

*Sundaram-Clayton Limited*

*55th Annual Report 2017*

## Sundaram-Clayton Limited

### Board of Directors

VENU SRINIVASAN  
*Chairman & Managing Director*  
Dr. LAKSHMI VENU  
*Joint Managing Director*  
SUDARSHAN VENU  
*Joint Managing Director*  
K MAHESH  
GOPAL SRINIVASAN  
T K BALAJI  
VICE ADMIRAL P J JACOB (Retd.)  
S SANTHANAKRISHNAN  
V SUBRAMANIAN  
R VIJAYARAGHAVAN  
KAMLESH GANDHI  
R GOPALAN

### Audit & Risk Management Committee

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

### Stakeholders' Relationship Committee

S SANTHANAKRISHNAN  
*Chairman*  
Dr. LAKSHMI VENU  
R VIJAYARAGHAVAN

### Nomination and Remuneration Committee

VICE ADMIRAL P J JACOB (Retd.)  
*Chairman*  
V SUBRAMANIAN  
R VIJAYARAGHAVAN

### Corporate Social Responsibility Committee

VENU SRINIVASAN  
*Chairman*  
Dr. LAKSHMI VENU  
VICE ADMIRAL P J JACOB (Retd.)

### Executive Director

H LAKSHMANAN

### President and CEO

M MUTHURAJ

### Chief Financial Officer

V N VENKATANATHAN

### Company Secretary

R RAJA PRAKASH

### Statutory Auditors

M/s. SUNDARAM & SRINIVASAN  
Chartered Accountants,  
New No. 4 (Old No. 23), C.P. Ramaswamy Road,  
Alwarpet, Chennai - 600 018.  
Tel. : 044-2498 8762  
E-mail : yessendes@vsnl.net

### Cost Auditor

A N RAMAN  
Cost Accountant,  
No.10, P. Muthukumaraswami Salai,  
Off. Baby Nagar 1<sup>st</sup> Main Road, Velachery,  
Chennai - 600 042.  
Tel. : 044-2243 3462  
E-mail : anraman@gmail.com

### Secretarial Auditor

B CHANDRA  
Practising Company Secretary  
AG 3, Ragamalika,  
No. 26, Kumaran Colony Main Road,  
Vadapalani, Chennai 600 026  
E-mail : bchandra1@gmail.com

### Shares listed with

BSE Limited, Mumbai  
National Stock Exchange of India Limited, Mumbai

### Share Transfer Department

"Jayalakshmi Estates", 1<sup>st</sup> Floor,  
No.29 (Old No.8), Haddows Road,  
Chennai - 600 006  
Tamil Nadu, India.  
Tel. : 044 - 2827 2233  
Fax : 044 - 2825 7121  
E-mail : raman@scl.co.in  
investorscomplaintssta@scl.co.in

### Bankers

STATE BANK OF INDIA  
Corporate Accounts Group Branch  
3<sup>rd</sup> Floor, Sigapi Achi Building  
18/3, Rukmini Lakshmi pathi Road  
Egmore, Chennai - 600 008.

### Registered Office

"Jayalakshmi Estates"  
No. 29 (Old No. 8) Haddows Road  
Chennai - 600 006, Tamil Nadu, India.  
Tel. : 044 - 2827 2233  
Fax : 044 - 2825 7121  
CIN : L35999TN1962PLC004792  
E-mail : corpsec@scl.co.in  
Website: www.sundaram-clayton.com

### Plant Locations

#### Padi

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

#### Mahindra World City

Plot No. AA5, VI Avenue  
Auto Ancillary SEZ, Mahindra World City,  
Chengalpattu, Kancheepuram District - 603 004,  
Tamil Nadu, India.  
Tel. : 044 - 4749 0049

#### 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

### Subsidiary Companies

TVS Motor Company Limited, Chennai  
Sundaram-Clayton (USA) Limited, USA  
Sundaram Auto Components Limited, Chennai  
TVS Housing Limited, Chennai  
PT. TVS Motor Company Indonesia, Jakarta  
TVS Motor Company (Europe) B.V., Amsterdam  
TVS Motor (Singapore) Pte. Limited, Singapore  
Sundaram Holding USA Inc., USA

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## Sundaram-Clayton Limited

### FINANCIAL HIGHLIGHTS INCLUDING SELECTED INDICATORS AND RATIOS

(Rupees in crores)

Financial Year ended	2008	2009	2010	2011	2012	2013	2014	2015	2016**	2017**
Sales	426.9	492.4	492.7	805.7	1017.0	1018.6	1196.8	1346.1	1,527.9	1,515.4
Other income	34.5	36.3	46.3	22.2	34.2	38.1	35.8	55.0	105.1	74.3
Total	461.4	528.7	539.0	827.9	1051.2	1056.7	1232.6	1401.1	1,633.0	1,589.7
Exceptional Income	-	-	-	-	25.3	-	5.8	3.1	6.0	2.3
Total Income	461.4	528.7	539.0	827.9	1076.5	1056.7	1238.4	1404.2	1639.0	1592.0
Gross profit before interest, depn & tax	73.9	60.1	71.8	107.8	166.7	127.9	149.7	181.1	249.8	208.9
Depreciation	27.7	31.0	37.6	40.8	47.3	51.3	53.2	59.8	55.0	60.6
Profit before interest & tax	46.2	29.1	34.2	67.0	119.4	76.6	96.5	121.3	194.8	148.3
Interest	10.8	22.1	20.5	21.7	38.4	44.3	35.7	36.9	32.3	28.6
Profit before tax	35.4	7.0	13.7	45.3	81.0	32.3	60.8	84.4	162.5	119.7
Profit after tax	23.9	6.3	12.4	37.3	72.3	35.4	53.7	71.2	144.4	105.6
Net Fixed assets	240.2	304.3	307.4	366.1	395.0	408.8	405.9	418.2	456.9	521.1
Net current assets	213.7	219.0	172.6	212.6	230.0	248.6	256.0	289.1	290.0	257.7
Share capital	9.5 <sup>(a)</sup>	9.5	18.9 <sup>(b)</sup>	18.9	9.5 <sup>(c)</sup>	9.5	10.1 <sup>(d)</sup>	10.1	10.1	10.1
Reserves & surplus	226.6	221.9	225.4	241.3	273.0	282.6	333.5	364.5	493.0	601.5
Net worth	236.1	231.4	244.3	260.2	282.5	292.1	343.6	374.6	503.1	611.6
Loan funds	267.4	339.3	288.7	359.5	389.7	414.3	362.2	378.2	369.1	354.2
Deferred tax (net)	19.8	19.9	20.3	21.7	20.0	16.9	18.5	22.3	30.0	35.8
EPS (Rs)	12.6	3.3	3.3	9.8	30.1	18.7	27.0	35.2	71.4	52.2
DPS (Rs)	8.8	2.0	1.8	5.8	11.5	14.0	19.3	19.0	41.0	31.5
Book value per share (Rs)	127.5	122.0	64.4	68.6	148.9	153.9	169.8	185.2	248.7	302.3
Return on capital employed (ROCE) %	8.4	5.2	6.0	11.2	17.9	10.8	13.3	16.2	23.2	15.6
Return on net worth (RONW) %	8.2	2.7	5.2	14.8	26.6	12.3	16.9	19.8	32.9	18.9
Fixed assets turnover (no of times)	1.5	1.8	1.6	2.4	2.7	2.5	2.9	3.3	3.5	3.1
Working capital turnover (no of times)	2.2	2.3	2.5	4.2	4.6	4.3	4.7	4.9	5.3	5.5
Gross profit as % of sales (EBITDA)	17.3	12.2	14.6	13.4	13.9	12.6	12.0	13.2	15.9	13.6
Gross profit as % of total income	16.0	11.4	13.3	13.0	13.4	12.1	11.7	12.7	14.9	13.0
Net profit as % of total income	5.2	1.2	2.3	4.5	4.5	3.4	3.9	4.9	8.5	6.5

\*\* Figures for 2016 and 2017 are as per Indian Accounting Standards (Ind AS) prescribed under the Companies Act, 2013. Hence, these figures are not comparable with those of the previous years' figures.

ROCE is profit before interest and tax divided by average capital employed.

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.

Profitability ratios are calculated without considering exceptional income.

(a) During 2007-08, the face value of share was reduced from Rs.10 to Rs.5 per share in view of de-merger 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.

(d) Issue of 12,64,501 equity shares under Institutional Placement Programme.

Notes:

- 2011-12 financials were 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 previous years.
- 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.

## Sundaram-Clayton Limited

### Notice of Annual General Meeting

NOTICE is hereby given that the Fifty-Fifth annual general meeting of the Company will be held at 'The Music Academy', New No. 168 (Old No. 306), T.T.K. Road, Royapettah, Chennai 600 014 on Wednesday, the 19<sup>th</sup> July 2017 at 10.00 A.M to transact the following businesses:

#### ORDINARY BUSINESS

- To consider passing the following resolution as an ordinary resolution:  
"RESOLVED THAT the audited balance sheet as at 31<sup>st</sup> March, 2017, the statement of profit and loss, notes forming part thereof, the cash flow statement for the year ended on that date and the consolidated financial statements, together with the directors' report and the auditors' report thereon as circulated to the members and presented to the meeting be and the same are hereby approved and adopted."
- To consider passing the following resolution as an ordinary resolution:  
"RESOLVED THAT Mr Sudarshan Venu (holding DIN 03601690), 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."
- To consider passing the following resolution as an ordinary resolution:  
"RESOLVED THAT Mr K Mahesh (holding DIN 00051438), 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."
- To consider passing the following resolution as an ordinary resolution:  
"RESOLVED THAT pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013, and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and pursuant to recommendation of the Audit and Risk Management Committee and the Board of Directors, M/s Raghavan, Chaudhuri & Narayanan, Chartered Accountants, Bengaluru, having Firm Registration No. 007761S be and are hereby appointed as Statutory Auditors of the Company in place of M/s Sundaram & Srinivasan, Chartered Accountants, Chennai, having Firm Registration No. 004207S, whose tenure expires at this Annual General Meeting, at such remuneration plus reimbursement of out-of pocket, travelling expenses and other applicable taxes, as may be mutually agreed between the Board of Directors of the Company and the said Auditors."  
"RESOLVED FURTHER THAT M/s Raghavan, Chaudhuri & Narayanan, Chartered Accountants, Bengaluru, if appointed as the Statutory Auditors of the Company, shall hold office for a period of five years, from the conclusion of this 55<sup>th</sup> Annual General Meeting till the conclusion of 60<sup>th</sup> Annual General Meeting of the Company, subject to ratification of the appointment by Members at every Annual General Meeting during their tenure of office."

#### SPECIAL BUSINESS

- To consider passing the following resolution as an ordinary resolution:  
"RESOLVED THAT pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the remuneration of Rs. 3 lakhs, in addition to reimbursement of all applicable taxes, travelling and out-of-pocket expenses, payable to Mr A N Raman, practising cost accountant,

holding Membership No. 5359, allotted by The Institute of Cost Accountants of India, who was re-appointed as cost auditor of the Company for the year 2017-18 by the board of directors of the Company, as recommended by the Audit and Risk Management Committee of directors, be and is hereby ratified."

By order of the board

Chennai  
3<sup>rd</sup> May 2017

R Raja Prakash  
Company Secretary

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

Notes:

The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, (the Act, 2013) in respect of the special business to be transacted, as set out in the Notice is annexed hereto.

#### Proxy

- 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. A person shall not act as a Proxy for more than 50 members and holding in aggregate not more than ten percent of the total voting share capital of the Company. However, a single person may act as a Proxy for a member holding more than ten percent of the total voting share capital of the Company provided that such person shall not act as a Proxy for any other person.**
- During the period beginning 24 hours before the time fixed for commencement of Annual General Meeting (AGM) and ending with the conclusion of the AGM, a member is entitled to inspect the proxies lodged at any time during the business hours of the Company.

#### Unclaimed Dividend

- In terms of Section 124 of the Act, 2013, the dividend declared by the Company for earlier years, 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 un-encashed warrants immediately to the Company. Pursuant to The Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, the Company is providing / hosting the required details of unclaimed amount referred to under Section 124 of the Act, 2013 on its website and also on the website of the Ministry of Corporate Affairs (MCA) viz., [www.iepf.gov.in](http://www.iepf.gov.in).

### General

5. With a view to serving the Members better and for administrative convenience, Members who hold shares in identical names and in the same order of names in more than one folio are requested to write to the Company to consolidate their holdings in one folio.
6. A Corporate Member intending to send its authorised representative to attend the Meeting in terms of Section 113 of the Act, 2013 is requested to send to the Company a certified copy of the Board Resolution / power of attorney authorizing such representative to attend and vote on its behalf at the Meeting.
7. Members may also note that the Notice of AGM and the Annual Report will also be available on the Company's website viz., [www.sundaram-clayton.com](http://www.sundaram-clayton.com) for their download. The physical copies of the aforesaid documents including annexures alongwith Notice will also be available at the Company's Registered Office in Chennai for inspection during 10.00 a.m. to 12.00 Noon on all working days, from 24<sup>th</sup> June 2017 till the date of AGM.
8. As a measure of economy, copies of the Annual Report will not be distributed at the venue of AGM. Members are, therefore, requested to bring their copies of the Annual Report to the meeting.
9. Members are requested to affix their signatures at the space provided in the Attendance Slip annexed to Proxy Form. Members / Proxies / Authorised Representatives are requested to bring the attendance slip duly filled in for attending the Meeting. Members are requested to write their Client ID and DP ID / Folio numbers in the attendance slip for attending the Meeting and handover the slip at the entrance of the meeting hall.

### Members holding shares in electronic form

10. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members are requested to submit their PAN to the Depository Participant(s) with whom they are maintaining their demat account.
11. Members are requested to intimate all changes pertaining to their bank details such as bank account number, name of the bank and branch details, MICR code and IFSC code, mandates, nominations, power of attorney, change of address, change of name, e-mail address, contact numbers, etc., to their Depository Participant (DP).
12. The Company will not entertain any direct request from such Members for deletion or change of such bank details. Instructions, if any, already given by Members in respect of shares held in physical form will not be automatically applicable to the dividend paid on shares in electronic form.
13. Electronic copy of the Annual Report and the Notice of AGM *inter alia* indicating the process and manner of e-Voting along with Attendance Slip and Proxy Form are being sent to all the members whose email IDs are registered with the Company / DPs for communication purposes, unless any member has requested for a hard copy of the same.
14. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post at free of cost. For any communication, the members may also send their requests to [investorscomplaintssta@scl.co.in](mailto:investorscomplaintssta@scl.co.in).

### Members holding shares in physical form

15. Members can submit their PAN details to the Company / Share Transfer Department.
16. Members are requested to intimate all changes pertaining to their bank details such as bank account number, name of the bank and branch details, MICR code and IFSC code, mandates, nomination as per Section 72 of the Act, 2013 by filling Form SH-13, power of attorney, change of address, change of name, e-mail address, contact numbers, etc., with the Company / Share Transfer Department. Blank forms (SH-13) will be supplied on request.
17. Members in their own interest, are requested to dematerialize the shares to avail the benefits of electronic holding / trading.  
Members who have not registered their email address, physical copies of Annual Report and the Notice of AGM *inter alia* indicating the process and manner of e-Voting along with Attendance Slip and Proxy Form are being sent in the permitted mode.

### Voting

18. The businesses set out in the Notice will be transacted through electronic voting system and the Company is providing facility for voting by electronic means. The members may cast their votes using an electronic voting system from a place other than the venue of the meeting ('remote e-Voting').
19. The facility for voting through Ballot papers shall be made available at the venue of AGM and the members attending the AGM who have not cast their vote by remote e-Voting shall be able to vote at the AGM.
20. In case of joint holders attending the AGM, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote.
21. In terms of Section 108 of the Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules 2014, as amended ('the Rules') and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [SEBI (LODR) Regulations] the Company has provided facility to exercise votes through electronic voting system to members holding shares as on 12<sup>th</sup> July 2017 being the "Cut-off Date" ("Cut-Off" for the purpose of Rule 20(4)(vii) of the Rules) fixed for determining voting rights of members entitled to participate in the e-Voting process through the e-Voting platform provided by NSDL viz., [www.evoting.nsdl.com](http://www.evoting.nsdl.com).

The voting rights of the members / beneficial owners will be reckoned on the Equity Shares held by them as on 12<sup>th</sup> July 2017, i.e "Cut-off Date". Members as on the cut-off date only shall be entitled to avail the facility of remote e-Voting or Ballot paper.

The instructions for remote e-Voting are as under:

- (A) For Members - who receive Notice of AGM through e-mail:
- i. Launch internet browser - [www.evoting.nsdl.com](http://www.evoting.nsdl.com);
  - ii. Enter the login credentials, i.e., User ID and Password mentioned in your email. Your Folio No. DP: ID will be your User ID. However, if you have already registered with NSDL for e-Voting, you can use your existing User ID and Password for casting your votes;
  - iii. Initial password is provided in the body of the e-mail;

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- iv. After entering the details appropriately, click on LOGIN;
- v. You will reach the Password Change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with atleast one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (@,#,\$ etc). It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential;
- vi. You need to login again with the new credentials;
- vii. On successful login, the system will prompt you to select the EVEN, i.e Sundaram-Clayton Limited;
- viii. On the voting page, the number of shares (which represents the number of votes) as held by the member as on the Cut-Off-date will appear. If you desire to cast all the votes assenting/dissenting to the resolutions, then enter all the number of shares and click "FOR" / "AGAINST", as the case may be or partially in "FOR" and partially in "AGAINST", but the total number in "FOR/ AGAINST" taken together should not exceed your total shareholding as on the 'Cut-Off date'. You may also choose the option "ABSTAIN" and the shares held will not be counted under either head;
- ix. Members holding multiple folios / demat accounts shall choose the voting process separately for each folio / demat account;
- x. Cast your votes by selecting an appropriate option and click on "SUBMIT". A confirmation box will be displayed. Click 'OK' to confirm or 'CANCEL' to modify. Once you confirm, you will not be allowed to modify your vote subsequently. During the voting period, you can login multiple times till you have confirmed that you have voted on the resolutions;
- xi. Corporate / Institutional members (i.e other than individuals, HUF, NRI etc) are required to send scanned copy (PDF/JPG Format) of the relevant board resolution / authority letter etc. together with attested specimen signature of the duly authorised signatory(ies) who are authorised to vote, to the Scrutinizer through e-mail [sriram.krishnamurthy@rediffmail.com](mailto:sriram.krishnamurthy@rediffmail.com), with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in);
- xii. Members can cast their vote online from 16<sup>th</sup> July 2017 (Sunday) (9 a.m.) to 18<sup>th</sup> July 2017 (Tuesday) (5 p.m.) through remote e-Voting. Thereafter, the remote e-Voting module will be disabled by NSDL for voting and hence e-Voting will not be allowed after the aforesaid date and time;

Only members as on the Cut-Off date, who have not cast their vote through remote e-Voting will be able to exercise their voting right at the AGM through ballot paper;

The members who have cast their vote by remote e-Voting prior to the AGM may also attend the AGM but will not be entitled to cast their vote again;

A person who is not a member as on the Cut Off date should treat this Notice for information purposes only; and

- xiii. In case of any query, the member may refer the Frequently Asked Questions (FAQs) and remote e-Voting user manual for Members available at the downloads Section at [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on toll free no.: 1800-222-990.

