

Sundaram-Clayton Limited



44th Annual Report 2006

Sundaram-Clayton Limited**Board of Directors**

SURESH KRISHNA
Chairman

venu srinivasan
Managing Director

GOPAL SRINIVASAN
Joint Managing Director

K MAHESH

T K BALAJI

Dr CHRISTIAN WIEHEN

NIKHIL MADHUKAR VARTY

LEON LIU

D E UDWADIA

D D UDESHI

PASCALE F. RAHMAN

VICE ADMIRAL P J JACOB (Retd)

RYNA KARANI
Alternate to Nikhil Madhukar Varty

Executive Director
H LAKSHMANAN

President - Automotive Products
C N PRASAD

Senior Vice President - Finance
V N VENKATANATHAN
R MURALI

Secretary
S MURALIDHARAN

Audit Committee

VICE ADMIRAL P J JACOB (Retd.)
Chairman

D E UDWADIA

T K BALAJI

D D UDESHI

Investors' Grievance Committee

SURESH KRISHNA
Chairman

venu srinivasan

T K BALAJI

K MAHESH

Bankers

STATE BANK OF INDIA
Corporate Accounts Group Branch
Greens Dugar
Greens Road
Chennai 600 006

STATE BANK OF MYSORE
Whites Road Branch
Chennai 600 014

Auditors

SUNDARAM & SRINIVASAN
Chartered Accountants
23 Sir C P Ramaswamy Road
Alwarpet, Chennai 600 018.

Listing of shares with :

Madras Stock Exchange Ltd., Chennai.
The National Stock Exchange of India Ltd.,
Mumbai.
Bombay Stock Exchange Ltd, Mumbai.

Registered Office

"Jayalakshmi Estates"
29 (Old No.8) Haddows Road
Chennai 600 006
Tel : 044-28272233
Fax: 044-28257121

Factories

Padi, Chennai 600 050
Ambattur, Chennai 600 058
Belagondapalli, Hosur - 635 114


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Sundaram-Clayton Limited



FINANCIAL HIGHLIGHTS INCLUDING SELECTED INDICATORS AND RATIOS

Rupees in lakhs

YEAR	1997	1998*	1999	2000	2001	2002	2003	2004	2005	2006
Profit and Loss Account										
Sales	21066	13000	16000	23183	24061	24682	29912	41735	53630	62927
Other income	942	937	1318	1456	1463	1825	2416	2843	3253	4533
Total income	22008	13937	17318	24639	25524	26507	32328	44578	56883	67460
Gross profit before interest, depreciation & tax (EBITDA)	4126	1708	2624	3893	3490	4152	5905	8213	10159	14111
Depreciation	587	410	577	799	948	1086	1202	1528	2142	2690
Profit before interest & tax	3539	1298	2047	3094	2542	3066	4703	6685	8017	11421
Interest	222	35	(61)	60	153	129	(126)	49	384	789
Profit before taxation	3317	1263	2108	3034	2389	2937	4829	6635	7633	10632
Profit after taxation	1950	694	1870	2268	1774	2185	3605	4601	5341	7531
Balance Sheet										
Net fixed assets	4940	5266	6492	8507	9618	9961	12482	18376	27513	30251
Investments	4353	4839	4352	4301	4301	4831	4318	5508	5709	7103
Net current assets	2845	2195	3036	4468	4621	2453	2815	2335	3036	7738
Total	12138	12300	13880	17276	18540	17245	19615	26219	36258	45092
Share capital	1897	1897	1897	1897	1897	1897	1897	1897	1897	1897
Reserves & surplus	9202	9480	10718	12249	13397	13545	15820	18708	22103	27042
Net worth	11099	11377	12615	14146	15294	15442	17717	20605	24000	28939
Loan funds	1039	923	1265	3130	3246	962	890	4481	10918	14613
Deferred taxation (net)						841	1008	1133	1340	1540
Total	12138	12300	13880	17276	18540	17245	19615	26219	36258	45092
EPS (Rs) @	10.28	3.66	9.86	11.95	9.36	11.52	19.00	24.25	28.16	39.26
DPS (Rs) @	2.70	2.00	3.00	3.50	3.00	6.00	6.50	8.00	9.00	12.00
Book value per share (Rs) @	58.52	59.98	66.51	74.59	80.63	81.41	93.40	108.63	126.53	152.57
Return on capital employed (ROCE) %	29.7	12.7 #	15.6	19.9	14.2	17.1	25.5	29.2	25.7	28.1
Return on net worth (RONW) %	18.7	7.3 #	15.6	16.9	12.1	14.2	21.7	24.0	23.9	28.5
Fixed assets turnover (No. of times)	5.1	3.0 #	2.7	3.1	2.7	2.5	2.7	2.7	2.3	2.2
Working capital turnover (No. of times)	6.3	6.2 #	6.1	6.2	5.3	7.0	11.4	16.2	20.0	11.7
EBITDA as % of sales	19.6	13.1	16.4	16.8	14.5	16.8	19.7	19.7	18.9	22.4
EBITDA as % of total income	18.7	12.3	15.2	15.8	13.7	15.7	18.3	18.4	17.9	20.9
Net profit as % of total Income	8.9	5.0	10.8	9.2	7.0	8.2	11.2	10.3	9.4	11.2

