had the privilege of dealing with all the top 200 companies of India for more than 3 years. He was also deputed to SBI Caps. as General Manager and headed the Chennai Office of this outfit for 3 years.

After retirement from SBI, he was selected to head the then fledgling Credit Information Bureau Of India (CIBIL), a Company that was promoted thanks to the Reserve Bank of India's initiative and by all commercial banks (including all foreign banks and leading private banks) and Sundaram Finance Limited. During his three year tenure as its Executive Chairman, he had the privilege of participating in the evolution of the company as an important credit reference agency and shaped it to be commercially very successful. He is still associated with this agency as an Advisor.

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

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

Details of his other directorships and membership of committees are given below:

S. No.	Name of the Company	Nature of Interest	Committee memberships
1.	Easy Access Financial Services Limited	Director	
2.	ICICI Home Finance Company Limited	Director	
3.	Reliance Capital Trustee Company Limited	Director	
4.	TVS Credit Services Limited	Director	Member - Audit Committee
5.	Axiom Cordages Limited	Director	

IV. Mr Suresh Kumar Sharma

Born on 31st December 1965, Mr Suresh Kumar Sharma is the proprietor of Sharma Transports, which is engaged in transport business for over five decades.

The firm is a leading organization engaged in private service of vehicles for transportation of passengers and luggage to various segments. They offer transport solutions to link the distance in medium sized corporations.

The firm brings strong heritage and special focus with proven expertise of five decades of professional and comprehensive management towards total transport solutions. In the transport industry they are pioneers having introduced state-of-the-art technology in provision of vehicles and hi-tech integral coaches.

They also have well established fully furnished coach building stations. They operate in all southern states of India covering more than 30 destinations. They have the privilege of serving as coach contractors for Toyota-Kirloskar Motor Company Limited and Volvo Company Limited.

Mr Sharma brings with him expertise of over two decades in the transport industry and real estate development.

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

He holds the position as director in Sharma Transports India Private Limited. He does not hold any position as a member of any committee of directors of any other company.

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

The following explanatory statement sets out all material facts relating to the special business mentioned in the accompanying notice dated 8th May 2013 and shall be taken as forming part of the notice.

Item No. 7

Captain N S Mohan Ram, a relative of director of the Company, namely Mr T K Balaji, was appointed as a consultant in TVS Motor Company Limited (TVSM), a subsidiary of the Company on 1st April 2013 on a consolidated salary of Rs. 2,00,000/- per month together with perquisites on such terms and conditions as agreed to between him and the subsidiary.

Captain N S Mohan Ram was engaged as a consultant by the subsidiary, after taking into account his academic and professional background and experience over a career spanning over fifty years. He is a graduate in Naval Architecture from IIT Kharagpur and also holds an MBA from the faculty of management studies.

He designed warships for The Indian Navy and Coast Guard. His expertise includes turnaround management and new development programme. He is an R&D specialist making a successful transition to excel in general management and is currently active on the issue of recycling automobiles at the end of useful life. He also served the subsidiary as President during 1989 to 1995 and made significant contributions to the growth of the subsidiary during the period.

Being a relative of the director of the holding company, Captain N S Mohan Ram's appointment in the subsidiary may amount to holding an office of profit in terms of the provisions of Section 314 of the Companies Act, 1956, even though he is not related to any of the directors of the subsidiary.

In terms of the said section, his appointment needs to be approved by means of a special resolution passed by the shareholders of the holding company at the general meeting that is held for the first time after the said appointment, since the amount of remuneration payable to him exceeds Rs.50,000/- per month.

The directors, therefore, recommend the said resolution to be approved as a special resolution by the shareholders of the Company as set out in Item No. 7 of this notice.

None of the directors of the Company except Mr T K Balaji, director, being the relative of Captain N S Mohan Ram, 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
8th May 2013

R Raja Prakash
Company 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 fifty first annual report and the audited accounts for the year ended 31st March 2013.

1. FINANCIAL HIGHLIGHTS

(Rupees in Crores)

Details	Year ended 31.03.2013	Year ended 31.03.2012
Sales and other income	1,056.68	1,051.23
Profit before finance cost and depreciation	127.87	141.34
Less: Finance Cost	44.32	38.42
Depreciation	51.25	47.34
Profit after finance cost and depreciation	32.30	55.58
Add : Exceptional Item (Income)	–	25.34
Profit before tax	32.30	80.92
Less: Provision for :		
Income tax	–	10.35
Deferred tax	(3.12)	(1.72)
Profit after tax	35.42	72.29
Surplus brought forward from previous year	63.16	26.84
Total	98.58	99.13
Appropriations:		
First interim dividend paid	17.07	–
Second interim dividend payable	9.48	–
Interim dividend payable	–	21.81
Dividend tax payable	–	3.54
Tax relating to earlier years	–	3.39
Transfer to general reserve	3.54	7.23
Balance carried to Balance Sheet	68.49	63.16
Total	98.58	99.13

2. DIVIDEND

The board of directors of the Company (the board) at their meeting held on 8th February 2013, declared an interim dividend of Rs.9.00 per share (180%) absorbing a sum of Rs.17.07 Cr for the year 2012-13 and the same was paid to the shareholders on 19th February 2013.