(B) For members who receive the Notice of AGM in physical form:

- (i) Initial password is provided as below / at the bottom of the Attendance Slip for the AGM.

EVEN (remote e-Voting Event Number)	USER ID	PASSWORD / PIN

- (ii) Please follow steps from Sl. No. (ii) to (xiii) under heading (A) above to vote through e-Voting platform.

(C) General Instructions:

- (i) Members holding shares as on the "Cut-off Date" i.e., 12<sup>th</sup> July 2017 will be entitled to vote through remote e-Voting or at the venue of the AGM through ballot paper;
- (ii) The Notice of AGM is being sent (by email where email ID is available and in physical form in other cases) to the members holding shares of the Company as on 24<sup>th</sup> June 2017;

Where Notice is sent by email, User ID and password are sent in the email itself. Where notice is sent in physical form, User ID and Password are printed at the bottom of the Attendance Slip for AGM along with the Notice;

Shareholders who become members of the Company, after despatch of notice and hold shares as on 12<sup>th</sup> July 2017 may obtain the User ID and password for e-Voting by sending an email, intimating DP ID and Client ID / Folio No. to [raman@scl.co.in](mailto:raman@scl.co.in) or may send an e-mail request to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or can vote through ballot paper distributed at the venue of AGM;

- (iii) Mr K Sriram, Practising Company Secretary (C.P No. 2215), Chennai has been appointed by the board as scrutinizer for conducting the remote e-Voting process and voting through ballot papers at the venue of AGM in a fair and transparent manner.
- (iv) The Scrutinizer shall, immediately after the conclusion of the voting at the AGM, first count the votes cast at the meeting, thereafter unlock the votes through remote e-Voting in the presence of atleast two witnesses, not in employment of the Company and make, within 48 hours from the conclusion of the AGM, a consolidated Scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman of the Company or any other director, who shall countersign the same; and

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(v) The Scrutinizer will submit his report to the Chairman or any other Director of the Company, who will declare the result of the voting. The results declared along with the Scrutinizer's Report will be placed on the Company's website [www.sundaram-clayton.com](http://www.sundaram-clayton.com) & on the website of NSDL [www.evoting.nsdl.com](http://www.evoting.nsdl.com) and shall also be communicated to the Stock Exchanges. All the resolutions, subject to receipt of requisite number of votes, shall be deemed to be passed at the AGM scheduled to be held on 19<sup>th</sup> July 2017.

22. Route-map to the venue of the AGM is provided in the Attendance Slip.
23. Any query relating to financial statements must be sent to the Company's Registered Office atleast seven days before the date of AGM.
24. In accordance with the provisions of Article 129 of the Articles of Association of the Company, M/s Sudarshan Venu and K Mahesh will retire by rotation at the AGM and, being eligible offer themselves for re-election.
25. In terms of Regulation 36(3) of SEBI (LODR) Regulations read with Secretarial Standards on General Meeting, a brief profile of the directors, who are proposed to be re-appointed in this AGM, nature of their expertise in specific functional areas, other directorships and committee memberships, their shareholding and relationship with other directors of the Company are given below:

### I. Mr Sudarshan Venu

Mr Sudarshan Venu, completed his graduation in 2010 with Honors at the Jerome Fisher Program in Management and Technology at the University of Pennsylvania, USA.

He holds B.S. in Mechanical Engineering from the School of Engineering and B.S. in Economics from the Wharton School, USA. He also completed his M.Sc. in International Technology Management from the Warwick Manufacturing Group attached to University of Warwick in U.K.

In the initial years, during his visits to India, he underwent practical training in Die Casting Division of the Company and in TVS Motor Company Limited, the subsidiary Company.

Mr Sudarshan Venu, aged 28 years, has been actively involved in all spheres of the management of the Company and handling wider responsibilities for exploring new business opportunities both in India and abroad.

Mr Sudarshan Venu was appointed as Joint Managing Director of the Company on 11<sup>th</sup> September 2014.

He also serves as the Joint Managing Director of TVS Motor Company Limited.

He does not hold any share in the Company. He is related to Mr Venu Srinivasan, Chairman and Managing Director and Dr. Lakshmi Venu, Joint Managing Director of the Company.

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

S.No.	Name of the Companies	Position held	Committee Memberships
1.	TVS Motor Company Limited	Joint Managing Director	Stakeholders' Relationship Committee - Member
2.	TVS Credit Services Limited	Director	Asset Liability Management Committee - Member
3.	S. Venu Trustee 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 from I.I.T., Chennai. 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 is the Chairman of Sundaram Brake Linings Limited.

He holds 123 equity shares of Rs.5/- each in the Company. He is not related to any director of the Company.

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

S.No.	Name of the Companies	Position held	Committee Membership
1.	Sundaram Brake Linings Limited	Chairman	Corporate Social Responsibility Committee - Member
2.	Southern Roadways Limited	Director	-
3.	Sundaram Textiles Limited	Director	-
4.	T V Sundram Iyengar & Sons Private Limited	Whole-Time Director	-
5.	TVS Global Trade Private Limited	Director	-

## **Sundaram-Clayton Limited**

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### **Explanatory Statement pursuant to Section 102 of the Companies Act, 2013**

The following Explanatory statement sets out all material facts relating to the ordinary / special business mentioned in the accompanying notice dated 3<sup>rd</sup> May 2017 and shall be taken as forming part of the Notice.

#### **Item No.4**

As per the provisions of Section 139 of the Act, 2013, the transitional period of office of M/s Sundaram & Srinivasan, Chartered Accountants, Chennai, as Statutory Auditors of the Company will conclude from the close of the ensuing Annual General Meeting (AGM) of the Company.

In view of the above, the Audit and Risk Management Committee and the Board of Directors of the Company at their meeting held on 3<sup>rd</sup> May, 2017 have recommended the appointment of M/s. Raghavan, Chaudhuri & Narayanan, Chartered Accountants, Bengaluru (ICAI Firm Registration Number 007761S) as the Statutory Auditors of the Company, subject to the approval of the shareholders.

They have consented to the said appointment and confirmed that their appointment, if made, would be within the limits mentioned under the provisions of Section 141 of the Act, 2013 and the Companies (Audit and Auditors) Rules, 2014.

They will hold office as statutory auditors for the first term of five years from the conclusion of the 55<sup>th</sup> AGM till the conclusion of 60<sup>th</sup> AGM of the Company, subject to ratification of the appointment by Members at every AGM held during their tenure of office as statutory auditors.

None of the Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested, financially or otherwise, in the resolution as set out in Item No.4 of this Notice.

The directors, therefore, recommend the ordinary resolution, as set out in item No.4, for approval of shareholders.

#### **Item No.5**

As recommended by the Audit and Risk Management Committee, the board at its meeting held on 3<sup>rd</sup> May 2017, re-appointed Mr A N Raman, practising cost accountant, having membership no. 5359, as Cost Auditor of the Company, in terms of Section 148 of the Act, 2013 and fixed a sum of Rs.3 lakhs as remuneration payable to him for the financial year 2017-18, subject to ratification by the shareholders of the Company at the ensuing AGM.

None of the Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested, financially or otherwise, in the resolution as set out in Item No.5 of this Notice.

The directors, therefore, recommend the ordinary resolution, as set out in item No.5, for ratification of remuneration payable to the Cost Auditor of the Company.

By order of the board

Chennai  
3<sup>rd</sup> May 2017

R Raja Prakash  
Company Secretary

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



## Sundaram-Clayton Limited

### Directors' report to the shareholders

The directors have pleasure in presenting the fifty-fifth annual report and the audited financial statements for the year ended 31<sup>st</sup> March 2017.

#### 1. FINANCIAL HIGHLIGHTS

Details	(Rs. in Cr)	
	Year ended 31.03.2017	Year ended 31.03.2016
Sales (including Excise duty) and other income	1589.67	1633.03
EBITDA	206.57	243.69
Less: Finance Cost	28.54	32.25
Depreciation	60.64	54.95
Profit before tax before exceptional items	117.39	156.49
Add : Exceptional Item (Income)	2.28	6.03
Profit before tax	119.67	162.52
Provision for tax	14.08	18.08
Profit for the year after tax	105.59	144.44
Add: Balance in Statement of Profit and Loss including General Reserve	381.03	334.02
Add: Transfer from Other Comprehensive Income	3.66	(2.28)
Total Comprehensive Income available for appropriation	490.28	476.18
Appropriations:		
Dividend and Dividend Distribution tax	64.13	95.15
Surplus carried forward	426.15	381.03
	490.28	476.18

#### 2. DIVIDEND

The board of directors of the Company at its meeting held on 3<sup>rd</sup> November 2016, declared a first interim dividend of Rs.15 per share (300%) for the year 2016-2017, thereby absorbing a sum of Rs.30.35 Cr. The same was paid to the shareholders on 16<sup>th</sup> November 2016.

The board again at its meeting held on 13<sup>th</sup> March 2017, declared a second interim dividend of Rs.16.50 per share (330%) for the year 2016-2017, thereby absorbing a sum of Rs.33.38 Cr. The same was paid to the shareholders on 24<sup>th</sup> March 2017.

Hence, the total amount of both dividends paid for the year ended 31<sup>st</sup> March 2017 will aggregate to Rs.31.50 per share (630%) absorbing a sum of Rs.63.73 Cr on 2,02,32,085 equity shares of Rs.5/- each.

The Company has set-off its dividend distribution tax payable under Section 115-O(1A) of the Income Tax Act, 1961 against the dividend distribution tax paid by one of its subsidiary company on its dividend declared to the extent available.

The board does not recommend any further dividend for the year under consideration.

#### 3. PERFORMANCE

The International Monetary Fund (IMF) referred to India as a "bright spot" in the global economy, however, 2016-17 was punctuated with several challenging developments such as below normal monsoon, demonetization of high value currency notes in India, which contributed to subdued growth across sectors.

Gross Domestic Product (GDP) in India registered a lower growth of 6.6% in 2016-17 (7.8% in 2015-16).

Global economic and geo political environment continued to be volatile during 2016. The GDP in the U.S. and EU markets registered a growth of 1.6% (2.6% in 2015) and 1.7% (1.5% in 2015) respectively.

The following table highlights the performance of the Company during 2016-17:

Particulars	FY 2016-17	FY 2015-16	Variance (in %)
Sales (Tonnage)	45,676	45,675	-
Sale of goods (Rs. in Cr)	1,295.3	1,346.4	(3.8)
Domestic sales (Rs. in Cr)	793.1	799.5	(0.8)
Export sales (Rs. in Cr)	502.2	546.9	(8.2)
Profit before Tax (Rs. in Cr)	119.7	162.5	(26.3)

#### 4. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

##### I. Industry Structure and Development:

###### Domestic

The segment wise performance in the Indian automotive industry is given in the following table:

Category	FY 2016-17	FY 2015-16	Growth (in %)
	in Nos.		
Two-wheelers	1,99,28,784	1,89,38,727	5
Passenger Vehicles	38,05,557	34,42,261	11
Commercial Vehicles	3,64,458	3,53,878	3

*(Source: SIAM+DICV internal estimate)*

The Indian auto industry (domestic sales and exports) posted an overall growth of 5% (Source: SIAM). During the second half of FY 2016-17, the industry's performance was muted owing to various headwinds such as less than average monsoon, emission regulations and major fiscal reforms.

## Sundaram-Clayton Limited

### Exports

The following table highlights the North American and European truck registration figures in vehicle units:

		(in Nos)		
Market	Category	FY 2016-17	FY 2015-16	Variance (in %)
North America	Class 8 Trucks	2,26,025	2,97,417	-24%
North America	Class 4-7 Trucks	2,29,888	2,37,488	-3%
Europe	Medium & Heavy Trucks	2,84,002	2,70,099	5%

(Source: FTR & ACEA)

As expected, the class 8 truck market shifted to a lower but more sustainable level.

### II. Business Outlook and Overview

Good fiscal health and higher rural focus rolled out in the central budget 2017-18 is likely to improve demand in markets. However, the monsoon forecast of possible 5% shortfall can be a dampener for growth of the agricultural sector.

Positive impetus to fiscal discipline and increased momentum in bringing key economic reforms such as the introduction of Goods and Services Tax (GST) will provide a conducive ecosystem for business growth. Hence, the GDP growth rate in India for FY 2017-18 is likely to hover around 7% to 7.3%.

Given the economic outlook, the automobiles and auto-component sectors are expected to see moderate recovery in FY 2017-18.

Over the medium to long term, growth in the auto component industry is likely to be higher than the underlying automotive industry growth given the increasing localization by OEMs and higher component content per vehicle. Auto component export is another key growth driver. The "Make in India" pitch may further boost the growth of the component industry.

Globally, IMF expects growth to be at 3.4% in 2017 (3.1% in 2016).

In the U.S., macroeconomic factors indicate an upswing in the year ahead. The U.S. Federal Reserve is likely to make measured progress in hiking its benchmark interest rates on the back of strong fundamentals. The GDP is likely to expand between 2.2-2.4% in 2017.

The U.S. truck market (Class 8) volumes are expected to grow at 4% in 2017, leaving behind two consecutive years of negative growth.

The EU truck markets may not sustain growth rates similar to the past three years. With several markets having already reached cyclical or all-time peaks, commercial vehicles demand in 2017 is expected to pause and grow by less than 4% (11% in 2016).

### III. Opportunities & Threats

The Company supplies aluminium castings in machined condition for commercial vehicles, passenger cars and two wheeler segments of the automotive industry.

The revenue of the Company is derived from Medium & Heavy Commercial Vehicles (MHCV) (50%), followed by car industry (26%) and two wheeler industry (24%).

In the medium to long term, the projected growth of domestic auto industry and ambitious export plans of the Indian OEMs are likely to benefit the Company.

In view of stringent emission norms and fuel economy regulations, the thrust towards light-weighting is bound to increase leading to higher content of aluminium in all vehicle types. The Company is well placed to leverage these emerging opportunities. This will provide for increased growth opportunities, since the Company is already a preferred source for aluminium castings to major OEM's in India and abroad.

India is emerging as one of the major manufacturing hubs, thanks to availability of well-educated engineers, skilled workforce and good supply base.

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

Intense competition makes it extremely difficult to seek price increases to compensate the effects of inflation bringing the margins under severe pressure. However, the Company's supply contracts provide for periodic price adjustments indexed to the international prices of aluminium which offer some protection against volatility of commodity prices.

### IV. Risks and concerns

#### Economy

There are possible risks on the horizon, both external and domestic. Spill-overs from tense geo-political developments and weak global growth could be disruptive.

Increasingly, emerging markets are being confronted by protectionist trade reforms by developing economies which could impact free trade and in turn have repercussions on exports from India.

In India, implementation issues during GST roll-out and less than average monsoon could pose challenges for growth. Also, inflation in commodities fueled by a run up in crude prices could cascade into a weaker overall demand.

#### Industry specific

The Indian commercial vehicle industry has a strong correlation with the agricultural growth, infrastructure development, the mining industry and is cyclical.

Competition has increased 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 customer focused measures to remain competitive in the market place.

Primary aluminium experienced price inflation in 2016-17. Given the developments in China and expected curtailment of aluminium production, prices are further expected to marginally increase in 2017-18.

#### Forex

With significant exports, import of raw materials, capital goods and foreign currency liabilities, the Company is always exposed to currency fluctuations. 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. Robust quality management systems meeting international standards like TS 16949 are in place to ensure excellent product quality. However, appropriate recall and product liability insurance in line with standard industry practice have been taken.

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.

### Capacity utilization

The Company adds capacity in existing and new locations, to meet the projected demand of customers. The Company closely monitors the progress of customer projects/volumes and appropriately deploys the assets to protect from both underutilization and capacity shortages to meet the demand.

### Risk Management

The Board has established a Risk Minimisation Policy which formalizes the Company's approach to overview and manage material business risks. The policy is implemented through a top down and bottom up approach identifying, assessing, monitoring and managing key risks across the Company's business units.

Risks and effectiveness of their management are internally reviewed and reported regularly to the Board. The Management has reported to the Board that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The board is satisfied that there are adequate systems and procedures in place to identify, assess, monitor and manage risks. The Audit and Risk Management Committee also reviews reports by members of the management team and recommends suitable action. Risk Minimisation Policy has been approved by the board.

## V. Internal control and their adequacy

The Company has a proper and adequate internal control system to ensure that all the assets of the Company are safeguarded and protected against any loss and all the transactions are properly authorized and recorded. Information provided to management is reliable and timely. The Company ensures adherence to all statutes.

### Internal Financial Control

The Company has an established Internal Financial Control framework including internal controls over financial reporting, operating controls and anti-fraud framework. The framework is reviewed regularly by the management and tested by internal audit team and presented to the audit and risk management committee. Based on periodical testing, the framework is strengthened, from time to time, to ensure adequacy and effectiveness of Internal Financial Control.

## VI. Operations Review

### A. Manufacturing

The Company has been using Total Quality Management (TQM) as the foundation of its management. The Company implemented the best practices like 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 the product quality and productivity in all the manufacturing locations. The Company's journey of achieving manufacturing excellence was recognized and rewarded by the following customers during FY 2016-17:

- Cummins - Product development support excellence
- PACCAR/DAF - Supplier of the year
- Hyundai Motors - Quality and delivery for powertrain
- Rotex - Best supplier
- Hanon - Best crisis management support

### 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-the-art technology, training, effective quality system, continuous improvement and total employee involvement.

Poka-yokes, process audits, use 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 many years.

Employees have completed 905 projects by applying statistical tools through Quality Control Circles (QCC) in 2016-17. The average number of suggestions implemented per employee was 55.