@ Adjusted for bonus issue.

figures are annualised.

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.

* Figures for ten months ended 31st March 1998.



Sundaram-Clayton Limited

Notice to the Shareholders

NOTICE is hereby given that the forty fourth annual general meeting of the company will be held at 'The Music Academy', New No.168 (Old No.306), TTK Road, Chennai 600 014 on Wednesday, the 27th September 2006 at 10.15 a.m to transact the following business:

ORDINARY BUSINESS

1. **To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:**
RESOLVED THAT the audited balance sheet as at 31st March 2006 and the profit and loss account of the company for the year ended on that date, together with the directors' report and the auditors' report thereon as presented to the meeting be and the same are hereby approved and adopted.
2. **To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:**
RESOLVED THAT the first interim dividend of Rs.6/- per share declared by the board of directors of the company on 28th October 2005, and the second interim dividend of Rs.6/- per share declared by the board of directors of the company on 21st April 2006, on 1,89,67,584 equity shares of Rs.10/- each fully paid absorbing a total sum of Rs.2276.12 lakhs in the aggregate and paid to the shareholders on 11th November 2005 and 2nd May 2006, respectively, be and are hereby approved as final dividend for the year ended 31st March 2006.
3. **To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:**
RESOLVED THAT Mr Nikhil Madhukar Varty, director who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a director of the company.
4. **To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:**
RESOLVED THAT Mr D E Udawadia, director who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a director of the company.
5. **To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:**
RESOLVED THAT the retiring auditors Messrs. Sundaram & Srinivasan, Chartered Accountants, Chennai be and are hereby re-appointed as auditors of the company to hold office from the conclusion of this annual general meeting till the conclusion of the next annual general meeting of the company on such remuneration as may be fixed in this behalf by the board of directors of the company.

SPECIAL BUSINESS

6. **To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:**
RESOLVED THAT Mr D D Udeshi be and is hereby appointed as a director of the company, liable to retire by rotation.

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

RESOLVED THAT Ms Pascale F Rahman be and is hereby appointed as a director of the company, liable to retire by rotation.

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

RESOLVED THAT Dr Christian Wiehen be and is hereby appointed as a director of the company, liable to retire by rotation.

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

RESOLVED THAT Vice Admiral Mr P J Jacob (Retd) be and is hereby appointed as a director of the company, liable to retire by rotation.

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

RESOLVED THAT subject to the provisions of Sections 198, 269, 309 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 the re-appointment of Mr Gopal Srinivasan as joint managing director of the company for a further period of five years from 1st December 2006 as well as the payment of salary, commission and perquisites (hereinafter referred to as the 'remuneration') upon such terms and conditions as detailed in the explanatory statement annexed hereto, be and is hereby approved.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year, the board of directors shall revise the remuneration payable to Mr Gopal Srinivasan, joint managing director, for such financial year, in such manner as agreed to between the board of directors and the joint managing director and within the limits prescribed in this behalf under Schedule XIII to the Companies Act, 1956.

FURTHER RESOLVED THAT the board of directors be and is hereby authorized to vary, from time to time, the percentage and quantum of commission payable to the joint managing director, provided that the total remuneration payable whether by way of salary, perquisites, commission and other allowances, shall not exceed five percent of the net profits of the company in any financial year.

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

FURTHER RESOLVED THAT the directors of the company be and are hereby severally authorized to enter into necessary agreement / supplemental agreement on behalf of the company with Mr Gopal Srinivasan, joint managing director in terms of this resolution.