The board, at its meeting held on 8th May 2013, declared a second interim dividend of Rs. 5/- per share (100%) for the year 2012-13 absorbing a sum of Rs. 9.48 Cr including dividend distribution tax. The same will be paid to the shareholders on 17th May 2013. Hence, the total amount of dividend including the second interim dividend payable, for the year ended 31st March 2013 will aggregate to Rs.14/- per share (280%) on 1,89,67,584 equity shares of Rs. 5/- each.

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

3. INSTITUTIONAL PLACEMENT PROGRAMME (IPP)

During the year, the board, at its meeting held on 8th February, 2013 approved a proposal, subject to the approval of the shareholders in terms of Section 81(1A) of the Companies Act, 1956, (the Act), for additional issue and allotment of 12,64,501 New Equity Shares of Rs.5/- each, at a price to be determined at a later stage, by offering the said New Equity Shares to Qualified Institutional Buyers (QIBs), as defined in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("ICDR Regulations"), as amended, pursuant to an Institutional Placement Programme (IPP) in accordance with Chapter VIII-A of the ICDR Regulations.

The objective of the proposal was to facilitate (a) increasing the minimum public shareholding of the Company to 25 per cent, in the manner prescribed by the Securities and Exchange Board of India (SEBI) and also (b) raising the additional capital to partially meet the funding requirements of the Company.

The proposal was approved by the shareholders, by way of a special resolution, in terms of Section 81(1A) of the Act, through postal ballot process on 20th March 2013.

As authorized by the shareholders, the board constituted an IPP committee of directors for taking all such steps for determining the terms and conditions for the offer and issue of the aforesaid New Equity Shares to QIBs, in consultation with lead managers, advisors, underwriters and such other intermediaries and authorities, as may be required, after due consideration of the prevailing market conditions and other relevant factors.

This proposal will also ensure that the Company complies with the requirement of achieving minimum public shareholding of atleast 25% in terms of Securities Contracts (Regulation) Rules,1957 and Clause 40A of the Listing Agreement.

4. PERFORMANCE

The year 2012 witnessed a downward trend in economic developments in the country, influenced by the negative sentiment in macro-economic scenario across overseas and domestic markets. The slowdown that commenced in 2011 continued through 2012 and is expected to prevail over the current year as well.

During the year 2012-13, the GDP is likely to register a growth rate of only 5% as against 6.5% achieved in 2011-12. This growth rate is significantly lower than the estimates at the beginning of the year.

During 2012, GDP in US grew by 2.2% as against 1.47% in 2011. (Source: BEA). GDP growth in the European Union was flat in 2012 compared to 1.5% in 2011 (Source: Eurostat / IMF).

In this background, North American class 8 truck segment witnessed a growth of 9% (Source ACT), while, the sale of European medium and heavy trucks suffered decline of 10% (Source ACEA).

The following table highlights the performance of the Company during 2012-13:

Particulars	2011-12	2012-13	Variance (in %)
Sales (Tonnage)	36488	35625	-2.4
Sale of goods (Rs. Cr.)	972.91	974.72	0.2
Domestic sales (Rs. Cr.)	559.64	517.84	-7.5
Export sales (Rs. Cr.)	413.27	456.88	10.5
Profit before Tax (Rs. Cr.)	80.92*	32.30	–

** 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

FY 2012-13 saw Indian Economy going through a difficult phase characterised by subdued industrial activity, higher interest rates, global economic slowdown, volatility in currency and crude oil prices. India's GDP growth declined to a decade low of 5% in FY 2012-13 (CSO Advanced Estimates). Average WPI inflation for 2012-13 stood at 7.6%, slightly lower than 8.9% inflation recorded in 2011-12. On the other hand, CPI inflation increased to 10% from the previous year level of 8.4%.

Indian currency was adversely affected by volatile crude oil prices, lower net capital inflows and lower export growth in the first three quarters of the FY 2012-13. The global crude oil prices remained between US$85 per barrel and US$100 per barrel for large part of the year.

Availability of power has been a major concern throughout the year 2012-13.

The unfavorable macroeconomic conditions and higher interest rates had a deep impact on the growth of the automotive industry. Further, delayed monsoon and increases in fuel prices adversely impacted the growth of vehicles sales. With the above background, Indian auto industry grew at a dismal rate of 1.2% in FY 2012-13, with 24% decline in M & HCVs and a meagre 3.2% growth in Passenger Vehicles.