### C. Cost Management

Cost management is a continuous journey and the Company manages the same through deployment of costs across all departments. A cross functional team is working on projects focussed on Value Added/Value Engineering (VA/VE) and operational efficiency. TPM and lean initiatives are deployed Company-wide to achieve reduction in manufacturing cost.

### D. Information Technology

The Company uses ERP system that integrates all business processes across the Company. Suppliers and customers are also integrated into the system for better planning and execution. During the year, several dashboards were added to improve productivity, quality and to reduce the cost of operations. Projects were also implemented to further enhance the Information Security.

## VII. Human Resource Development

The Company considers employees as vital and most valuable assets. Human Resource Development (HRD) is aligned to business needs to enhance business performance and results. HRD is practiced through an overall HRD framework with its constituents as resourcing, employee engagement, performance & compensation management, competency based development, career & succession planning and organization development. Each of these constituent has a structured approach and process to deliver.

## Sundaram-Clayton Limited

As part of the long term strategies of the Company, collaborative education program has been initiated with three reputed institutes to develop role-ready engineers with Company-specific knowledge at the entry level.

Career development workshop is conducted to identify high potential employees. Such employees are groomed for taking up higher responsibilities. A reward and recognition system is in place to motivate and also provide fast track growth for the high potential employees.

Our engineers and executives are sponsored for advanced study offered by both Indian and foreign institutions. Customized technical and leadership competency improvement programs are developed and delivered through reputed institutions.

The Company continuously measures and reports employee engagement every year and identifies improvement areas to work on.

An excellent industrial relations environment continues to prevail at all the manufacturing units of the Company.

As on 31<sup>st</sup> March 2017, the Company had 2,161 employees on its rolls.

### VIII. Environment & Safety

The Company is fully committed to the ultimate goal of employee safety. Safety management is integrated with the overall Environment, Health and Safety (EHS).

The Company has been certified under Integrated Management System (IMS) combining ISO 14001 and OHSAS 18001 systems and procedures.

### Cautionary statement

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

### 5. DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 134(5) of the Act, 2013, with respect to Directors' Responsibility Statement, it is hereby stated -

- i. that in the preparation of annual accounts for the financial year ended 31<sup>st</sup> March 2017, the applicable Accounting Standards had been followed along with proper explanation relating to material departures, if any;
- ii. that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- iii. that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with

the provisions of the Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- iv. that the directors had prepared the annual accounts for the financial year ended 31<sup>st</sup> March 2017 on a "going concern basis";
- v. that the directors, had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- vi. that the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### 6. CORPORATE SOCIAL RESPONSIBILITY (CSR)

CSR activities have already been textured into the Company's value system through Srinivasan Services Trust (SST), the CSR arm of the Company established in 1996 with the vision of building self-reliant rural community.

Over 21 years of service, SST has played a pivotal role in changing lives of people in rural India by creating self-reliant communities that are models of sustainable development.

The Company is eligible to spend on their ongoing projects / programmes, falling within the CSR activities specified under the Act 2013, as mandated by the Ministry of Corporate Affairs for carrying out the CSR activities.

The Committee formulated and recommended a CSR policy in terms of Section 135 of the Act, 2013, along with a list of projects / programmes to be undertaken for CSR spending in accordance with the Companies (Corporate Social Responsibility Policy) Rules, 2014.

Based on the recommendation of the CSR Committee, the board has approved the projects / programmes carried out as CSR activities by the following non-profitable organizations having an established track record for more than the prescribed years in undertaking similar programmes / projects, constituting more than 2% of average net profits, made during the three immediately preceding financial years, towards CSR spending for the current financial year 2016-2017 amounting to Rs.85 lakhs:

(Rs. in Lakhs)		
S No	Name of the Trust	Amount spent
1.	Srinivasan Services Trust	50
2.	Sri Sathya Sai Loka Seva Trust	35
	Total	85

Presently, SST is working in 5,000 villages spread across Tamil Nadu, Karnataka, Maharashtra, Himachal Pradesh and Andhra Pradesh covering about 31,44,590 population and 7,19,890 families. Its major focus are Economic development, health care, quality education, environment and infrastructure.

Of the 5,000 villages, 3,172 villages (19,19,952 population and 4,27,048 families) have been funded by the Company and its subsidiary during the year.

## Sundaram-Clayton Limited

Achievements in these 3,172 villages are:

### *Economic development:*

- 2,96,003 families living in these villages have a monthly income of above Rs.15,000/- which make them financially secured.
- 2,985 farmers groups have been formed with 42,965 members.
- Improved agriculture practices enabled 1,92,147 farmers owning 2,08,925 hectares to increase the yields higher than the state average by 15%.
- 1,74,958 families earn more than Rs 3,500/- per month through livestock.

### *Women empowerment:*

- Formed 8,115 Self Help Groups with 1,22,604 women as members.
- Out of 1,22,604 members, 1,17,762 members are in income generation activities. They earn a minimum income of Rs. 3000/- per month.

### *Health care:*

- 63,996 children in the age group below 5 are not malnourished.
- 3,99,710 women are free from anaemia.
- 2,87,009 households made access to toilet facilities.
- The morbidity percentage reduced from 9% to 5%.
- Enrolment in anganwadis increased from 86% to 100% and attendance is 99%.
- 1,441 anganwadis have met all the Integrated Child Development Services Scheme (ICDS) standards.
- 88% involvement of mother volunteers in anganwadis have ensured their proper functioning.

### *Quality education:*

- 100% enrolment of children in schools. There are no drop outs in the schools.
- Number of percentage of slow learners reduced in schools from 27% to 8%.
- Out of 1,460 schools, 999 schools are now model schools.
- 93,007 illiterate women out of 1,33,505 have been made literate.

### *Environment and Infrastructure:*

- 2,65,176 households dispose solid waste through individual and common compost pits. 89 tons of vermi compost generated per month from wastes.
- Sewage water from 2,64,583 households disposed through soak pits, kitchen gardens and drain.
- Safe drinking water made available to 2,994 villages.

Community takes care of their development needs. 8,853 social leaders are active in this effort.

As required under Section 135 of the Act, 2013 read with Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, the

annual report on CSR containing the particulars of the projects / programmes approved and recommended by CSR Committee and approved by the board for the financial year 2016-17 are given by way of Annexure IV attached to this Report.

## 7. PERFORMANCE OF SUBSIDIARIES & ASSOCIATES

The following companies and bodies corporate are the subsidiaries and associates of the Company:

### **Subsidiaries**

1. TVS Motor Company Limited, Chennai;
2. Sundaram-Clayton (USA) Limited, USA;
3. Sundaram Auto Components Limited, Chennai;
4. TVS Housing Limited, Chennai;
5. PT. TVS Motor Company Indonesia, Jakarta;
6. TVS Motor Company (Europe) B.V., Amsterdam, Netherlands;
7. TVS Motor (Singapore) Pte. Limited, Singapore;
8. Sundaram Holding USA Inc., Delaware, USA;
9. Green Hills Land holding LLC, South Carolina, USA;
10. Component Equipment Leasing LLC, South Carolina, USA;
11. Workspace Project LLC, South Carolina, USA; and
12. Premier Land Holding LLC, South Carolina, USA.

### **Associates**

1. TVS Training and Services Limited, Chennai;
2. Sundram Non-conventional Energy Systems Limited, Chennai; and
3. Emerald Haven Realty Limited, Chennai.

## SUBSIDIARIES

### **TVS Motor Company Limited (TVSM)**

TVS Motor Company Limited is engaged in the business of manufacture of two and three wheelers. During the year 2016-17, TVSM achieved a turnover of Rs.13,363.43 Cr and earned a profit before tax of Rs.698.68 Cr.

TVSM for the year 2016-17, declared first interim dividend of Rs.1.25 per share (125%) absorbing a sum of Rs.70.25 Cr including dividend distribution tax and a second interim dividend of Rs.1.25 per share (125%) absorbing a sum of Rs.71.04 Cr including dividend distribution tax. The total amount of dividend for the year ended 31<sup>st</sup> March 2017 aggregated to Rs.2.50 per share (250%) on 47,50,87,114 equity shares of Re.1 each.

### **Sundaram Auto Components Limited (SACL)**

Sales of SACL grew 5% upto October 2016 but were affected during the period from November 2016 to March 2017 consequent to impact of demonetization. In addition, the change from BS III to BS IV emission norms resulted in OEMs' reducing their inventory which lead to lower

## Sundaram-Clayton Limited

offtake from SACL. Consequently, the turnover of plastic components business declined marginally from Rs.552 Cr in 2015-16 to Rs.539 Cr in 2016-17.

Total turnover of SACL including Two wheeler distribution business grew by 4% and revenue increased from Rs.2795 Cr to Rs. 2915.95 Cr. SACL earned a profit before tax of Rs.34.93 Cr during the year 2016-17.

SACL was recognized and awarded certificates in the areas of new product development support, innovation and material handling from Takata, Daimler India and Hannon Automotive, respectively during the year.

SACL at their meeting held on 22<sup>nd</sup> October 2016, declared first interim dividend of Rs.5 per share on 1,20,50,000 equity shares of Rs.10 each, absorbing a sum of Rs.7.25 Cr including dividend distribution tax. SACL at their meeting held on 3<sup>rd</sup> March 2017 declared second interim dividend of Rs.1.50 per share on 1,45,50,000 equity shares of Rs.10 each, absorbing a sum of Rs.2.63 Cr including dividend distribution tax. Hence, the total amount of dividend paid per share, aggregated to Rs.6.50 (65%) for the year ended 31<sup>st</sup> March 2017 thereby absorbing a sum of Rs.9.88 Cr including dividend distribution tax.

### **TVS Housing Limited (TVSH) / Emerald Haven Realty Limited (EHRL)**

EHRL is the developer of Nedungundram, Chennai project of TVSH. Phase 1 was developed as apartments and all the 448 apartments have been sold and customers have taken possession. Phase 2 was launched as villas and row houses and as of 31<sup>st</sup> March 2017, 98% of the 120 villas and row houses have been sold and customers have taken possession of the same. During the year, EHRL launched 15 Public Purpose Plots and successfully sold over 73% of the plots and construction of villas are in full progress.

### **PT.TVS Motor Company Indonesia (PT TVSM)**

The industry for the year 2016-17 has suffered a decline of 8%. The bebek segment declined by 26%, the sports motorcycle segment dropped by 12% and the matic segment was the least affected with a marginal decline of 4%.

The segment share of matic has now gone upto 78%. The continued decline of two-wheeler industry was attributed to slower economic growth due to subdued commodity prices and further tightening of credit by multi finance companies.

PT TVSM focus to improve export of products from Indonesia has been successful. The total two-wheeler sales increased from 17,100 vehicles in 2015-16 to 26,750 vehicles in 2016-17.

Export of two-wheeler sales increased from 15,000 to 25,000 numbers registering a growth of 67% over previous year. PT TVSM continues to focus on African, LATAM and ASEAN countries. The increased sales and focus on cost reduction helped PT TVSM to reduce EBITDA loss from 6.42 Mn USD in 2015-16 to 3.15 Mn USD in 2016-17.

### **TVS Motor Company (Europe) B.V & TVS Motor (Singapore) Pte. Limited**

TVSM had earlier incorporated both these entities with a view to serve as special purpose vehicles for making and protecting the investments made in overseas operations of PT TVSM.

### **Sundaram-Clayton (USA) Limited**

Sundaram-Clayton (USA) Limited, a wholly owned subsidiary of the Company is engaged in the business of providing Professional Employer Organisation ("PEO") services to the employees of the Company. The Company earned revenue of USD 10,064 and net income after adjustment of expenses amounted to USD 387 for the year ended 31<sup>st</sup> March 2017.

### **Sundaram Holding USA Inc (SHUI), and its subsidiaries**

The Company alongwith its subsidiary viz., SACL has made an investment of 5.3 Mn USD in SHUI, a Company established under the applicable provisions of Laws of United States of America for carrying out the business of the Company. SHUI's wholly owned subsidiaries are:

1. Green Hills Land Holding LLC, South Carolina, USA;
2. Component Equipment Leasing LLC, South Carolina, USA;
3. Workspace Project LLC, South Carolina, USA; and
4. Premier Land Holding LLC, South Carolina, USA.

SHUI has acquired land in Dorchester County, USA for its plant, where it will manufacture High Pressure Die Cast and Gravity Cast parts. Construction at the site is expected to begin during the first half of 2017-18 and commercial production expected to commence towards the end of 2018-19.

## ASSOCIATES

### **TVS Training and Services Limited (TVS TSL)**

TVS TSL is engaged in the business of establishing and providing vocational training services to various industries and is participating in the National Skill Development Projects. During the year ended 31<sup>st</sup> March 2017, the Company had an income of Rs. 15.17 Cr and loss of Rs.0.42 Cr.

### **Sundram Non-Conventional Energy Systems Limited (SNCES)**

SNCES is engaged in the business of generation of power. During the year, SNCES earned revenue of Rs.3.64 Cr and profit before tax was Rs.2.90 Cr.

Financial position of all subsidiaries and associate companies are provided as part of consolidated financial statements in Form AOC-1 in the manner required under Section 129 read with the Companies (Accounts) Rules, 2014 of the Act, 2013.

### 8. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company are prepared in accordance with the provisions of Section 129 of the Act, 2013 read with the Companies (Accounts) Rules, 2014 and Regulation 33 of SEBI (LODR) Regulations along with a separate statement containing the salient features of the financial performance of subsidiaries / associates in the prescribed form. The audited consolidated financial statements together with Auditors' Report form part of the Annual Report.

The audited financial statements of the subsidiary companies will be made available to the shareholders, on receipt of a request from any shareholder and it has also been placed on the website of the Company. This will also be available for inspection by the shareholders at the registered office during business hours.

The consolidated profit after tax of the Company and its subsidiaries & associates amounted to Rs. 547.07 Cr for the financial year 2016-17 as compared to Rs.472.40 Cr in the previous year.

### 9. DIRECTORS & KEY MANAGERIAL PERSONNEL

#### Independent Directors (IDs)

At the annual general meeting held on 21<sup>st</sup> August 2014, M/s. Vice Admiral P J Jacob (Retd.), V Subramanian, S Santhanakrishnan, R Vijayaraghavan and Kamlesh Gandhi, were appointed as IDs for the first term of five consecutive years from the conclusion of the fifty-second Annual General Meeting and to receive remuneration by way of fees, reimbursement of expenses for participation in the meetings of the board and / or committees and profit related commission in terms of applicable provisions of the Act 2013, as determined by the board from time to time.

During the year, Mr R Gopalan, was appointed as a Non-executive independent director effective 21<sup>st</sup> June 2016 through postal ballot and he shall hold office till the conclusion of the 57<sup>th</sup> Annual General Meeting (to be held in 2019).

On appointment, each ID has acknowledged the terms of appointment as set out in their letter of appointment. The terms cover, *inter alia*, duties, right to access information, disclosure of their interest / concern, dealing in Company's shares, remuneration and expenses, insurance and indemnity. The IDs are provided with copies of the Company's policies and charters of various committees of the board.

In accordance with Section 149(7) of the Act, 2013, all IDs have declared that they meet the criteria of independence as provided under Section 149(6) of the Act, 2013.

The detailed terms of appointment of IDs are disclosed on the Company's website in the following link:

[www.sundaram-clayton.com/Web%20files/Terms%20of%20IDs.pdf](http://www.sundaram-clayton.com/Web%20files/Terms%20of%20IDs.pdf).

#### Separate meeting of Independent Directors

During the year under review, a separate meeting of IDs was held on 13<sup>th</sup> March 2017 and all the Independent Directors were present at the Meeting.

Complete feedback on Non-Independent Directors and details of various activities undertaken by the Company were provided to them to facilitate their review / evaluation through a set of questionnaire.

#### Non-Independent Directors (Non-IDs) and their evaluation

The Independent Directors (IDs) used various criteria and methodology as practiced in Industry for evaluation of Non-IDs viz., M/s. Venu Srinivasan, Chairman and Managing Director, Dr. Lakshmi Venu and Sudarshan Venu, Joint Managing Directors, T K Balaji, K Mahesh and Gopal Srinivasan, Directors.

IDs evaluated the performance of all Non-IDs individually, through a set of questionnaires. They reviewed their interaction during the board / committee meetings and strategic inputs given by them to improve risk management, internal controls and contribution to the Company's growth.

IDs were satisfied with the performance of all Non-IDs.

#### Chairman

The IDs reviewed the performance of Chairman of the Board by benchmarking the achievement of the Company with industry under his stewardship. The IDs appreciated the probity, quality and leadership of Chairman and his proactive role on strategic issues and passion for customer centricity, improving the quality of the products and for guarding the values of the Company.

#### Board

The IDs also evaluated board's composition, size, mix of skills and experience, its meeting sequence, effectiveness of discussion, decision making, follow up action, so as to improve governance and enhance personal effectiveness of directors.

The board upon evaluation concluded that it is well balanced in terms of diversity of experience with expert in each domain viz., Engineering, Finance, Legal and Administration. The Company has a board with wide range of expertise in all aspects of business.

The IDs unanimously evaluated the prerequisites of the board viz., formulation of strategy, acquisition & allocation of overall resources, setting up policies, directors' selection process including succession planning and cohesiveness on key issues.

They were satisfied with the Company's performance in all fronts and finally concluded that the board operates with best global practices.

#### Quality, Quantity and Timeliness of flow of Information between the Company, Management and the Board

All IDs have expressed their overall satisfaction with the support received from the management and the excellent work done by the management during the last year.

The IDs appreciated the management for their hard work and commitment to meet the corporate goals and also expressed that the relationship between the top management and board is smooth and seamless.

#### Directors retirement by rotation

In terms of Section 152 of the Act 2013, two-thirds of the total number of directors i.e., excluding IDs, are liable to retire by rotation and out of which, one-third are liable to retire by rotation at every annual general meeting.

Mr Sudarshan Venu, Joint Managing Director and Mr K Mahesh, director are liable to retire by rotation, at the ensuing AGM, and being eligible, offer themselves for re-appointment.

The nomination and remuneration committee of directors and the board recommended their re-appointment. Their brief resumes have been furnished in the Notice convening the AGM of the Company. Appropriate resolutions for their re-appointment are being placed for approval of the shareholders at the ensuing AGM.

### Key Managerial Personnel (KMP)

During the year, Mr M Muthuraj, President was appointed as Chief Executive Officer of the Company in place of Mr C N Prasad, effective 7<sup>th</sup> February 2017.