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

RESOLVED THAT, in supersession of the ordinary resolution passed by the shareholders in the general meeting of the company held on 30th November 1990, consent of the company be and is hereby accorded to the board of directors under section 293(1)(d) and all other applicable provisions of the Companies Act, 1956 and the Articles of Association of the company, for borrowing, from time to time, as it may consider fit, any sum or sums of monies from any person, whether or not the monies so borrowed together with the monies already borrowed by the company and remaining outstanding at any one time (apart from temporary loans obtained from the company's bankers in the ordinary course of business) exceed the aggregate of the paid-up capital of the company and its free reserves that is to say, reserves that are not set apart for any specific purpose provided that the total amount so borrowed and outstanding at any one time (apart from temporary loans obtained from company's bankers in the ordinary course of business) shall not exceed Rs.200 crores (Rupees two hundred crores only) and that the board of directors be and is hereby empowered and authorized to arrange and fix the terms and conditions of all such monies to be borrowed, from time to time, as to interest, repayment, security or otherwise as it may think fit.

Chennai
31st July 2006

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

By order of the board
S MURALIDHARAN
Secretary

Notes:

- 1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy or proxies so appointed need not be a member or members, as the case may be, of the company. The instrument appointing the proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the company not later than 48 hours before the time fixed for holding the meeting.**
- 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.
- The register of members and the share transfer register will remain closed for a period of six days from 22nd September 2006 to 27th September 2006 (both days inclusive).
- In terms of Section 205A read with Section 205C of the Companies Act, 1956, the dividends declared by the company, which remain

unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund (IEPF), established by the Central Government on the due dates. The particulars of due dates for transfer of such unclaimed dividends to IEPF are furnished in the report on Corporate Governance.

Members who have not encashed their dividend warrants in respect of the above period are requested to make their claim by surrendering the unencashed warrants immediately to the company.

- Members holding shares in physical form, in their own interest, are requested to dematerialise the shares to avail the benefits of electronic holding / trading.
- Members are requested to notify to the company immediately any change in their address. Members holding shares in depository are requested to advise change of address to their depository participants.
- 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.
- 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.
- In terms of clause 49 (IV)(G) of the listing agreement with the stock exchanges, a brief resume of directors, proposed to be reappointed / appointed in this meeting, nature of their expertise in specific functional areas, their other directorships and committee memberships and their shareholdings in the company are given below:

I. Mr Nikil Madhukar Varty

Born on 16th August 1964, Mr Nikhil Madhukar Varty is a postgraduate in commerce from University of Bombay and Chartered Accountant. He also has an MBA degree from University of Scranton, Pennsylvania, USA. He has worked for Sony Orson and Borosil Glass Works in India and for Coopers & Lybrand and Allied Signal (now Honeywell) in the USA. He has 20 years of experience in various business leadership, finance and consulting roles.

At present, he is the vice president and business unit leader for the Compression & Braking business unit of WABCO Vehicle Control Systems, a division of American Standard Inc., and works in Brussels, Belgium.

He is not a director of any other company and does not hold any share in the company.

II. Mr D E Udawadia

Mr. Darius E. Udawadia is a Post-graduate from the University of Bombay. He is an advocate and solicitor of the Bombay High Court. He is also a Solicitor of the Supreme Court of England.

Mr. Udawadia was a partner of Crawford Bayley & Co., Mumbai one of India's leading law firms for over 21 years. He is a partner of Udawadia & Udeshi.



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He has during his nearly 42 years of active law practice acquired valuable knowledge, experience and expertise in the following areas of law, namely corporate law, mergers, acquisitions and takeovers, corporate re-structuring, foreign collaboration, joint ventures, project and infrastructure finance, telecommunication, international loan and finance related transactions and financial instruments, mutual funds, real estate and conveyancing.

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

He is a member of the audit 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 membership/ chairmanship
1.	ABB Ltd	Director	Audit – Member
2.	ADF Foods Ltd	Director	
3.	AstraZeneca Pharma India Ltd	Chairman	
4.	Avestha Gengraine Technologies Pvt. Ltd.	Chairman	Audit – Member Shareholders Grievance – Chairman
5.	Avesta Nordic Research Pvt. Ltd.	Director	
6.	Bombay Burmah Trading Corp. Ltd.	Director	
7.	Coromandel Fertilisers Ltd.	Director	Audit – Member
8.	Eureka Forbes Ltd.	Director	
9.	Habasit Iakoka Pvt. Ltd.	Director	
10.	ITD Cementation India Ltd.	Director	Audit – Member
11.	JM Financial & Investment Consultancy Services Pvt. Ltd.	Director	
12.	JM Morgan Stanley Pvt. Ltd. (a subsidiary of public limited company effective 3 rd May 2006)	Director	
13.	JM Financial Trustee Co. Pvt Ltd	Director	Audit – Member
14.	JM Financial Limited	Director	
15.	Macmillan India Ltd.	Vice-Chairman	
16.	Mechanalysis (India) Ltd.	Director	Audit – Member
17.	Quantum Advisors Pvt. Ltd.	Director	
18.	Wyeth Ltd.	Director	

He does not hold any share in the company.