Category	FY 2012-13 Nos.	FY 2011-12 Nos.	Variance in %
Medium and Heavy Commercial Vehicles (M & HCV)	2,87,282	3,77,711	-24
Light Commercial Vehicles (LCV)	5,85,812	5,24,056	12
Buses - M & HCV	53,663	59,091	-9
Passenger Vehicles	32,41,115	31,38,622	3
Two wheelers	1,57,58,689	1,53,84,261	2

(Source: SIAM)

Exports

Though the US economy witnessed a growth of 2.2% in 2012, the Eurozone financial crisis deepened over the last one year with the contagion spreading to multiple countries across Europe. Credit availability remained low and the overall customer sentiments were negative.

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

Market	Category	2012	2011	Variance (in %)
North America	Class 8 Trucks	2,78,720	2,55,261	9
North America	Class 5-7 Trucks	1,88,449	1,66,792	13
Europe	Medium & Heavy trucks	2,14,207	2,36,064	-9

(Source: ACT & ACEA)

II. Business outlook and overview

Going forward, growth is expected to remain sluggish in 2013-14 unless substantive policy measures are undertaken to boost investment sentiments.

The major concerns would be non-availability of power, high inflation, high current account and fiscal deficit.

In view of the weakness in inflow of foreign direct investment and deteriorating macro economic conditions, the rupee is expected to depreciate and likely to remain above Rs.54 per dollar during 2013 -14.

Implementation of key structural reforms with emphasis on growth could revive the economy and provide the industries with the much-needed stimulus for growth.

As regards exports, the Company expects the overall demand in NAFTA region to remain stagnant based on current indications. Recovery is expected after Q3 of 2013. The Southern Europe continues to be under recession. However, the Euro 6 standard norms becoming mandatory from January 2014, it is likely to induce pre-buy effect that may have a positive impact on our sales in the EU.

III. Opportunities & Threats

The Company supplies raw and machined aluminium 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 use of aluminium. This factor provides growth opportunities, since the Company is already a preferred source for aluminium castings to major customers in India and abroad.

The Company has developed magnesium die castings and has carried out tests and trials. The trials are encouraging. Magnesium being lighter in weight than aluminium, is expected to find several applications for light-weighting in the years to come.

Our country is emerging as one of the major manufacturing hubs because of availability of well-educated and skilled workforce and good supplier base. The Company is well placed to leverage the above and continue pursuing international business opportunities.

However, many Indian die casting companies and OEMs are either setting up new capacities or expanding existing capacities resulting in increased competition.

Continued pricing pressure from customers will have its impact on the margins.

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

Global economy showed no signs of recovery during 2012-13 and the growth rate may continue to remain uncertain due to volatile crude and commodity prices and fluctuations in foreign exchange rates. In domestic economy, continued inflationary pressures, lower private consumption and high interest rates are likely to affect the GDP growth rate.

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 derived from M & HCVs (50%), followed by Car Industry (30%) and two wheeler industry (20%).

The Indian commercial vehicle industry has strong correlation with the agricultural growth and the mining industry and is cyclical. Presence in all the major segments of automotive industry will largely mitigate the segment- specific risks.

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.

The shortfall in the supply of power from the Government had forced the Company to resort to captive power generation using diesel generators and purchase of power from third parties at higher rates. The Government had also come out with additional surcharge towards Renewable Power Obligation and Solar Power Obligation that has added to the overall power cost. The power situation remains a concern with no major power generation capacity getting added to the system. This is likely to have an impact by way of higher costs and lower margins. However, the Company has made arrangements for ensuring the availability of captive power.

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, in rare cases, defects that escape may lead to incurring expenses for rework / product recall. 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. Robust quality and project management systems are in place to avoid delay in deliveries due to quality issues or project implementation for minimizing 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 or not in line with the projected demands. The Company closely monitors the progress of customer projects/volumes 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 of directors. The observations, arising out of audit, are periodically reviewed and compliance ensured. The summary of the Internal Audit observations and the status on implementation of corrective actions are reported to the Audit Committee of directors for their review.

VI. Operations review

A. Manufacturing

The Company has been using the philosophies of Total Quality Management (TQM) as the foundation of its management. The Company implemented the best practices of 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 projects are implemented to improve manufacturing quality and productivity in all the manufacturing locations. The Company's journey of achieving manufacturing excellence was recognized and rewarded by the following agencies / customers during 2012-13.

- Honda - Value engineering efforts (April 2012)
- Cummins - Best continuous improvement (July 2012)
- Tata Motors Limited - Delivery award (July 2012)
- Delphi-TVS - Award for excellence in delivery (January 2013)
- Hyundai Motor India Limited - Best cooperative supplier (March 2013)

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 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 13th consecutive year.

Employees have completed 328 projects by applying statistical tools through Quality Control Circles (QCC) in 2012-13. The average number of suggestions implemented per employee in 2012-13 was 44.