Mr Venu Srinivasan, Chairman and Managing Director, Dr. Lakshmi Venu and Mr Sudarshan Venu, Joint Managing Directors, Mr M Muthuraj, Chief Executive Officer, Mr V N Venkatanathan, Chief Financial Officer and Mr R Raja Prakash, Company Secretary are 'Key Managerial Personnel' of the Company, in terms of Section 2(51) and Section 203 of the Act, 2013.

### Nomination and Remuneration Policy

The Nomination and Remuneration Committee of Directors (NRC) reviews the composition of the board to ensure an appropriate mix of abilities, experience and diversity to serve the interests of all shareholders of the Company.

Nomination and Remuneration Policy was approved by the board at its meeting held on 24<sup>th</sup> September, 2014 in terms of Section 178 of the Act, 2013. The objective of such policy shall be to attract, retain and motivate executive management and remuneration structured to link to Company's strategic long term goals, appropriateness, relevance and risk appetite of the Company.

The process of appointing a director / KMP / SMP is that, when there is a need or a vacancy arises, or is expected, the NRC will identify, ascertain the integrity, qualification, appropriate expertise and experience, having regard to the skills that the candidate will bring to the board / Company in addition to what the existing members hold.

Criteria for performance evaluation, disclosures on the remuneration of directors, criteria of making payments to non-executive directors have been disclosed as part of Corporate Governance Report attached herewith.

### Remuneration payable to Non-executive Independent Directors

The shareholders through postal ballot on 22<sup>nd</sup> June 2016 approved the remuneration by way of commission not exceeding 1% of the net profits in aggregate payable to non-executive and independent directors of the Company (NE-IDs) for every year, for a period of 5 years commencing from 1<sup>st</sup> April 2016.

NE-IDs devote considerable time in deliberating the operational and other issues of the Company and provide valuable advice in regard to the management of the Company from time to time, and the Company also derives substantial benefit through their expertise and advice.

### Evaluation of the Independent Directors and committees of directors

In terms of Section 134 of the Act, 2013 and the Corporate Governance requirements as prescribed under SEBI (LODR) Regulations, the board

reviewed and evaluated Independent directors and its committees viz., Audit & Risk Management Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee and Stakeholders Relationship Committee based on the evaluation criteria laid down by the NRC.

### Independent Directors

The performance of all Independent directors (IDs) was assessed against a range of criteria such as contribution to the development of business strategy and performance of the Company, understanding the major risks affecting the Company, clear direction to the management and contribution to the board cohesion. The performance evaluation has been done by the entire board of directors except the director concerned being evaluated.

The board noted that all IDs have understood the opportunities and risks to the Company's strategy and are supportive of the direction articulated by the management team towards consistent improvement.

### Committees

Board delegates specific mandates to its various committees, to optimize directors' skills and talents besides complying with key regulatory aspects.

- Audit and Risk Management Committee for overseeing financial reporting and risk minimisation;
- Nomination and Remuneration Committee for selecting and compensating directors / employees;
- Stakeholders' Relationship Committee for redressing investors grievances; and
- Corporate Social Responsibility Committee for overseeing CSR initiatives.

The performance of each committee was evaluated by the board after seeking inputs from its members on the basis of the specific terms of reference, its charter, time spent by the committees in considering key issues, major recommendations, action plans and work of each committee.

The board is satisfied with overall effectiveness and decision making of all committees. The board reviewed each committee's terms of reference to ensure that the Company's existing practices remain appropriate. Recommendations from each committee are considered and approved by the board prior to implementation.

### Number of board meetings held:

The number of board meetings held during the financial year 2016-17 are provided as part of Corporate Governance Report prepared in terms of SEBI (LODR) Regulations.

## 10. AUDITORS

### Statutory Auditors

As per the provisions of Section 139 of the Act 2013, the transitional period of office of M/s Sundaram & Srinivasan, Chartered Accountants, Chennai, as Statutory Auditors of the Company will conclude from the close of the ensuing Annual General Meeting of the Company.



The Board of Directors place on record their appreciation and gratitude for the services rendered by M/s Sundaram & Srinivasan, Chartered Accountants, Chennai, during their tenure as the Statutory Auditors of the Company for over five decades.

The Audit and Risk Management Committee and the Board of Directors of the Company have recommended the appointment of M/s. Raghavan, Chaudhuri and Narayanan, Chartered Accountants, Bengaluru (ICAI Firm Registration Number 007761S) as Statutory Auditors of the Company, subject to the approval of the shareholders. They have given their consent for the said appointment and confirmed that their appointment, if made, would be within the limits mentioned under the provisions of Section 141 of the Act, 2013 and the Companies (Audit and Auditors) Rules, 2014.

They will hold office as statutory auditors for the first term of five years from the conclusion of the 55<sup>th</sup> Annual General Meeting till the conclusion of 60<sup>th</sup> Annual General Meeting of the Company, subject to ratification of their appointment by Members at every Annual General Meeting held during their tenure of office as statutory auditors.

The Auditors' Report for the financial year 2016-17 does not contain any qualification, reservation or adverse remark and the same is attached with the annual financial statements.

### Secretarial Auditor

Ms B Chandra, Practising Company Secretary, Chennai, was appointed as Secretarial Auditor for carrying out the secretarial audit for the financial year 2016-17.

As required under Section 204 of the Act, 2013, the Secretarial Audit Report for the year 2016-17, given by her is attached to this report. The Secretarial Audit Report does not contain any qualifications, reservations or other remarks.

The Board at its meeting held on 3<sup>rd</sup> May 2017 has re-appointed Ms B Chandra, Practising Company Secretary as Secretarial Auditor for the financial year 2017-18.

### Cost Auditor

In terms of the Companies (Cost Records and Audit) Amendment Rules, 2014, the board, re-appointed Mr A N Raman, Cost Accountant, Chennai holding Certificate of practice No. 5359 allotted by The Institute of Cost Accountants of India, as a Cost Auditor for conducting Audit of cost records for the financial year 2016-17.

The Company has also received necessary certificate under Section 141 of the Act, 2013 from him conveying his eligibility. A sum of Rs.3 lakhs has been fixed by the board as remuneration in addition to reimbursement of all applicable taxes, travelling and out-of-pocket expenses payable to him and is also required to be ratified by the members, at the ensuing AGM as per Section 148(3) of the Act, 2013.

The Company has filed the Cost Audit Report of 2015-16 on 13<sup>th</sup> September 2016.

## 11. CORPORATE GOVERNANCE

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

A separate section on the Company's Corporate Governance and a certificate from the statutory auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under SEBI (LODR) Regulations forms part of this Annual Report.

The chairman and managing director and the chief financial officer of the Company have certified to the board on financial statements and other matters in accordance with Regulation 17(8) of SEBI (LODR) Regulations pertaining to CEO & CFO certification for the financial year ended 31<sup>st</sup> March 2017.

## 12. BUSINESS RESPONSIBILITY REPORT

In terms of Regulation 34 of SEBI (LODR) Regulations, the Business Responsibility Report for the year 2016-17 describing the initiatives taken from environment, social and governance perspectives, in the prescribed format is given as Annexure - VI.

## 13. POLICY ON VIGIL MECHANISM

The Audit and Risk Management Committee has adopted a Policy on Vigil Mechanism in accordance with the provisions of the Act, 2013 and Regulation 22 of SEBI (LODR) Regulations, which provides a formal mechanism for all directors, employees and other stakeholders of the Company to report to the management, their genuine concerns or grievances about unethical behaviour, actual or suspected fraud and any violation of the Company's Code of conduct or ethics policy.

The policy also provides a direct access to the Chairperson of the Audit and Risk Management Committee to make protective disclosures to the management about grievances or violation of the Company's Code of Conduct.

The policy is disclosed on the Company's website in the following link: [www.sundaram-clayton.com/Web%20files/Investors/Whistle%20Blower%20Policy.pdf](http://www.sundaram-clayton.com/Web%20files/Investors/Whistle%20Blower%20Policy.pdf).

## 14. PUBLIC DEPOSITS

The Company has not accepted any deposit from the public within the meaning of Section 76 of the Act, 2013, for the year ended 31<sup>st</sup> March 2017.

### 15. STATUTORY STATEMENTS

#### **Information on conservation of energy, technology absorption, foreign exchange, etc.,**

Relevant information is given in Annexure I to this report, in terms of the requirements of Section 134(3)(m) of the Act, 2013 read with the Companies (Accounts) Rules 2014.

#### **Material changes and commitments**

There have been no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of this report.

#### **Significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status of the Company**

There are no significant and material orders passed by the regulators or courts or tribunals, which would impact the going concern status of the Company and its future operations.

#### **Annual Return**

Extract of Annual Return in the prescribed form is given as Annexure II to this report, in terms of the requirement of Section 134(3)(a) of Act, 2013 read with the Companies (Accounts) Rules, 2014.

#### **Employee's remuneration**

Details of employees receiving the remuneration as prescribed under Section 197 of the Act 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given in Annexure III. In terms of first proviso to Section 136(1) of the Act, 2013 the Annual Report, excluding the aforesaid annexure is being sent to the shareholders of the Company. The annexure is available for inspection at the Registered Office of the Company during business hours and any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of the Company.

#### **Comparative analysis of remuneration paid**

A comparative analysis of remuneration paid to Directors and employees with the Company's performance is given as Annexure V to this report .

#### **Details of material related party transactions**

There were no material related party transactions under Section 188 of the Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014.

#### **Details of loans / guarantees / investments made**

During the year under review, the Company had not granted any loans or guarantees covered under Section 186 of the Act, 2013.

Please refer note number - 3 to Notes on accounts for the financial year 2016-17 for details of investments made by the Company.

#### **Reporting of fraud**

The auditors of the Company have not reported any fraud as specified under Section 143(12) of the Act, 2013.

#### **Other laws**

During the year under review, the Company has not received any complaints of sexual harassment from any of the women employees of the Company in terms of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

### 16. ACKNOWLEDGEMENT

The directors gratefully acknowledge the continued support and co-operation received from the promoters of the Company, viz., T V Sundram Iyengar & Sons Private Limited, Southern Roadways Limited, Sundaram Industries Private Limited and Sundaram Finance Limited.

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

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

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

For and on behalf of the board

Chennai  
3<sup>rd</sup> May 2017

VENU SRINIVASAN  
Chairman

## **Annexure - I to Directors' Report to the shareholders**

**Information pursuant to Section 134(3)(m) of the Companies Act, 2013**

### **A. CONSERVATION OF ENERGY**

#### **1. Measures taken – FY 2016-17**

- (i) Installed roof-top solar power plants in all 4 plants to a capacity of 2.2 MW.
- (ii) Installed solar street lights.
- (iii) Installed Light Emitting Diode (LED) lights.
- (iv) Installed idle cut off timer in machines to switch off the machine when not in use.
- (v) Reduced compressed air system pressure by introducing localized air boosters.

The above measures have resulted in an annual saving of about Rs.0.31 Cr.

#### **2. Proposed measures – FY 2017-18**

- (i) Extend solar roof-top panel power plant in other areas.
- (ii) Installation of day light solar system in warehouse.
- (iii) High-bay LED light in casting shop.
- (iv) Compressor energy consumption reduction by air audit study and implementing cell-wise control of air supply.
- (v) Introduction of compressor heat recovery system to utilize the wasted heat energy in the compressor for canteen boilers and impregnation plants.
- (vi) Furnace-top cover to be installed for all furnaces.
- (vii) Thyristor controller to be installed for Pressure Die Casting & IEX furnace.

The above measures are expected to yield in an annual saving of about Rs.0.62 Cr.

#### **3. Steps taken for utilizing alternate sources of energy**

During the year 2016-17, the Company has utilized power generated through wind and solar energy to an extent of 163 lakh units and 2.92 lakh units respectively.

The Company also plans to continue the utilization of wind and captive energy (108 lakh units) during the year 2017-18.

#### **4. Capital investment in energy conservation equipment**

In the year 2016-17, the Company has invested Rs.0.62 Cr towards solar street lights, replacement of conventional lights to LED as "Energy Efficient" measures.

The Company is planning to invest around Rs.0.60 Cr in energy saving in 2017-18 viz., solar plant, day lighting systems, compressor heat recovery system and thyristor controller.

### **B. TECHNOLOGY ABSORPTION FOR 2016-17**

#### **Research & Development (R & D)**

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

##### **Completed activities and Ongoing activities:**

- (i) Developed 47 new aluminium die cast products for automotive applications.
- (ii) Established state of the art CT scan facility to reduce new product development lead time.
- (iii) Developed Abrasive Flow Machining (AFM) process to improve surface finish on a specific product - product preceding technology for the customer.
- (iv) Improved material yield in die casting through design optimization.
- (v) Established semi-solid casting.
- (vi) During the year the Company filed a patent for a new technology viz., surface finish and efficiency improvement and published the same at the international bureau in March 2017. The Company is also actively working on filing patents for unique processes, like distortion correction technique for heat treated components. So far the Company has filed four patents in total.
- (vii) Establish thermal design for High Pressure Die Casting (HPDC) and Gravity Die Casting (GDC) dies to control thermodynamics and kinetics during solidification.
- (viii) Development of semisolid casting for identified parts to improve casting quality.
- (ix) Establish water free die lubrication in one die casting cell.

## Sundaram-Clayton Limited

### 2. Future plan of action:

- (i) Develop new process technologies to improve the product quality and performance.
- (ii) Develop Advance Thixotropic Metallurgical (ATM) process technology for HPDC to improve casting yield and quality.
- (iii) Establish Scanning Electron Microscope (SEM) facility and procedure to evaluate casting metallurgy.

#### Data relating to imported technology:

Technology imported during the last three years reckoned from the beginning of the financial year - NIL

Expenditure on R&D - Rs.13.61 Cr

### C. FOREIGN EXCHANGE-ACTUAL EARNINGS AND OUTGO

#### 1. Export activities

Export during the year ended 31<sup>st</sup> March 2017 amounted to Rs.502.2 Cr as against Rs.546.9 Cr for the year ended 31<sup>st</sup> March 2016.

#### 2. Total foreign exchange earned and used (actual) (Rs. in Cr.)

a) Foreign exchange used	547.2
b) Foreign exchange earned	524.9

For and on behalf of the board

Chennai  
3<sup>rd</sup> May 2017

VENU SRINIVASAN  
Chairman

## Sundaram-Clayton Limited

### Annexure - II to Directors' Report to the shareholders

Form No. MGT-9

#### EXTRACT OF ANNUAL RETURN for the financial year ended 31<sup>st</sup> March 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

#### I. REGISTRATION AND OTHER DETAILS

i)	CIN	: L35999TN1962PLC004792
ii)	Registration Date	: 24.05.1962
iii)	Name of the Company	: Sundaram-Clayton Limited
iv)	Category / Sub-Category of the Company	: Public Company / Limited by shares
v)	Address of the Registered office and contact details	: "Jayalakshmi Estates", No.29 (Old No.8), Haddows Road, Chennai - 600 006 Tel. : 044 - 2827 2233 Fax : 044 - 2825 7121
vi)	Whether listed company Yes / No	: Yes
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	: Share Transfer Department "Jayalakshmi Estates", 1 <sup>st</sup> Floor, No.29 (Old No.8), Haddows Road, Chennai - 600 006 Tel. : 044 - 2827 2233 Fax : 044 - 2825 7121 E-mail: raman@scl.co.in

#### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company:-

Sl. No	Name and Description of main products / services	NIC code of the product / service	% to total turnover of the Company
1	Aluminium Alloy Cast Articles including parts and components	2930	100%

Sub Class (29301):-Manufacture of diverse parts and accessories for motor vehicles such as brakes, gearboxes, axles, road wheels, suspension shock absorbers, radiators, silencers, exhaust pipes, catalysers, clutches, steering wheels, steering columns and steering boxes etc.

#### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No	Name and Address of the Company	CIN	Holding / Subsidiary / Associate Company	% of shares held	Applicable Section of the Companies Act, 2013
1	T V Sundram Iyengar & Sons Private Limited & its subsidiaries in Sl. No.2 and 3 TVS Building, 7-B, West Veli Street, Madurai - 625 001	U34101TN1929PTC002973	Holding Company	Holds 63.76% in the Company	2(46)
2	Sundaram Industries Private Limited TVS Building, 7-B, West Veli Street, Madurai - 625 001	U65991TN1943PTC002656			
3	Southern Roadways Limited Lakshmi Buildings, Usilampatti Road, Kochadai, Madurai - 625 016	U60221TN1946PLC002582			
4	TVS Motor Company Limited "Jayalakshmi Estates", No.29, Haddows Road, Chennai - 600 006	L35921TN1992PLC022845	Subsidiary	57.40% held by the Company	2(87)
5	Sundaram Auto Components Limited "Jayalakshmi Estates", No.29(8), Haddows Road, Chennai - 600 006	U29249TN1992PLC051417	Subsidiary	100% held by SI No.4	2(87)

## Sundaram-Clayton Limited

Sl. No	Name and Address of the Company	CIN	Holding / Subsidiary / Associate Company	% of shares held	Applicable Section of the Companies Act, 2013
6	TVS Housing Limited "Jayalakshmi Estates", No.29, Haddows Road, Chennai - 600 006	U70101TN2010PLC075027	Subsidiary	100% held by SI No.4	2(87)
7	TVS Motor Company (Europe) B.V. Claude, Debussylaan 24 1082 MD, Amsterdam	NA	Subsidiary	100% held by SI No.4	2(87)
8	TVS Motor (Singapore) Pte. Limited 17, Phillip Street, # 05-01, Grand Building, Singapore - 048 695	NA	Subsidiary	100% held by SI No.4	2(87)
9	PT. TVS Motor Company Indonesia Gedung Wirausaha 3 <sup>rd</sup> Floor, Jalan, H.R. Rasuna Said, Kav. C5, Jakarta 12920	NA	Subsidiary	42.96% held by SI No. 4; 20.22% held by SI No. 7; and 36.82% held by SI. No. 8	2(87)
10	Sundaram-Clayton (USA) Limited, USA 700 Commerce DR STE 500, Oak Brook, IL 60523-8736, Du Page, USA	NA	Subsidiary	100% held by the Company	2(87)
11	Sundaram Holding USA Inc., 2711, Centerville Road, #400 Wilmington, New Castle - 19808 State of Delaware, USA.	NA	Subsidiary	32% held by the Company; and 68% held by SI No.5	2(87)
12	Green Hills Land Holding LLC, 1703, Laurel Street, Columbia, South Carolina - 29201, USA	NA	Subsidiary	100% held by SI No. 11	2(87)
13	Component Equipment Leasing LLC, 1703, Laurel Street, Columbia, South Carolina - 29201, USA	NA	Subsidiary		
14	Workspace Project LLC, 1703, Laurel Street, Columbia, South Carolina - 29201, USA	NA	Subsidiary		
15	Premier Land Holding LLC, 1703, Laurel Street, Columbia, South Carolina - 29201, USA	NA	Subsidiary		
16	Sundram Non-conventional Energy Systems Limited 98-A, VII Floor, Dr. Radhakrishnan Salai, Mylapore, Chennai - 600 004	U40108TN1994PLC029132	Associate	23.53% held by the Company	2(6)
17	TVS Training and Services Limited "Jayalakshmi Estates", No.29, Haddows Road, Chennai - 600 006	U74990TN2010PLC075028	Associate	30.53% held by the Company	2(6)
18	Emerald Haven Realty Limited "Jayalakshmi Estates", No.29, Haddows Road, Chennai - 600 006	U45200TN2010PLC075953	Associate	49% held by SI No.4	2(6)

## Sundaram-Clayton Limited

### IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year (as on 1 <sup>st</sup> April 2016)				No. of Shares held at the end of the year (as on 31 <sup>st</sup> March 2017)				Change in % of shareholding during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
<b>A. Promoters</b>									
<b>Indian</b>									
- Bodies Corporate	1,51,74,060	-	1,51,74,060	75.00	1,51,74,060	-	1,51,74,060	75.00	-
<b>Total Shareholding of Promoter (A)</b>	1,51,74,060	-	1,51,74,060	75.00	1,51,74,060	-	1,51,74,060	75.00	-
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	24,97,337	-	24,97,337	12.35	25,31,223	-	25,31,223	12.51	0.16
b) Banks / FI	560	-	560	-	715	-	715	-	-
c) Insurance Companies	5,52,638	-	5,52,638	2.73	5,58,036	-	5,58,036	2.76	0.03
d) FIs	36,548	-	36,548	0.18	54,556	-	54,556	0.27	0.09
<b>Sub-total (B)(1)</b>	30,87,083	-	30,87,083	15.26	31,44,530	-	31,44,530	15.54	0.28
<b>2. Non-Institutions</b>									
a) Bodies Corporate									
i) Indian	1,75,555	2,139	1,77,694	0.88	1,80,023	1,973	1,81,996	0.90	0.02
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	12,95,478	2,01,104	14,96,582	7.40	13,17,678	1,88,028	15,05,706	7.45	0.05
ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh	2,62,093	-	2,62,093	1.30	1,92,523	-	1,92,523	0.95	(0.35)
c) Directors and relatives	6,622	-	6,622	0.02	2,967	-	2,967	0.01	(0.01)
d) Non- Residents Individuals	27,818	133	27,951	0.14	30,170	133	30,303	0.15	0.01
<b>Sub-total (B)(2):</b>	17,67,566	2,03,376	19,70,942	9.74	17,23,361	1,90,134	19,13,495	9.46	(0.28)
<b>Total Public Shareholding (B)=(B)(1)+ (B)(2)</b>	48,54,649	2,03,376	50,58,025	25.00	48,67,891	1,90,134	50,58,025	25.00	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	2,00,28,709	2,03,376	2,02,32,085	100.00	2,00,41,951	1,90,134	2,02,32,085	100.00	-

## Sundaram-Clayton Limited

### ii) Shareholding of Promoters

Name of the Promoter	Opening Balance (% of the total share capital)	Date of Dealing	Purchase or Sale	No. of shares	% of total shares of the Company	Cumulative		Closing Balance	
						No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
T V Sundram Iyengar & Sons Private Limited	38,07,330 (18.82%)	-	-	-	-	-	-	38,07,330	18.82%
Sundaram Industries Private Limited	60,62,522 (29.96%)	-	-	-	-	-	-	60,62,522	29.96%
Southern Roadways Limited	30,31,127 (14.98%)	-	-	-	-	-	-	30,31,127	14.98%
Sundaram Finance Limited	22,73,081 (11.24%)	-	-	-	-	-	-	22,73,081	11.24%

iii) There is no change in Promoters' Shareholding during the year 2016-17.

iv) Shareholding Pattern of top ten Shareholders as on 31<sup>st</sup> March 2017 (other than Directors, Promoters and Holders of GDRs and ADRs):

Opening Balance (% of total shares of the Company)	Date of increase or decrease (Benpos date)	Reasons for increase or decrease	No. of shares	% of total shares of the Company	Cumulative		Closing Balance	
					No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
<b>BIRLA SUNLIFE TRUSTEE COMPANY PRIVATE LIMITED</b>								
744,740 (3.68%)	01/04/2016	Opening Balance						
	08/04/2016	Transfer / Purchase	639	0.00	745,379	3.68		
	15/04/2016	Transfer / Purchase	432	0.00	745,811	3.69		
	22/04/2016	Transfer / Purchase	459	0.00	746,270	3.69		
	29/04/2016	Transfer / Purchase	563	0.00	746,833	3.69		
	06/05/2016	Transfer / Purchase	166	0.00	746,999	3.69		
	12/05/2016	Transfer / Purchase	378	0.00	747,377	3.69		
	20/05/2016	Transfer / Purchase	324	0.00	747,701	3.70		
	27/05/2016	Transfer / Purchase	540	0.00	748,241	3.70		
	03/06/2016	Transfer / Purchase	1206	0.01	749,447	3.70		
	10/06/2016	Transfer / Purchase	900	0.00	750,347	3.71		
	17/06/2016	Transfer / Purchase	927	0.00	751,274	3.71		
	24/06/2016	Transfer / Purchase	1053	0.01	752,327	3.72		
	30/06/2016	Transfer / Purchase	1134	0.01	753,461	3.72		
	01/07/2016	Transfer / Purchase	243	0.00	753,704	3.73		
	08/07/2016	Transfer / Purchase	1476	0.01	755,180	3.73		
	08/07/2016	Transfer / Sale	688	0.00	754,492	3.73		
	15/07/2016	Transfer / Purchase	1944	0.01	756,436	3.74		
22/07/2016	Transfer / Purchase	1161	0.01	757,597	3.74			
29/07/2016	Transfer / Purchase	999	0.00	758,596	3.75			
05/08/2016	Transfer / Purchase	110	0.00	758,706	3.75			



## Sundaram-Clayton Limited

Opening Balance (% of total shares of the Company)	Date of increase or decrease (Benpos date)	Reasons for increase or decrease	No. of shares	% of total shares of the Company	Cumulative		Closing Balance	
					No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	12/08/2016	Transfer / Purchase	702	0.00	759,408	3.75		
	19/08/2016	Transfer / Purchase	918	0.00	760,326	3.76		
	26/08/2016	Transfer / Purchase	756	0.00	761,082	3.76		
	02/09/2016	Transfer / Purchase	486	0.00	761,568	3.76		
	09/09/2016	Transfer / Purchase	810	0.00	762,378	3.77		
	16/09/2016	Transfer / Purchase	225	0.00	762,603	3.77		
	23/09/2016	Transfer / Purchase	522	0.00	763,125	3.77		
	30/09/2016	Transfer / Purchase	161	0.00	763,286	3.77		
	07/10/2016	Transfer / Purchase	532	0.00	763,818	3.78		
	14/10/2016	Transfer / Purchase	216	0.00	764,034	3.78		
	14/10/2016	Transfer / Sale	126	0.00	763,908	3.78		
	21/10/2016	Transfer / Sale	168	0.00	763,740	3.77		
	11/11/2016	Transfer / Purchase	162	0.00	763,902	3.78		
	02/12/2016	Transfer / Purchase	1116	0.01	765,018	3.78		
	09/12/2016	Transfer / Purchase	814	0.00	765,832	3.79		
	16/12/2016	Transfer / Purchase	743	0.00	766,575	3.79		
	23/12/2016	Transfer / Purchase	918	0.00	767,493	3.79		
	30/12/2016	Transfer / Purchase	997	0.00	768,490	3.80		
	06/01/2017	Transfer / Purchase	1424	0.01	769,914	3.81		
	13/01/2017	Transfer / Purchase	1053	0.01	770,967	3.81		
	20/01/2017	Transfer / Purchase	2034	0.01	773,001	3.82		
	27/01/2017	Transfer / Purchase	1621	0.01	774,622	3.83		
	03/02/2017	Transfer / Purchase	1380	0.01	776,002	3.84		
	10/02/2017	Transfer / Purchase	756	0.00	776,758	3.84		
	17/02/2017	Transfer / Purchase	533	0.00	777,291	3.84		
	24/02/2017	Transfer / Purchase	2619	0.01	779,910	3.85		
	03/03/2017	Transfer / Purchase	732	0.00	780,642	3.86		
	03/03/2017	Transfer / Sale	878	0.00	779,764	3.85		
	10/03/2017	Transfer / Purchase	1580	0.01	781,344	3.86		
	17/03/2017	Transfer / Purchase	437	0.00	781,781	3.86		
	21/03/2017	Transfer / Purchase	792	0.00	782,573	3.87		
	24/03/2017	Transfer / Purchase	315	0.00	782,888	3.87		
	31/03/2017	Transfer / Purchase	2287	0.01	785,175	3.88		
	31/03/2017	Transfer / Sale	479	0.00	784,696	3.88		
	31/03/2017	Closing Balance					784,696	3.88

## Sundaram-Clayton Limited

Opening Balance (% of total shares of the Company)	Date of increase or decrease (Benpos date)	Reasons for increase or decrease	No. of shares	% of total shares of the Company	Cumulative		Closing Balance	
					No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
<b>SBI MAGNUM BALANCED FUND</b>								
253,960 (1.26%)	01/04/2016	Opening Balance						
	22/07/2016	Transfer / Purchase	243,133	1.20	497,093	2.46		
	12/08/2016	Transfer / Purchase	200,000	0.99	697,093	3.45		
	21/10/2016	Transfer / Purchase	2,907	0.01	700,000	3.46		
	31/03/2017	Closing Balance					700,000	3.46
<b>RELIANCE CAPITAL TRUSTEE CO LTD</b>								
1,032,338 (5.10%)	01/04/2016	Opening Balance	-	-	-	-		
	08/04/2016	Transfer / Purchase	5,000	0.02	1,037,338	5.12		
	06/05/2016	Transfer / Purchase	1,405	0.01	1,038,743	5.13		
	03/06/2016	Transfer / Sale	26000	0.13	1,012,743	5.01		
	03/06/2016	Transfer / Purchase	26,000	0.13	1,038,743	5.13		
	22/07/2016	Transfer / Sale	175,000	0.86	863,743	4.27		
	12/08/2016	Transfer / Sale	200,000	0.99	663,743	3.28		
	14/10/2016	Transfer / Sale	2,907	0.01	660,836	3.27		
	21/10/2016	Transfer / Sale	50,000	0.25	610,836	3.02		
	18/11/2016	Transfer / Purchase	4,811	0.02	615,647	3.04		
	18/11/2016	Transfer / Sale	4,811	0.02	610,836	3.02		
	23/12/2016	Transfer / Sale	667	0.00	610,169	3.02		
	30/12/2016	Transfer / Purchase	589	0.00	610,758	3.02		
	30/12/2016	Transfer / Sale	589	0.00	610,169	3.02		
	17/02/2017	Transfer / Sale	1,091	0.01	609,078	3.01		
	24/02/2017	Transfer / Sale	3,446	0.02	605,632	2.99		
	24/03/2017	Transfer / Sale	920	0.00	604,712	2.99		
31/03/2017	Transfer / Sale	4,111	0.02	600,601	2.97			
	31/03/2017	Closing Balance					600,601	2.97
<b>ICICI PRUDENTIAL LIFE INSURANCE COMPANY LTD</b>								
552,300 (2.73%)	01/04/2016	Opening Balance	-	-	-	-		
	02/09/2016	Transfer / Purchase	93	0.00	552,393	2.73		
	16/09/2016	Transfer / Purchase	48	0.00	552,441	2.73		
	23/09/2016	Transfer / Purchase	35	0.00	552,476	2.73		
	30/09/2016	Transfer / Purchase	57	0.00	552,533	2.73		
	07/10/2016	Transfer / Purchase	47	0.00	552,580	2.73		
	14/10/2016	Transfer / Purchase	29	0.00	552,609	2.73		
	21/10/2016	Transfer / Purchase	41	0.00	552,650	2.73		
	28/10/2016	Transfer / Purchase	32	0.00	552,682	2.73		
	04/11/2016	Transfer / Purchase	36	0.00	552,718	2.73		
	11/11/2016	Transfer / Purchase	25	0.00	552,743	2.73		
	18/11/2016	Transfer / Purchase	27	0.00	552,770	2.73		
	25/11/2016	Transfer / Purchase	30	0.00	552,800	2.73		
	02/12/2016	Transfer / Purchase	30	0.00	552,830	2.73		
	09/12/2016	Transfer / Purchase	41	0.00	552,871	2.73		
	31/03/2017	Closing Balance					552,871	2.73

## Sundaram-Clayton Limited

Opening Balance (% of total shares of the Company)	Date of increase or decrease (Benpos date)	Reasons for increase or decrease	No. of shares	% of total shares of the Company	Cumulative		Closing Balance	
					No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
<b>SUNDARAM MUTUAL FUND</b>								
445,299 (2.20%)	01/04/2016	Opening Balance						
	08/04/2016	Transfer / Purchase	16,658	0.08	461,957	2.28		
	11/04/2016	Transfer / Sale	630	0.00	461,327	2.28		
	16/09/2016	Transfer / Sale	164	0.00	461,163	2.28		
	23/09/2016	Transfer / Sale	3,454	0.02	457,709	2.26		
	30/09/2016	Transfer / Sale	686	0.00	457,023	2.26		
	07/10/2016	Transfer / Sale	1,314	0.01	455,709	2.25		
	14/10/2016	Transfer / Sale	1,000	0.00	454,709	2.25		
	06/01/2017	Transfer / Sale	277	0.00	454,432	2.25		
	13/01/2017	Transfer / Sale	921	0.00	453,511	2.24		
	20/01/2017	Transfer / Sale	811	0.00	452,700	2.24		
	27/01/2017	Transfer / Sale	435	0.00	452,265	2.24		
	17/02/2017	Transfer / Sale	325	0.00	451,940	2.23		
	31/03/2017	Transfer / Sale	6,014	0.03	445,926	2.20		
	31/03/2017	Closing Balance					445,926	2.20
<b>MANSAN INVESTMENTS PRIVATE LIMITED</b>								
95,596 (0.47%)	01/04/2016	Opening Balance	-	-	-	-		
	31/03/2017	Closing Balance					95,596	0.47
<b>NALINI SEKHSARIA</b>								
-	01/04/2016	Opening Balance	-	-	-	-		
	06/01/2017	Transfer / Purchase	78000	0.39	78,000	0.39		
	31/03/2017	Closing Balance					78,000	0.39
<b>CHINMAY G PARIKH</b>								
46,573 (0.23%)	01/04/2016	Opening Balance						
	31/03/2017	Transfer / Sale	1,500	0.01	45,073	0.22		
	31/03/2017	Closing Balance					45,073	0.22
<b>SUNDARAM INDIA MIDCAP FUND</b>								
27,304 (0.13%)	01/04/2016	Opening Balance	-	-	-	-		
	02/09/2016	Transfer / Purchase	1,062	0.01	28,366	0.14		
	23/09/2016	Transfer / Purchase	1,136	0.01	29,502	0.15		
	30/09/2016	Transfer / Purchase	3,800	0.02	33,302	0.16		
	14/10/2016	Transfer / Purchase	1,197	0.01	34,499	0.17		
	21/10/2016	Transfer / Purchase	499	0.00	34,998	0.17		
	04/11/2016	Transfer / Purchase	200	0.00	35,198	0.17		
	18/11/2016	Transfer / Purchase	2,263	0.01	37,461	0.19		
	25/11/2016	Transfer / Purchase	1,322	0.01	38,783	0.19		
	03/02/2017	Transfer / Purchase	269	0.00	39,052	0.19		
	24/03/2017	Transfer / Purchase	150	0.00	39,202	0.19		
	31/03/2017	Transfer / Purchase	5,000	0.02	44,202	0.22		
	31/03/2017	Closing Balance					44,202	0.22
<b>VIJAYA SRINIVASAN</b>								
43,510 (0.22%)	01/04/2016	Opening Balance	-	-	-	-		
	31/03/2017	Closing Balance					43,510	0.22

## Sundaram-Clayton Limited

### v) Shareholding of Directors and Key Managerial Personnel:

Name of the Director / KMP (M/s.)	Opening Balance (% of the total share capital)	Date of Dealing	Purchase or Sales	No. of shares	% of total shares of the Company	Cumulative		Closing Balance	
						No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
Venu Srinivasan	Nil	-	-	-	-	-	-	Nil	-
Dr. Lakshmi Venu	Nil	-	-	-	-	-	-	Nil	-
Sudarshan Venu	Nil	-	-	-	-	-	-	Nil	-
K Mahesh	123	-	-	-	-	-	-	123	-
Gopal Srinivasan	66	-	-	-	-	-	-	66	-
T K Balaji	Nil	-	-	-	-	-	-	Nil	-
Vice Admiral P J Jacob (Retd.)	Nil	-	-	-	-	-	-	Nil	-
V Subramanian	Nil	-	-	-	-	-	-	Nil	-
S Santhanakrishnan	Nil	-	-	-	-	-	-	Nil	-
R Gopalan*	Nil	-	-	-	-	-	-	Nil	-
R Vijayaraghavan	Nil	-	-	-	-	-	-	Nil	-
Kamlesh Gandhi	Nil	-	-	-	-	-	-	Nil	-
C N Prasad#	Nil	-	-	-	-	-	-	Nil	-
M Muthuraj§	Nil	-	-	-	-	-	-	Nil	-
V N Venkatanathan	Nil	-	-	-	-	-	-	Nil	-
R Raja Prakash	Nil	-	-	-	-	-	-	Nil	-

\* Appointed as an Independent Director of the Company effective 21<sup>st</sup> June 2016.

# Resigned as CEO w.e.f 6<sup>th</sup> February 2017.

§ Appointed as CEO w.e.f 7<sup>th</sup> February 2017.