III. Mr D D Udeshi

Mr Dilip Udeshi was born on 28th January 1936. He was educated in Bombay and passed his law exam in the year 1958. He thereafter signed Articles with a firm Messrs Divecha & Thakore, and was qualified as a Solicitor in the year 1963. He joined the prestigious firm Messrs Crawford Bayley & Co., as an associate, and later went on to become one of its partners. He

continued with the firm as a partner until he left the firm to start his own firm in July 1997 to be called Messrs Udwadia & Udeshi and he is a partner of the firm.

He is a member of the audit committee of directors of the company. Details of his other directorships are given below:

S.No.	Name of the company	Position held
1.	Advanced Oral Care Products (P) Limited	Director
2.	Baltic Consultancy & Services (P) Limited	Director
3.	Chandabhoj & Jessobhoj Consultants (P) Limited	Director
4.	GMM Pfaudler Limited	Alternate Director
5.	Nova Synthetic Limited	Director
6.	Sefar Filtration (India) (P) Limited	Director
7.	Secure Meters Limited	Director
8.	Serendib Investments (P) Limited	Director

He does not hold any share in the company.

IV. Ms. Pascale F Rahman

Born on 3rd April 1960, Ms. Rahman is WABCO Vehicle Control Systems' Vice president and General Counsel. Ms Rahman is responsible for providing legal advice and support for all WABCO's business units on a global basis. Her responsibilities span a number of legal practice areas, such as commercial agreements, corporate joint ventures, mergers and acquisitions, restructuring, anti-trust and compliance matters, employment matters, litigation.

She has 20 years of legal experience working as a lawyer in leading international law firms in London, Paris and Brussels and focusing primarily on commercial and anti-trust matters. She has advised a number of global companies in a broad range of diverse industries and on a variety of commercial and transactional issues. Ms. Rahman's career started as in-house counsel for Honeywell. She provided legal support to Honeywell's international Industrial Automation Process Control business. She left Honeywell in the early 1990s as Associate General Counsel Europe. She worked for Honeywell at Corporate Headquarters in the US (Minneapolis) and at the Group's European Headquarters in Brussels.

She was born in India. She holds French nationality. She has law degrees from the University of Paris and Oxford University. She also attended Columbia University Comparative Law summer program.

Ms Rahman qualified as a Barrister in the UK and is a member of Inner Temple (Inns of court).

She is not a director of any other company and does not hold any share in the company.

V. Dr Christian Wiehen

Born on 15th July, 1954 in Hamburg, Germany. Dr Christian Wiehen is a Diploma holder in Mechanical Engineering from Technical University Hannover. He holds Doctor's degree Dr.-Ing., Universitat, Hannover. He was

Sundaram-Clayton Limited



a Consultant and founder of a Contract Engineering (Automotive Industry). He joined WABCO in 1988 as a leader Development Hydraulic Brake Systems which is a worldwide technology leader for braking suspension and transmission controls for commercial vehicles. He has held various senior positions in WABCO before his elevation to the present position as Vice-President Product Development in 2002.

He is not a member of any committee of directors. Details of his other directorships are given below.

S. No.	Name of the company	Position held
1.	Meritor WABCO Vehicle Control Systems, Troy, MI	Director
2.	WABCO Compressor Manufacturing Co, Charleston., SC	Director

He does not hold any share in the company.

VI. Vice Admiral Mr P J Jacob (Retd)

Vice Admiral Mr 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 director general of the Indian coast guard and 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 attaché in Tehran.

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, field 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 is currently 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 also currently serves as a member of the National Security Advisory Board to the Prime Minister.

He is the recipient of the Param Vishist Seva Medal, Ati Vishist Seva Medal and the Vishist Seva Medal for distinguished service of an exceptional order.

He is not a member of any committee of directors. Details of his other directorships are given below:

Name of the company	Position held
Dua Consultants Private Limited	Director

He does not hold any share in the company.