## V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment.

(Rs. in Cr)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>			
i) Principal Amount	252.33	116.76	369.09
ii) Interest due but not paid	-	-	-
iii) Interest accrued but not due	1.52	0.41	1.93
<b>Total</b>	<b>253.85</b>	<b>117.17</b>	<b>371.02</b>
<b>Change in Indebtedness during the financial year</b>			
- Addition	15.97	-	15.97
- Reduction	-	31.24	31.24
<b>Net Change</b>	<b>15.97</b>	<b>(31.24)</b>	<b>(15.27)</b>
<b>Indebtedness at the end of the financial year</b>			
i) Principal Amount	268.77	85.46	354.23
ii) Interest due but not paid	-	-	-
iii) Interest accrued but not due	1.05	0.47	1.52
<b>Total</b>	<b>269.82</b>	<b>85.93</b>	<b>355.75</b>

## Sundaram-Clayton Limited

### VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(Rs. in lakhs)

Sl. No.	Particulars of Remuneration	Name of MD / WTD / Manager			Total Amount
		Mr Venu Srinivasan CMD	Dr. Lakshmi Venu JMD	Mr Sudarshan Venu JMD	
1.	Gross salary				
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	51.00	90.00	24.00	165.00
	(b) Value of perquisites u/s 17(2) of Income-tax Act, 1961	21.41	127.37	1.32	150.10
	(c) Profits in lieu of salary under Section 17(3) of Income tax Act, 1961	–	–	–	–
2.	Stock Option	–	–	–	–
3.	Sweat Equity	–	–	–	–
4.	Commission				
	- as % of profit	–	378.00	–	378.00
	- others, specify	–	–	–	–
5.	Others - Contribution to Provident and other funds	8.67	15.30	4.08	28.05
	Total (A)	81.08	610.67	29.40	721.15
	Overall ceiling as per the Act, 2013				1191.54

CMD - Chairman and Managing Director; JMD - Joint Managing Director

B. Remuneration to other directors:

(Rs. in lakhs)

Particulars of Remuneration	Name of Directors						Total Amount
	PJJ	VSN	SSK	RG	RV	KG	
Independent Directors							
Fee for attending board / committee meetings	1.30	1.20	1.40	0.80	0.40	0.60	5.70
Commission	12.00	12.00	12.00	12.00	9.00	9.00	66.00
Others, please specify	–	–	–	–	–	–	–
Total (1)	13.30	13.20	13.40	12.80	9.40	9.60	71.70
Other Non-Executive Directors							
Fee for attending board / committee meetings	0.10	0.40	0.80				1.30
Commission	–	–	–				–
Others, please specify	–	–	–				–
Total (2)	0.10	0.40	0.80				1.30
Total (B) = (1) + (2)	13.40	13.60	14.20	12.80	9.40	9.60	73.00
Total Managerial Remuneration (A) + (B)							794.15
Overall Ceiling as per the Act, 2013							1310.70

PJJ - Vice Admiral P J Jacob (Retd.); VSN - Mr V Subramanian; SSK - Mr S Santhanakrishnan; RG - Mr R Gopalan; RV - Mr R Vijayaraghavan; KG - Mr Kamlesh Gandhi; KM - Mr K Mahesh; GS - Mr Gopal Srinivasan; TKB - Mr T K Balaji.

## Sundaram-Clayton Limited

### C. Remuneration to Key Managerial Personnel other than MD/ Manager / WTD (Rs. in lakhs)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			Total Amount	
		CEO		CFO		CS
		Mr CNP	Mr MM			
1.	Gross salary					
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	160.57	11.00	199.56	37.29	408.42
	(b) Value of perquisites u/s 17(2) of Income-tax Act, 1961	23.25	3.81	12.15	7.42	46.63
	(c) Profits in lieu of salary under Section 17(3) of Income tax Act, 1961	-	-	-	-	-
2.	Stock Option	-	-	-	-	-
3.	Sweat Equity	-	-	-	-	-
4.	Commission - as % of profit - others, specify	-	-	-	-	-
5.	Others - Contribution to Provident and other funds	1.33	0.54	3.95	0.71	6.53
	<b>Total</b>	<b>185.15</b>	<b>15.35</b>	<b>215.66</b>	<b>45.42</b>	<b>461.58</b>

CNP - Mr C N Prasad for the period upto 6<sup>th</sup> February 2017 ; MM - Mr M Muthuraj for the period from 7<sup>th</sup> February 2017 to 31<sup>st</sup> March 2017

### VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES: Nil

For and on behalf of the board

Chennai  
3<sup>rd</sup> May 2017

VENU SRINIVASAN  
Chairman

## Annexure - IV to Directors' Report to the shareholders

### Particulars of Corporate Social Responsibility activities carried out by the Company in terms of Section 135 of the Companies Act, 2013

1. A brief outline of the Company's CSR Policy:

This policy encompasses the Company's philosophy for giving back to society as a corporate citizen and lays down the guidelines and mechanism for undertaking socially useful programmes for the transformation and sustainable development of the rural communities at large.

2. Overview of projects or programmes being undertaken:

Focus areas relate to economic development, quality education, health care, conservation of environment and the creation, maintenance of infrastructure, art, culture and protection of places of public and historical importance.

3. Web-link to the CSR policy and projects or programmes -

[www.sundaram-clayton.com/Web%20files/Investors/CSR%20Policy%20SCL.pdf](http://www.sundaram-clayton.com/Web%20files/Investors/CSR%20Policy%20SCL.pdf).

4. Composition of the CSR Committee.

#	Name of the Director (M/s.)	Designation	Status
1.	Venu Srinivasan	Chairman and Managing Director	Chairman
2.	Dr. Lakshmi Venu	Joint Managing Director	Member
3.	Vice Admiral P J Jacob (Retd.)	Independent Director	Member

5. Average net profit of the Company for last three financial years

Rs. 39.37 Cr

6. Prescribed CSR Expenditure (2% of the amount as in item 5 above)

Rs. 80.00 Lakhs

7. Details of CSR spent during the financial year

(a) Total amount spent for the financial year

Rs. 85.00 Lakhs

(b) Amount unspent, if any

Not Applicable

(c) Manner in which the amount spent during the financial year is detailed below:

1	Name of the Implementing Agency	Srinivasan Services Trust Jayalakshmi Estates, No. 29, Haddows Road Chennai - 600 006. Tamil Nadu Tel. No.: 044-2833 2115; Mail Id : <a href="mailto:aj@scl.co.in">aj@scl.co.in</a>	Sri Sathya Sai Loka Seva Trust Sathya Sai Grama, P.O. Muddenahalli - 562101 Chikkaballapur district, Karnataka, India Tel. No.: +918156-262424
2	CSR Project or activity identified as mentioned in Schedule VII to the Companies Act, 2013	<ul style="list-style-type: none"> <li>Eradicating hunger, poverty, promoting preventive healthcare and sanitation and making available safe drinking water;</li> <li>Promotion of Education, including special education and employment enhancing vocation skills especially among children women and livelihood enhancement projects;</li> <li>Promoting gender equality, empowering women and measures for reducing inequalities faced by socially and economically backward groups;</li> <li>ensuring environment sustainability, ecological balance, animal welfare, agroforestry, conservation of natural resources and maintain quality of soil, air and water; and</li> <li>rural development projects</li> </ul>	Promoting free Education is one of the objects of the Trust
3	Sector in which the Project is covered	Economic Development, Health, Education, Environment and Infrastructure	Education
4	Areas in which Projects / Programmes undertaken: Local Area / Others:  State & district :  Amount outlay (budget) project or programme-wise:	<ul style="list-style-type: none"> <li>Venkatagiri, Andhra Pradesh</li> <li>Anbil Village, Trichy district, Tamil Nadu</li> <li>Nellore district, Andhra Pradesh</li> <li>Trichy district, Tamil Nadu</li> </ul> <p>Rs.925.60 lakhs</p>	<p>Muddenahalli</p> <p>Chikkaballapur, Karnataka</p> <p>Rs. 1100 Lakhs</p>

## Sundaram-Clayton Limited

5	Amount spent on the projects or programmes:	Rs.902.22 lakhs (including contribution of the Company of Rs.50 Lakhs)	Rs. 250 Lakhs
6	Sub-heads:  Direct expenses On projects / programmes:  Overheads:	Rs.902.22 Lakhs (including contribution of the Company of Rs.50 Lakhs)  Nil	Rs. 250 Lakhs (including contribution of the Company of Rs.35 lakhs)  Nil
7	Cumulative expenditure upto the reporting period:	Rs.902.22 lakhs (including contribution of the Company of Rs.50 Lakhs)	Rs. 250 Lakhs (including contribution of the Company of Rs.35 lakhs)

8. In case the Company has failed to spend 2% of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.

- Not applicable

9. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

"To discharge the duties cast under provisions of the Act, 2013 members of the CSR Committee visit places where Srinivasan Services Trust is doing service."

For and on behalf of the board

**VENU SRINIVASAN**  
 Chairman and Managing Director and  
 Chairman of CSR Committee

Chennai  
3<sup>rd</sup> May 2017



## Sundaram-Clayton Limited

### Annexure - V to Directors' Report to the shareholders

#### COMPARATIVE ANALYSIS OF REMUNERATION PAID TO DIRECTORS AND EMPLOYEES WITH THE COMPANY'S PERFORMANCE

Sl. No.	Name of the Director (M/s.)	Designation	Ratio to Median Remuneration	% increase in remuneration
1	Venu Srinivasan	CMD	1:21	128%
	Dr. Lakshmi Venu	JMD	1:156	9%
	Sudarshan Venu	JMD	1:8	–
	K Mahesh	NENID	NA	NA
	Gopal Srinivasan		NA	NA
	T K Balaji		NA	NA
	Vice Admiral P J Jacob (Retd.)	NEID	1:3	–
	V Subramanian		1:3	–
	S Santhanakrishnan		1:3	–
	R Gopalan		1:3	–
	R Vijayaraghavan		1:2	–
	Kamlesh Gandhi		1:2	–
	C N Prasad (from 01.04.2016 to 06.02.2017)	Gr President & CEO	NA	–
	M Muthuraj (from 07.02.2017 to 31.03.2017)	President & CEO	NA	–
	V N Venkatanathan	CFO	NA	10%
	R Raja Prakash	CS	NA	25%
2	The percentage increase in the median remuneration of employees in the financial year;			4%
3	The number of permanent employees on the rolls of the Company;			2161
4	(a) Average percentile increase already made in the salaries of employees other than the managerial personnel in the financial year 2016-17			7.67%
	(b) Average percentile increase in the managerial remuneration in the financial year 2016-17			12%
	There are no exceptional circumstances for increase in the managerial remuneration.			
5	Affirmation that the remuneration is as per the Remuneration Policy of the Company			Remuneration paid during the year 2016-17 is as per the remuneration policy of the Company.

CMD - Chairman and Managing Director

CEO - Chief Executive Officer

JMD - Joint Managing Director

CFO - Chief Financial Officer

NENID - Non Executive Non Independent Director

CS - Company Secretary

NEID - Non Executive Independent Director

For and on behalf of the board

Chennai  
3<sup>rd</sup> May 2017

VENU SRINIVASAN  
Chairman

## Sundaram-Clayton Limited

### Annexure - VI to Directors' Report to the shareholders

#### BUSINESS RESPONSIBILITY REPORT (BRR)

[Pursuant to Regulation 34(2)(f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

#### Introduction

Sundaram-Clayton Limited (SCL) is one of the largest aluminium castings manufacturer in India, with a total revenue of Rs.1589.67 Cr for the year 2016-17.

The Business Responsibility disclosures in this Report illustrate the Company's efforts towards creating and enduring value for all stakeholders in a responsible manner. This Report is aligned with National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVG) released by Ministry of Corporate Affairs, and is in accordance with Regulation 34(2)(f) of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015. This Report provides an overview of the activities carried out by the Company under each of the nine principles as outlined in NVG.

#### Section A: General Information about the Company

1.	Corporate Identity Number (CIN) of the Company	L35999TN1962PLC004792				
2.	Name of the Company	Sundaram-Clayton Limited				
3.	Registered address of the Company	"Jayalakshmi Estates", No. 29 (Old No.8), Haddows Road, Chennai - 600 006				
4.	Website	<a href="http://www.sundaram-clayton.com">www.sundaram-clayton.com</a>				
5.	E-mail id	corpsec@scl.co.in				
6.	Financial Year reported	2016-17				
7.	Sector(s) that the Company is engaged in (industrial activity code-wise)	Aluminium Castings <table border="1"><thead><tr><th>NIC Code</th><th>Description</th></tr></thead><tbody><tr><td>2930</td><td>Aluminium Alloy Cast Articles including parts and components.</td></tr></tbody></table>	NIC Code	Description	2930	Aluminium Alloy Cast Articles including parts and components.
NIC Code	Description					
2930	Aluminium Alloy Cast Articles including parts and components.					
8.	List three key products/ services that the Company manufactures/provides (as in balance sheet)	Machines and sub-assembled aluminum castings for heavy and medium commercial vehicles, passenger cars and two-wheelers (Please refer to our website for complete list of our products)				
9.	Total number of locations where business activity is undertaken by the Company:					
	i. Number of International Locations	One (United States of America) The Company has plans to set up overseas manufacturing facility in the United States of America through its subsidiary				
	ii. Number of National Locations -					
	A. The Company has four manufacturing locations:					
	1. Padi	Chennai - 600 050, Tamil Nadu, India				
	2. Mahindra World City	Plot No. AA5, VI Avenue, Auto Ancillary SEZ, Mahindra World City, Chengalpattu, Kancheepuram District - 603 004, Tamil Nadu, India				

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3.	Oragadam	Plot No.B-14, SIPCOT Industrial Growth Centre, Sriperumbudur Taluk, Kancheepuram District - 602 105, Tamil Nadu, India.
4.	Hosur	Hosur - Thally Road, Belagondapalli, Hosur - 635 114, Tamil Nadu, India.
10.	Markets served by the Company - Local/State/National/ International	Sundaram-Clayton Limited cater to the needs of select American / European and Indian vehicle OEM's and Tier 1. Focus of business is on truck markets.

### Section B: Financial details of the Company

1.	Paid up Capital (INR)	Rs. 10.12 Crores
2.	Total Revenue (INR)	Rs.1589.67 Crores (Standalone)
3.	Profit after tax (INR)	Rs.105.59 Crores (Standalone)
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	Rs.0.85 Crores (being more than 2% of the average net profits for the three immediately preceding financial years)
5.	List of activities in which expenditure in 4 above has been incurred	<ul style="list-style-type: none"> <li>• Eradicating hunger, poverty, promoting preventive healthcare, sanitation and making available safe drinking water;</li> <li>• Promoting education, including special education and employment enhancing vocation skills especially among children, women and livelihood enhancement projects;</li> <li>• Promoting gender equality, empowering women and measures for reducing inequalities faced by socially and economically backward groups;</li> <li>• Ensuring environment sustainability, ecological balance, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water;</li> <li>• Rural development projects; and</li> <li>• Health care activities.</li> </ul>

### Section C: Other Details

1.	Does the Company have any Subsidiary Company / Companies ?	The Company has twelve subsidiaries in India and abroad as on 31 <sup>st</sup> March 2017.
2.	Do the Subsidiary Company/Companies participate in the Business Responsibility Initiatives of the parent Company ? If yes, then indicate the number of such subsidiary Company(s)	<p>Yes.</p> <p>The Company positively influences and encourages its subsidiaries to adopt Business Responsibility (BR) initiatives.</p> <p>All the Company's subsidiaries are guided by the Company to conduct their business in an ethical, transparent and accountable manner.</p> <p>It encompasses suppliers, customers, employees and other stakeholders.</p>

## Sundaram-Clayton Limited

3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with participate in the BR initiatives of the Company ?  
If yes, then indicate the percentage of such entity / entities? [Less than 30%, 30-60%, More than 60%]

Suppliers are critical to our operations and supply chain sustainability issues can impact the operations. The Company engages suppliers through various channels for operational issues.

The suppliers and vendors are provided awareness on environmental and social issues. The vendor meets are used as a platform to raise awareness on health & safety, environmental and community initiatives of the Company.

### Section D: BR Information

1. Details of Director / Official responsible for implementation of the BR policy/policies.

S.No.	Particulars	Director	BR Head
1.	DIN	02702020	-
2.	Name	Dr. Lakshmi Venu	Mr M Muthuraj
3.	Designation	Joint Managing Director	President & CEO
4.	Telephone	044-28272233	044-26258212
5.	E-mail id	<a href="mailto:corpsec@scl.co.in">corpsec@scl.co.in</a>	

2. Principle-wise (as per NVGs) BR Policy / policies (Reply in Y/N)

The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business released by the Ministry of Corporate Affairs has adopted nine areas of Business Responsibility. These are as follows:

- P1 Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.
- P2 Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
- P3 Businesses should promote the well-being of all employees.
- P4 Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
- P5 Businesses should respect and promote human rights.
- P6 Businesses should respect, protect, and make efforts to restore the environment.
- P7 Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
- P8 Businesses should support inclusive growth and equitable development.
- P9 Businesses should engage with and provide value to their customers and consumers in a responsible manner.

S. No.	Question	Business Ethics	Product Responsibility	Well being of employee	Stakeholders	Human Rights	Environment	Public Policy	CSR	Customer relations
		P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have policy / policies for ?	Y	Y*	Y*	Y*	Y*	Y	N	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders ?	Y	Y	Y	Y	Y	Y	-	Y	Y

## Sundaram-Clayton Limited

S. No.	Question	Business Ethics	Product Responsibility	Well being of employee	Stakeholders	Human Rights	Environment	Public Policy	CSR	Customer relations
		P1	P2	P3	P4	P5	P6	P7	P8	P9
3.	Does the policy conform to any national / international standards? If yes, specify?	Y	Y	Y	Y	Y	Y (ISO 14001 and OSHAS 18001)	-	Y	Y0
		All the policies of the Company are in compliance with national / international standards wherever applicable.								
4.	Has the policy being approved by the Board ? if yes, has it been signed by MD / owner / CEO / by the appropriate Board Director?	Mandatory policies viz., Code of Business Conduct and Ethics, Whistle Blower Policy, CSR Policy, Code to Regulate, Monitor and Report trading by insiders have been adopted by the board and other operational internal policies have been approved by the management.								
5.	Does the Company have a specified committee of the Board / Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	-	Y	Y
		The implementation and adherence to the code of conduct for employees is administered by the HR Department. The CSR policy is administered by CSR Committee in line with the requirements of the Companies Act, 2013. The Environmental, Health and Safety (EHS) policy is overseen by Production Engineering and enterprise resource management department.								
6.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Internal policies have been communicated to all stakeholders and the same are available on the Company's intranet.  Mandatory policies are available on the Company's website in the following link <a href="http://www.sundaram-clayton.com/information.htm">www.sundaram-clayton.com/information.htm</a>								
7.	Does the Company have in-house structure to implement the policy / policies.	The Company has established in-house structures to implement these policies								
8.	Does the Company has a grievance redressal mechanism related to the policy / policies to address stakeholders' grievances related to the policy / policies?	The whistle blower mechanism provides employees to report any concerns or grievances pertaining to any potential or actual violation of the Company's Code of Conduct, which covers all aspects of BRR.  Each of the policies formulated by the Company has an in-built grievance redressal mechanism.								
9.	Has the Company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	The implementation of the Company's Code of Conduct and other policies are reviewed through internal audit function. The Quality, Safety & Health and Environmental policies are subject to internal and external audits as part of certification process and continuous assessments.  All policies adopted by the Company for ensuring the orderly and efficient conduct of business including adherence to Company's policies have been evaluated annually by an independent external agency as part of internal financial control requirement.								