VII. Mr Gopal Srinivasan

Born on 4th August 1958, Mr Gopal Srinivasan is a commerce graduate from Loyola College, Chennai and is a Master of Business Administration (Industrial and Business Administration) from the University of Michigan, Ann Arbor, USA. He was co-opted as a director by the board on 29th November 1985.

He has served as the President of Manufacturers' Association for Information Technology (MAIT). He is a member of the panel on Development, Manufacture and Export of IT hardware as part of the National Task Force constituted by the Central Government. He was a member of State Level Information Technology Task Force headed by the Chief Minister of Tamil Nadu. He was also a member of the Small Group set up by the Commerce and Industry Minister, Government of India to suggest policy and procedural changes to bring about a quantum jump in the export of electronic hardware.

He was awarded "Electronics Man of the Year – 2004" by "Electronics for You" magazine in 2004 and also by ELCINA for the year 1996-97. He was also recently awarded for "Outstanding Contribution to Development of IT Channels in India" by Jasubhai digital media.

He is a member of Administrative Committee of the directors of the company. Details of his other directorship/membership of committees are given below:

S.No.	Name of the company	Position held	Committee membership
1	TVS Electronics Limited	Wholetime Director	Shareholders / Investors' Grievance - Member
2	Harita TVS Technologies Limited	Chairman	
3	ICICI Venture Funds Management Company Limited	Director	
4	Lucas-TVS Limited	Director	
5	Sundaram Industries Limited	Director	Shareholders / Investors' Grievance - Member
6	Sundaram Investment Limited	Director	
7	T V Sundram Iyengar & Sons Limited	Director	
8	TVS Finance and Services Limited	Chairman	
9	TVS Investments Limited	Chairman	
10	TVS Logistics Services Limited	Director	
11	TVS Motor Company Limited	Director	
12	Harita Infoserv Inc., USA	Director	-
13	India Japan Lighting Private Limited	Director	
14	Harita Electronics Private Limited	Director	
15	Vignani Technologies Private Limited	Director	

He holds 66 equity shares of Rs.10/- each of the company.



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Annexure to Notice

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 31st July, 2006 and shall be taken as forming part of the notice.

Item No. 6

Mr D D Udeshi was appointed as an additional director of the company by the board with effect from 31st December 2005. In terms of section 260 of the Companies Act, 1956, he will hold office only upto the date of this annual general meeting.

Notice has been received from a member of the company under section 257 of the Companies Act, 1956 alongwith a deposit of Rs.500/- signifying his intention to propose the candidature of Mr D D Udeshi for the office of director and to move the resolution as set out in item no. 6 of this notice.

Mr D D Udeshi is deemed to be concerned or interested in the resolution.

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

Item No.7

Ms Pascale F Rahman was appointed as an additional director of the company by the board with effect from 1st March 2006. In terms of section 260 of the Companies Act, 1956, she will hold office only upto the date of this annual general meeting.

Notice has been received from a member of the company under section 257 of the Companies Act, 1956 alongwith a deposit of Rs.500/- signifying his intention to propose the candidature of Ms Pascale F Rahman for the office of director and to move the resolution as set out in item no. 7 of this notice.

Ms Pascale F Rahman is deemed to be concerned or interested in the resolution.

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

Item No.8

Dr Christian Wiehen was appointed as an additional director of the company with effect from 21st April 2006 by the board. In terms of section 260 of the Companies Act, 1956, he will hold office only upto the date of this annual general meeting.

Notice has been received from a member of the company under section 257 of the Companies Act, 1956 alongwith a deposit of Rs.500/- signifying his intention to propose the candidature of Dr Christian Wiehen for the office of director and to move the resolution as set out in item no. 8 of this notice.

Dr Christian Wiehen is deemed to be concerned or interested in the resolution.

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

Item No. 9

Vice Admiral Mr P J Jacob (retd) was appointed as an additional director of

the company with effect from 21st April 2006 by the board. In terms of section 260 of the Companies Act, 1956, he will hold office only upto the date of this annual general meeting.

Notice has been received from a member of the company under section 257 of the Companies Act, 1956 alongwith a deposit of Rs.500/- signifying his intention to propose the candidature of Vice Admiral Mr P J Jacob (Retd) for the office of director and to move the resolution as set out in item no.9 of this notice.

Vice Admiral Mr P J Jacob (Retd) is deemed to be concerned or interested in the resolution.

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

Item No. 10

The present term of office of Mr Gopal Srinivasan, joint managing director expires on 30th November 2006.