\* The policy is embedded in the Company's Code of Conduct and Quality and environment policies which *inter alia*, relates to safe and sustainable products.

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2a If answer to Sr. No.1 against any of the Principle is 'No', please explain why: (Tick upto 2 options)

S. No.	Question	Business Ethics	Product Responsibility	Well being of employee	Stakeholders	Human Rights	Environment	Public Policy	CSR	Customer relations
		P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	The Company has not understood the Principle	-	-	-	-	-	-	-	-	-
2.	The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	-	-	-	-	-	-	-	-	-
3.	The Company does not have financial or manpower resources available for the task	-	-	-	-	-	-	-	-	-
4.	It is planned to be done within next 6 months	-	-	-	-	-	-	-	-	-
5.	It is planned to be done within the next 1 year	-	-	-	-	-	-	-	-	-
6.	Any other reason (please specify)	P7 The Company through various industry forums endeavors to promote growth and technological progress, economic reforms, inclusive development policies and sustainable business principles. Therefore, there is no need for such policy.								

### 3. Governance Related to BR

- (a) Indicate the frequency with which the Board of Directors, Committees of the Board or CEO assesses the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year

The CEO and senior management periodically reviews the BR performance of the Company through their monthly Review Meetings. The action points that emerge from the discussions at these meetings are reviewed in subsequent meetings to ensure its closure.

- (b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

This is the first BR Report of the Company and is published as part of the Annual Report for the financial year 2016-17. The same can be viewed at [www.sundaram-clayton.com/Reports.htm](http://www.sundaram-clayton.com/Reports.htm).

**Section E : Principle-wise Performance**

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**Principle 1: Ethics, Transparency and Accountability**

**1. Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/ No. Does it extend to the Group / Joint Ventures / Suppliers / Contractors / NGOs / Others?**

Yes. The Company acts with integrity in accordance with its core principles of Trust, Value and Service. SCL has adopted a separate Code of Business Conduct and Ethics (CoBC) which specifically pertains to the Company's Directors and Senior Management one level below the Directors, including all functional heads.

The CoBC is devised to enable the Directors and senior management personnel to strive to perform their duties with highest standards of integrity, accountability, confidentiality and independence. A declaration of the Directors and Senior Management towards annual affirmation to the CoBC is communicated to all stakeholders by the Chairman and Managing Director, through the Annual Report.

SCL has a well-defined Code of Conduct (CoC) for its employees. All employees are provided a hard copy of the CoC during induction / training. The CoC is intended to guide the employees in treatment of one another, as well as their interaction with customers, suppliers, partners, public officials and other stakeholders.

The principles laid down under the CoC are implemented effectively to drive ethical behaviour at all levels. The Company ensures compliance of ethical standards by its vendors and contractors through appropriate clauses in its work contracts to which they are obligated. All suppliers working closely with employees are expected, in their contracts, to understand and comply with this policy.

SCL is committed to transparency in its financial reporting. SCL cooperates fully with its auditors and under no circumstances withholds information from them. A robust system for financial controls and processes is maintained to ensure the accuracy and timeliness of financial reporting.

The CoC is implemented and monitored on a regular basis through several mechanisms:

1. On-going training to employees
2. Whistle Blower policy
3. Prohibition of Insider Trading
4. Policy on Fair disclosure of material information
5. Regular updates to Senior Management

The code of conduct to regulate, monitor and report trading by insiders has been adopted for regulating, monitoring and reporting Insider Trading by employees and other connected persons.

Whistle Blower Policy provides a mechanism for stakeholders of SCL to report their genuine concerns or grievances concerning violations of any legal or regulatory requirements either under the applicable statutes including instances of unethical behaviour, or suspected fraud or violation of CoC or ethics policy, incorrect or misrepresentation of any financial statements, reports, disclosures etc to the Management.

There are adequate measures taken to ensure safeguards against victimisation of employees who avail whistle blower mechanism. There is also a provision for direct access to the Chairman of the Audit and Risk Management Committee in exceptional cases.

SCL is committed for highly ethical practices in dealing with suppliers, awarding business purely based on merit, strong internal control systems, well defined procedure and approval work flow for source selection and price settlements.

**2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management?**

During the year under review, the Company has not received any complaints with regard to violation of the Code of Conduct.

**Principle 2: Product Life Cycle Sustainability**

**1. List upto 3 of your products or services whose design has incorporated social or environmental concerns, risks and/ or opportunities.**

SCL has installed roof top solar panels to a capacity of 2.2 MW across its Chennai and Hosur plants, capable of producing 33 lakh units per annum. SCL has introduced reclamation of sand used in making sand cores for die cast parts.

The Company is also working to reduce the amount of die spray (release agent) on its pressure die cast dies. This will have a positive impact on fumes produced during evaporation and also consumption of water used in diluting the liquid spray.

The Company is also enabling development of high efficiency turbochargers with its customers. SCL is developing process technologies that will improve the surface finish of turbocharger parts. This in turn improves the fuel efficiency and reduces emissions from automobiles.

**2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product:**

**(a) Reduction during sourcing/production/distribution achieved since the previous year throughout the value chain?**

**(b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?**

SCL takes up internal projects to reduce energy consumption per ton of aluminium castings produced.

The Company is also pursuing the TPM process across its plants to reduce waste.

**3. Does the Company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably?**

The Company works continuously with its vendors to use returnable packaging modes (trolleys and plastic bins) to reduce usage of non-recyclable packaging wherever possible.

The Company also strives to ensure a considerable vendor count for specific commodities in its surrounding areas in order to reduce material movement.

The Company takes initiative every year to select a group of suppliers who are trained for quality up-gradation in their plant. Both in-house and outside faculty is employed to develop suppliers by training.

**4. Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?**

The Company continues to sustain the local vendor base for various commodities, right from raw material to services. Specific initiatives and activities are in place to impart training to small scale suppliers on quality. Periodic audit is also done by the Company at specific local supplier (& small suppliers) end so that the skills required for them to become long-term suppliers are imparted.

In order to ensure that the Company's tier-1 suppliers are developed in accordance to the prevailing standards, the Company encourages them to go in for ISO / TS certification. Support that is required for this is being done by the Company by way of various audits and other ratings for delivery and quality.



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**5. Does the Company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%).**

The material processed by SCL - i.e Aluminium based alloys is 100% recyclable.

Presently rejected aluminium castings (10% of production) are re-melted inside the factory.

Aluminium swarf is sold to external agencies for recycling. Sand (2500 tons / year) used for making cores is recycled. Hazardous waste materials generated by the Company during aluminium casting production are given to authorised vendors either for disposal or recycling.

**Principle 3: Employee Wellbeing**

SCL is an equal opportunity employer. The Company, since its inception considers employees as a family and practices policies and procedures which promote the welfare of all its employees.

Recruitment process is based on merit.

SCL conducts various programmes concerning wellbeing and work life balance of employees. Focused programmes are also conducted keeping in view the welfare of women employees.

SCL focuses on skill development of its workforce through regular training. The management ensure continuous skill upgradation and competency development of employees through its structured training and competency development programmes.

The Company conducts an annual employee engagement survey termed Employee Satisfaction (ESAT) Survey, addresses concerns and take actions to improve the ESAT score.

The Company provides highly subsidized food for all its employees (both regular and contract). The Company also has medical insurance coverage for employees, dependent children / parents. It has an in-house 24\*7 medical center with qualified medical practitioners.

1	Total number of employees on roll	2,161 as at 31 <sup>st</sup> March, 2017
2	Total number of employees hired on temporary / contractual / casual basis.	2,411 as at 31 <sup>st</sup> March, 2017
3	Number of permanent women employees	27 as at 31 <sup>st</sup> March, 2017
4	Number of permanent employees with disabilities	Nil
5	Employee association recognised by management?	The Company has an internal employees union that is recognized by the management.  Union elections are held once in 4 years as per the by-laws of the Union.  The Company maintains a good and cordial relationship with the Union.
6	Percentage of permanent employees who are members of this recognised employee association?	100% of permanent employees in the workers grade are members of the Union.
7	Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.	NIL

## *Sundaram-Clayton Limited*

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8	What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?	SCL considers safety to be of paramount importance. All employees are trained and oriented towards safety. SCL also re-trains all its employees on a yearly basis.
	(a) Permanent Employees - 100%	
	(b) Permanent Women Employees - 100%	
	(c) Casual/Temporary/Contractual Employees - 100%	
	(d) Employees with Disabilities- NIL	

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### **Principle 4: Stakeholder Engagement**

#### **1. Has the Company mapped its internal and external stakeholders?**

Yes.

The Company has mapped its internal and external stakeholders in a structured way and carries out engagements with investors, employees, customers, suppliers, the government, regulatory authorities, trade unions and local community. The Company follows a system of timely feedback and response through formal and informal channels of communication to ensure that the stakeholder information remains current and updated.

#### **2. Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders?**

Yes, the Company has identified marginalized and disadvantaged groups through need assessment in all the villages where it works by engaging with the local communities.

Such marginalized and disadvantaged communities include villages and economically deprived children and women who are in great need of care and protection.

#### **3. Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders?**

The Company goes beyond its business activities to create social impact through its diverse initiatives and works towards improving lives of India's marginalized and vulnerable communities.

The Company has taken up initiatives under CSR focusing on key areas of Economic Development, Health, Education, Infrastructure, Environment and Social & Cultural Development.

The Company continuously strives to achieve total inclusiveness by encouraging people from all sections of the community irrespective of caste, creed or religion to benefit from its CSR initiatives which would also be focused around communities that reside in the proximity of the Company's various manufacturing locations in the country.

### **Principle 5: Human rights**

#### **1. Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures / Suppliers / Contractors/NGOs/Others?**

The Company does not have a separate Human Rights Policy.

The Company has put in place a Code of Conduct which is applicable to all the employees to adhere and uphold the standards contained therein.

#### **2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**

During the year under review, the Company has not received any complaint from any stakeholders.

**Principle 6: Environmental**

**1. Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/ Suppliers/ Contractors/ NGOs/others.**

SCL has an environmental policy that applies to the Company only.

**2. Does the Company have strategies/initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc.**

SCL is ISO 14001 and OHSAS 18001 certified. The Company's environmental policy focuses on eco friendliness, conservation of resources, water management and prevention of pollution.

Green initiatives include:

- Green belt coverage in all manufacturing plants
- Implementation of gas fired melting furnaces
- Usage of solar power
- Sand recycling and reuse
- Zero discharge effluent treatment plants

**3. Does the Company identify and assess potential environmental risks? Y/N**

Yes. The Company is certified under ISO 14001: 2015 standard and has laid down procedure for Risk identification, assessment and mitigation.

**Risk Identification and Assessment**

The identification of Risks and Opportunities is through a process across all manufacturing and supporting functions. The input for identification of Risks and opportunities are:

- Significant aspects due to Emergency conditions, Legal requirements and Interested Party Concern.
- Internal and External issues.
- Environmental conditions.
- Needs and Expectations of Interested parties.

**Risk Mitigation and Monitoring**

The severity of any particular risk is assessed along with the concerned departments qualitatively and the risk mitigation measures like adopting best available technology, implementation of objectives, improvement of compliance management process, adopting effective engineering controls etc., are proposed, agreed upon and monitored to implementation / dropped if circumstances change.

**4. Does the Company have any project related to Clean Development Mechanism? If Yes, whether any environmental compliance report is filed?**

The details are provided in Point No.2 of Principle 6.

The Company periodically files returns to Pollution control board as per legal requirement.

**5. Has the Company undertaken any other initiatives on clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.**

SCL has installed roof- top solar panels to a capacity of 2.2 MW across its Chennai and Hosur plants, capable of producing 33 lakh units per annum.

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Campaigns on saving electricity are made to create awareness among employees about the hurdles in power generation.

Gas-fired furnaces were adopted over conventional oil-fired furnaces in the new plant (Oragadam) to greatly reduce the environmental impact.

Power consumption is tracked and reviewed on a monthly basis.

**6. Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?**

All emissions and waste generated by the Company are within limits defined by Tamil Nadu Pollution Control Board in 2015-16. All statutory requirements are tracked on a monthly basis.

**7. Number of show cause/ legal notices received from CPCB / SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.**

No show cause notice or legal notices received.

### **Principle 7: Policy Advocacy**

**1. Is your Company a member of any trade and chamber or association?**

The Company is member of:

- Confederation of Indian Industry (CII);
- Federation of Indian Chambers of Commerce and Industry (FICCI);
- The Madras Chamber of Commerce and Industry (MCCI) and
- Automotive Component Manufacturers Association of India (ACMA).

**2. Have you advocated / lobbied through above associations for the advancement or improvement of public good? Yes/ No; if yes specify the broad areas (Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)**

Yes. The Company, through various industry associations, participates in advocating matters relating to advancement of the industry and public good.

The Company works closely with leading Industry Associations and Chambers of Commerce at International, National, State and Local levels to advocate and pursue various causes that are in larger interests of industry, economy, society and the public. From time-to-time these have been in areas such as economic reforms, corporate governance and transparency, affirmative action, education and skill development and women empowerment.

The Company has a separate wing viz., Srinivasan Services Trust (SST), which

- a) Works with Government education departments and local panchayats to improve education;
- b) Introduces new income generation activities, increase in agriculture and better Livestock management;
- c) Coordinates with local bodies, Government and community to maintain a clean environment;
- d) Provides easy access to Primary Healthcare and adoption of proper sanitation, hygiene and nutrition; and
- e) Supports Government bodies in developing infrastructure such as roads, drinking water facilities and more.

### **Principle 8: Inclusive Growth**

**1. Does the Company have specified programmes/initiatives/ projects in pursuit of the policy related to Principle 8? If yes details thereof.**

Yes. Details are given in Annexure - IV to the Directors report for the year 2016-17.

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**2. Are the programmes / projects undertaken through in- house team/own foundation / external NGO / government structures / any other organization?**

SST, the CSR arm of the Company operates using its in-house team.

Area	Implementing Agency
Promoting Education	- Srinivasan Services Trust - Sri Sathya Sai Loka Seva Trust
Economic Development, Health care, Quality education, Environment and Infrastructure	Srinivasan Services Trust

**3. Have you done any impact assessment of your initiative?**

Yes. We believe that every activity should result in some impact. We have measurable parameters for all our activities in all the 5 focus areas viz., Economic development, Healthcare, Quality Education, Infrastructure Development and Conservation of Environment. These are constantly checked by our internal audit system. External evaluation is also being done to validate the impact.

**What is your Company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken?**

S.No	Project	Amount
1.	Promoting Education	Rs.85 Lakhs
2.	Economic Development, Quality education, Environment and Infrastructure	
3.	Providing free medical care including consultation, diagnosis, comprehensive treatment and follow-up to all patients totally free of charge.	
4.	Health care activities	

**4. Have you taken steps to ensure that this community development initiative is successfully adopted by the community?**

Yes. SST enables communities to take ownership of the development effort. For this their participation is essential. They participate both physically and financially. SST involves the community in all its efforts and makes people reach the desirable levels of economic development, health, education and environment. By making them reach the desirable development status, the community is confident and is ready to take the responsibility and continue with their effort.

**Principle 9: Customer value**

**1. What percentage of customer complaints/consumer cases are pending as on the end of financial year.**

The Company has no pending customer complaints as on the end of the financial year.

**2. Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes / No / N.A. / Remarks**

SCL produces parts to the prints and specifications provided by the customers. The Company displays product information as required by the customers. This is approved by them during the development process.

**3. Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behavior during the last five years and pending as on end of financial year.**

There have been no cases relating to unfair trade practices, irresponsible advertising and / or anti-competitive behavior against the Company in the last five years.

**4. Did your Company carry out any consumer survey/ consumer satisfaction trends?**

The Company conducts an annual Customer Perception Survey (CPS). This is done using an external agency and the feedback report is used for making continuous improvement in the services to meet the customer need.

For and on behalf of the board

## Report on Corporate Governance

### 1. Company's philosophy on code of governance

As a TVS Group Company, the Company has a strong legacy of fair, transparent and ethical governance practices. The Company's philosophy on corporate governance is founded on the fundamental ideologies of the group viz., Trust, Value and Service.

The Company believes in ensuring corporate fairness, transparency, professionalism, accountability and propriety in total functioning of the Company, which are pre-requisites for attaining sustainable growth in this competitive corporate world. Obeying the law, both in letter and in spirit, is the foundation on which the Company's ethical standards are built. The Company would constantly endeavour to improve on these aspects.

The Company's corporate governance philosophy has been further strengthened by adopting a Code of Business Conduct and Ethics and Code of Conduct for Prevention of Insider Trading for board of directors and senior management personnel and Code of Practices for fair disclosure of unpublished price sensitive information.

### 2. Board of Directors

The board of directors (the board) which consists of eminent persons with considerable professional expertise and experience, provides leadership and guidance to the management, thereby enhancing stakeholders' value.

#### 2.1 Composition and category of directors:

As on 31<sup>st</sup> March 2017, the total strength of the board is twelve. As the Company has an executive chairman viz., Mr Venu Srinivasan who is the chairman and managing director, the board is required, in terms of Regulation 17 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [SEBI (LODR) Regulations], to have fifty per cent of its directors as independent directors. The Board also has a woman director.