The shareholders approved the last re-appointment and remuneration payable to Mr Gopal Srinivasan at the thirty ninth annual general meeting of the company held on 26th September 2001. This was subsequently modified for enhancement of salary from Rs.1,00,000 per month to Rs.1,50,000 per month vide supplemental agreement dated 30th April, 2004 from 1st June, 2004 till the remaining period of the present term of office ie., upto 30th November 2006 and approved by the shareholders at the annual general meeting held on 17th September 2004.

The board of directors has proposed to re-appoint Mr Gopal Srinivasan for a further period of five years from 1st December 2006 and to pay the same remuneration as approved by the shareholders at the forty second annual general meeting of the company held on 17th September 2004.

Details of remuneration proposed to be paid to Mr Gopal Srinivasan on his re-appointment for a further period of five years from 1st December 2006 will be as under:

(i) SALARY: Rs. 1,50,000/- per month

(ii) COMMISSION:

Not exceeding two per cent of the net profits of the company for a financial year, as may be decided by the board of directors for each financial year.

(iii) PERQUISITES

I. Housing:

Housing I : The company shall provide its own furnished accommodation for the joint managing director, free of rent.

Housing II : In case no accommodation is owned by the company ;
a. the expenditure on hiring furnished accommodation for the joint managing director will be subject to a ceiling of sixty per cent of the salary; or

Sundaram-Clayton Limited

- b. the joint managing director shall be entitled to house rent allowance subject to a ceiling of sixty per cent of the salary.

Explanation: The expenditure incurred by the company on gas, electricity, water and furnishings shall be valued as per the Income-tax Rules, 1962. This shall, however, be subject to a ceiling of ten per cent of the salary of the joint managing director.

II. Medical Reimbursement:

Medical expenses incurred for the joint managing director and his family, including premium for medical insurance.

III. Leave Travel Concession:

Leave travel concession for the joint managing director and his family, once in a year, incurred in accordance with the rules of the company.

Explanation: For the purposes of medical reimbursement and leave travel concession, family means the spouse, dependent children and dependent parents of the joint managing director.

IV. Club Fees

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

V. Personal accident insurance

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

VI. Company's contribution to provident fund and superannuation fund which shall not, in the aggregate exceed 27% of the salary or such other higher rate as may be notified by the Central Government from time to time.

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

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

IX. The joint managing director shall be provided with car for use on company's business and telephone at residence. Personal long distance calls on telephone and use of car for private purposes shall be billed by the company to the joint managing director.

X. The joint managing director shall be entitled to reimbursement of all actual expenses, including on entertainment and travelling incurred by him in the course of the company's business.

XI. The joint managing director so long as he functions as such, shall not be paid any sitting fee for attending the meetings of the board of directors or committees thereof.

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

In compliance with the provisions of sections 269, 309, 310 and 311 of the Companies Act, 1956, the terms of appointment and the remuneration specified above are now being placed before the shareholders for their approval.

Mr Venu Srinivasan, managing director and Mr Gopal Srinivasan, joint managing director, who are brothers and Mr T K Balaji, director, being a relative of both of them, may be deemed to be concerned or interested in this resolution.

None of the other directors of the company is, in any way, concerned or interested in the said resolution.

This may be treated as an abstract of the terms of the agreement between the company and Mr Gopal Srinivasan, joint managing director pursuant to section 302 of the Companies Act, 1956.

The directors recommend the resolution for approval of shareholders as an ordinary resolution.

Item No. 11

In terms of Section 293(1)(d) of the Companies Act, 1956, the board of directors have the powers to borrow moneys, where the moneys to be borrowed together with moneys already borrowed (other than the temporary loans obtained from the company's bankers in the ordinary course of business) exceeding the aggregate of the paid up capital and free reserves of the company, with the consent of the shareholders obtained in a general meeting.

The shareholders of the company at the annual general meeting held on 30th November 1990 fixed the monetary ceiling for borrowing in excess of the paid up capital and free reserves of the company at Rs.60 crores, taking into account the then prevailing business volumes.

Considering the growth of the company since 1990 and the proposed expansion activities of the company, the directors have considered it desirable to enhance the borrowing powers from Rs.60 crores to Rs.200 crores.

Accordingly, the resolution is placed before the shareholders for their approval.

None of the directors is in anyway concerned / interested in the resolution.

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

Inspection of documents

The documents, 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
31st July 2006

S MURALIDHARAN
Secretary

Registered office:
"Jayalakshmi Estates"
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Chennai 600 006