During the year, the board appointed Mr R Gopalan, an independent director with effect from 21<sup>st</sup> June 2016 through postal ballot and he shall hold office till the conclusion of the 57<sup>th</sup> Annual General Meeting (to be held in 2019) and whose office shall not be liable to retire by rotation.

Accordingly, the board has six non-executive independent directors (NE-IDs) viz., M/s Vice Admiral P J Jacob, S Santhanakrishnan, V Subramanian, R Vijayaraghavan, Kamlesh Gandhi and R Gopalan and three non-executive non-independent directors (NE-NIDs), namely, M/s K Mahesh, T K Balaji and Gopal Srinivasan.

Mr Venu Srinivasan, chairman and managing director, Dr. Lakshmi Venu and Mr Sudarshan Venu, joint managing directors are the executive and non-independent directors. Thus, the composition of the Company's board is in conformity with SEBI (LODR) Regulations.

All the existing NE-IDs are not liable to retire by rotation and have been appointed by the shareholders at the Annual General Meeting (AGM) held on 21<sup>st</sup> August 2014 for a term of five years, except Mr R Gopalan, NE-ID who will hold the office till the conclusion of the 57<sup>th</sup> Annual General Meeting (to be held in 2019) and none of them serves as NE-ID in more than seven listed companies.

#### 2.2 Board meetings:

The Company, in consultation with the directors, prepares and circulates a tentative annual calendar for meetings of the committees / board in order to assist the directors for planning their schedules well in advance to participate in the meetings.

The Companies Act, 2013 (the Act 2013) read with the relevant rules made thereunder, now facilitates the participation of a director in the board/ committee meetings through video conferencing or other audio visual means. Accordingly, the option to participate in the meetings through video conferencing was made available for the directors, except in respect of restricted items which are not permitted to be transacted through the said means.

The Company regularly places, before the board for its review, the information as required under Part A of Schedule II to SEBI (LODR) Regulations such as annual operating plans, capex budget and its quarterly updates, quarterly results, minutes of meetings of audit and risk management committee and other committees of the board, information on recruitment and remuneration of senior officers just below the level of board, any significant development in Human Resources/ Industrial Relations, Show cause, demand and prosecution notices and penalty notices which are materially important, quarterly details of foreign exchange exposures, risk management and mitigation measures, report on compliance of all laws as well as steps taken by the Company to rectify instances of non-compliances, if any, etc.

Comprehensively drafted notes for each agenda item along with back ground materials, wherever necessary, are circulated well in advance to the committee / board, to enable them for making value addition as well as exercising their business judgment in the committee / board meetings.

Presentations are also being made by the business heads on the Company's operations, Marketing Strategy, Risk Management, Internal Financial Control, etc., in board / audit and risk management committee meetings.

During the year 2016-17, the board met five times on 12<sup>th</sup> May 2016, 5<sup>th</sup> August 2016, 3<sup>rd</sup> November 2016, 7<sup>th</sup> February 2017 and 13<sup>th</sup> March 2017 and the gap between two meetings did not exceed one hundred and twenty days. Besides, the NE-IDs held a separate meeting, in compliance with the provisions of the Act, 2013 and Regulation 25(3) of SEBI (LODR) Regulations.

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### 2.3 Attendance and other directorships:

The details of attendance of the directors at the board meetings during the year and at the last Annual General Meeting (AGM) held on 2<sup>nd</sup> September 2016 and other directorships and committee memberships / chairmanships as on 31<sup>st</sup> March 2017 are as follows:

Name of the Director / DIN (M/s.)	Category	Attendance particulars		Number of other directorships and committee memberships / chairmanships		
		Board meeting	Last AGM	Other directorships*	Committee memberships**	Committee chairmanships
Venu Srinivasan (DIN 00051523)	CMD	5	Yes	15	3	–
Dr. Lakshmi Venu (DIN 02702020)	JMD	5	Yes	8	1	–
Sudarshan Venu (DIN 03601690)	JMD	4	Yes	3	1	–
Gopal Srinivasan (DIN 00177699)	NE-NID	2	Yes	13	–	–
K Mahesh (DIN 00051438)	NE-NID	1	No	5	–	–
T K Balaji (DIN 00002010)	NE-NID	3	Yes	13	2	1
Vice Admiral P J Jacob (Retd.) (DIN 00173785)	NE-ID	5	Yes	1	1	1
V Subramanian (DIN 00357727)	NE-ID	5	Yes	12	6	–
S Santhanakrishnan (DIN 00005069)	NE-ID	5	Yes	6	8	1
R Vijayaraghavan (DIN 00026763)	NE-ID	2	Yes	8	7	3
Kamlesh Gandhi (DIN 00004969)	NE-ID	5	Yes	4	3	3
R Gopalan (DIN 01624555)	NE-ID	5	Yes	2	1	–

CMD : Chairman and Managing Director

JMD : Joint Managing Director

NE-NID: Non Executive - Non-Independent director

NE-ID : Non Executive - Independent director

\* includes private companies and bodies corporate.

\*\* includes committees where the director is also chairman.

None of the directors on the board is a member of more than ten committees or chairman of more than five committees across all the companies in which they are directors. Chairmanships / memberships of committees include only audit and stakeholders relationship committees as covered under Regulation 26 of SEBI (LODR) Regulations, as per the disclosures made by the directors. CMD, JMDs and Mr Gopal Srinivasan are related to each other. None of the other directors on the board is related to any other director on the board.

### 2.4 Access to information and updation to directors:

The board reviews all the information provided periodically for discussion and consideration at its meetings in terms of SEBI (LODR) Regulations. Functional heads are present whenever necessary and apprise all the directors about the developments. They also make presentations to the board and audit and risk management committee of directors.

Apart from this, the observations on the audit carried out by the internal auditors and the compliance report on payment of statutory liabilities submitted by the statutory auditors of the Company are placed and discussed with functional heads, by the committee / board. The board also reviews the declarations made by the chairman and managing director and the company secretary regarding compliance of all applicable laws on a quarterly basis.

Decisions taken at the meetings of the board / committee are communicated to the functional heads. Action taken reports on decisions of previous meetings is placed at every succeeding meeting of the committee / board for reporting the compliance.

### 2.5 Familiarization programme

A familiarization programme is made available to directors covering topics such as director's rights and responsibilities in

the Company, nature of the industry in which the Company operates, business model of the Company, etc to ensure that they are fully informed on current governance issues. The programme also includes briefings on the culture, values and business model of the Company, the roles and responsibilities of senior executives and the Company's financial, strategic, operational and risk management position. The induction process for NE-IDs include plant visit for detailed understanding of manufacturing process / activities of the Company. The details of familiarization programme are available on the Company's website with the following link:

[www.sundaram-clayton.com/Web%20files/Investors/SCL%20-%20ID%20Familiarisation%20Prog.pdf](http://www.sundaram-clayton.com/Web%20files/Investors/SCL%20-%20ID%20Familiarisation%20Prog.pdf)

### 2.6 Code of Business Conduct and Ethics for members of the board and Senior Management Personnel:

The Company has in place the Code of Business Conduct and Ethics for members of the board and Senior Management Personnel (the Code) approved by the board.

The Code has been communicated to directors and Senior Management Personnel. The Code has also been displayed on the Company's website in the following link:

[www.sundaram-clayton.com/Web%20files/Investors/Code%20of%20Business%20Conduct%20and%20Ethics.pdf](http://www.sundaram-clayton.com/Web%20files/Investors/Code%20of%20Business%20Conduct%20and%20Ethics.pdf)

All the members of the board and senior management personnel have confirmed compliance with the Code for the year ended 31<sup>st</sup> March 2017. The annual report contains a declaration to this effect signed by the chairman and managing director.

### 2.7 Re-appointment of directors:

In terms of Regulation 36(3) of SEBI (LODR) Regulations, a brief resume of directors, proposed to be re-appointed, nature of their expertise in specific functional areas, other directorships and committee memberships, shareholdings and relationships, if any, with other directors are provided in the Notice convening the ensuing AGM of the Company.

### 2.8 Committees of the board:

The board has, in order to make a focused attention on business and for better governance and accountability, constituted the following mandatory committees, viz., Audit and Risk Management Committee, Stakeholders' Relationship Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee and non-mandatory Committee, viz., Administrative Committee. The terms of reference of these Committees are determined by the Board and their performance reviewed. Meetings of each of these Committees are convened by the respective Chairman of the Committee, who also briefs the Board about the summary of discussions had in the Committee Meetings. The minutes of the Committee Meetings are placed before the subsequent board meetings.

## 3. Audit and Risk Management Committee

During the year, the Audit Committee of the Board of Directors of the Company was renamed as 'Audit and Risk Management Committee' for additionally entrusting the Committee with the responsibility to assist the Board in (a) Overseeing and approving the Company's enterprise wide risk management framework; and (b) Overseeing / identification / assessing all risks that the organization faces such as strategic, financial, credit, market, liquidity, security, property, IT, legal, regulatory, reputational and evaluating adequate risk management infrastructure in place and capable of addressing those risks.

The primary objective of the Audit and Risk Management Committee alongwith the above referred objectives is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosure and transparency, integrity and quality of financial reporting.

### 3.1 Brief description of terms of reference:

The Audit and Risk Management Committee of the Company is entrusted with the responsibility to supervise the Company's internal control, financial reporting process, risk management and *inter alia* performs the following functions:

a. Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

- b. Recommending the appointment, remuneration and terms of appointment of auditors of the Company;
- c. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement in terms of clause (c) of sub-section 3 of Section 134 of the Act, 2013;
  - Changes, if any, in accounting policies and practices and reasons for the same;
  - Major accounting entries involving estimates based on the exercise of judgment by management;
  - Significant adjustments made in the financial statements arising out of audit findings;
  - Compliance with listing and other legal requirements relating to financial statements;
  - Disclosure of any related party transactions; and
  - Modified opinions, if any, in the draft audit report,
- d. Reviewing with the management, the quarterly financial statements before submission to the board for approval;
- e. Reviewing and monitoring the auditor's independence and performance and effectiveness of audit process;
- f. Approving or subsequently modifying any transactions of the Company with related parties;
- g. Scrutinizing the inter-corporate loans and investments;
- h. Reviewing the valuation of undertakings or assets of the Company, wherever it is necessary;
- i. Evaluating internal financial controls and risk management systems;
- j. Reviewing with the management, performance of statutory and internal auditors and adequacy of internal control systems;
- k. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- l. Discussing with internal auditors of any significant findings and follow up thereon;
- m. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
- n. Discussing with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- o. Looking into the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;



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- p. Reviewing the functioning of the Whistle Blower mechanism;
- q. Approving the appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background of the candidate;
- r. To oversee at such intervals as may be necessary, the adequacy of Company's resources to perform its risk management responsibilities and achieve its objectives;
- s. To review on a half yearly basis the risk management framework for the operations of the Company that are deemed necessary and Company's performance against the identified risks of the Company;
- t. To formulate the strategies towards identifying any areas that may materially affect the Company's overall risk exposure and to review the Risk Management Plan;
- u. To adequately transmit necessary information with respect to material risks to senior executives / the board / relevant committees;
- v. To identify, evaluate and mitigate the existing as well as potential risks to the Company and to recommend the strategies to the Board to overcome them; and
- w. In addition, reviewing of such other functions as envisaged under Section 177 of the Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules 2014 as amended and Regulation 18 of SEBI (LODR) Regulations.

The subjects reviewed and recommended in the meetings of the Audit and Risk Management Committee were apprised to the board by the Chairman of the Committee, for board's approval. All the recommendations made by the Committee during the year under review, were accepted by the board.

### 3.2 Composition, name of members and the Chairman:

As at 31<sup>st</sup> March 2017, the Committee consists of the following directors:

Name of the directors - (M/s.)	Status
Vice Admiral P J Jacob (Retd) V Subramanian S Santhanakrishnan R Gopalan <sup>§</sup>	Non-Executive Independent director
T K Balaji	Non-Executive Non-Independent director

<sup>§</sup> Mr R Gopalan was appointed as a member of the Committee w.e.f 5<sup>th</sup> August 2016.

The composition of the Committee is in accordance with the requirements of Regulation 18 of SEBI (LODR) Regulations read with Section 177 of the Act, 2013.

Vice Admiral P J Jacob (Retd.), Chairman of the Audit and Risk Management Committee, is a Non-executive and Independent

director and Mr R Raja Prakash, Company Secretary acts as the secretary of the Committee.

Chairman of the Committee was present at the last AGM held on 2<sup>nd</sup> September 2016.

3.3 The particulars of meetings and attendance by the members of the Committee, during the year under review, are given in the table below:

Date of the meeting	Members present (M/s.)
11.05.2016	Vice Admiral P J Jacob (Retd), V Subramanian and S Santhanakrishnan
05.08.2016	Vice Admiral P J Jacob (Retd), V Subramanian, S Santhanakrishnan and T K Balaji
03.11.2016	Vice Admiral P J Jacob (Retd), V Subramanian, S Santhanakrishnan, R Gopalan and T K Balaji
07.02.2017	Vice Admiral P J Jacob (Retd), V Subramanian, S Santhanakrishnan and R Gopalan

## 4. Subsidiary Companies

The Company's Indian unlisted subsidiaries do not fall under the definition of "material unlisted Indian subsidiaries".

The Audit and Risk Management Committee of directors of the Company reviews the financial statements and in particular investments made by the unlisted subsidiaries.

Material Subsidiaries Policy:

The board has duly formulated a policy for determining 'material' subsidiaries. A subsidiary is considered as "a material subsidiary", if its income or networth exceeds 20% of the consolidated income or networth of the Company during the previous financial year.

Copy of the said policy is available on the Company's website in the following link:

[www.sundaram-clayton.com/Web%20files/Investors/Material%20Subsidiary%20Policy.pdf](http://www.sundaram-clayton.com/Web%20files/Investors/Material%20Subsidiary%20Policy.pdf).

## 5. Disclosures

### 5.1 Materially significant related party transactions:

All transactions entered into with Related Parties, as defined under the Act, 2013 and SEBI (LODR) Regulations during the financial year 2016-17 were in the ordinary course of business and at arm's length, hence do not attract the provisions of Section 188 of the Act, 2013 and the rules made thereunder.

There were no materially significant transactions with the related parties during the year, which were in conflict with the interests of the Company and that requires approval of the Company in terms of SEBI (LODR) Regulations.

The transactions with the related parties, namely its promoters, its holding, subsidiary and associate companies etc., of routine nature have been reported elsewhere in the annual report, as per Indian Accounting Standard 24 (IND AS 24) notified vide the Companies (Indian Accounting Standard) Rules, 2015.

### Related Party Transactions Policy:

The board had formulated a policy on Related Party Transactions (RPTs). The audit and risk management committee reviews and approves transactions between the Company and related parties, as defined under SEBI (LODR) Regulations, to ensure that the terms of such RPTs would reasonably be expected of transactions negotiated at arm's length. The audit and risk management committee meets prior to each scheduled board meeting to review all RPTs of the Company on a quarterly basis.

Copy of the said policy is available on the Company's website with the following link:

[www.sundaram-clayton.com/Web%20files/Investors/Related%20Party%20Transaction%20Policy.pdf](http://www.sundaram-clayton.com/Web%20files/Investors/Related%20Party%20Transaction%20Policy.pdf).

### 5.2 Disclosure of accounting treatment:

Pursuant to the notification issued by The Ministry of Corporate Affairs dated February 16, 2015 relating to the Companies (Indian Accounting Standards) Rules, 2015, the Company has adopted "IND AS" with effect from 1<sup>st</sup> April 2016. Accordingly, the financial statements for the year 2016-17 have been prepared in compliance with Companies (Indian Accounting Standards) Rules, 2015.

### 5.3 Risk Management:

The Board has established a Risk Management Policy which formalizes Company's approach to oversee and manage material business risks. The policy is implemented through a top down and bottom up approach for identifying, assessing, monitoring and managing key risks across the Company's business units.

Risks and effectiveness of management are internally reviewed and reported regularly to the Board. As a process, the risks associated with the business are identified and prioritized based on severity, likelihood and effectiveness of current detection. Such risks are reviewed by the Senior Management on quarterly basis. Process owners are identified for each risk and metrics are developed for monitoring and reviewing risk mitigation.

The Board is satisfied that there are adequate systems and procedures in place to identify, assess, monitor and manage risks. Company's audit and risk management committee reviews reports given by members of the management team and recommends suitable action.

The Company's policy on Risk Management has been discussed in detail in the director's report.

### 5.4 Instances of non-compliances, if any:

There was no instance of non-compliance by the Company or penalty and stricture imposed on the Company by the Stock Exchanges or SEBI or any other statutory authorities on any matter related to the capital markets, during the last three years.

### 5.5 Disclosure by senior management personnel:

The senior management personnel have made disclosures to the board relating to all material, financial and other transactions stating that they did not have personal interest that could result in a conflict with the interest of the Company at large.

### 5.6 CEO and CFO Certification:

The chairman and managing director and the Chief Financial Officer of the Company have certified to the board on financial and other matters in accordance with Regulation 33 of the SEBI (LODR) Regulations pertaining to CEO/CFO certification for the financial year ended 31<sup>st</sup> March 2017.

### 5.7 Compliance with mandatory / non-mandatory requirements:

The Company has complied with all applicable mandatory requirements in terms of SEBI (LODR) Regulations. The non-mandatory requirements have been adopted to the extent and in the manner as stated under the appropriate headings detailed elsewhere in this report.

### 5.8 Code of Conduct for Prohibition of Insider Trading:

In compliance with SEBI (Prohibition of Insider Trading) Regulations 2015 as amended till date, the Company has a comprehensive Code of conduct for prevention of insider trading and the same is being strictly adhered to by the directors, senior management personnel and other persons covered under this Code. The Code expressly lays down the guidelines and the procedures to be followed and disclosures to be made, while dealing with the shares of the Company and cautioning them on the consequences of non-compliances thereof.

The Company regularly follows closure of trading window prior to the publication of price sensitive information. The Company has been advising the directors, senior management personnel and other persons covered by the Code not to trade in Company's securities during the closure of trading window period.

The Company has formulated a Code of Practices and Procedures for fair disclosure of "Unpublished Price Sensitive Information" (UPS) and a Code of Conduct to regulate, monitor and report trading by insiders in accordance with the requirements of SEBI (Prohibition of Insider Trading) Regulations 2015.

### 5.9 Management discussion and analysis report, familiarization programme and whistle blower policy:

All the above report / policies forms part of the directors' report.

## 6. Nomination and Remuneration Committee (NRC)

### 6.1 Composition of the Committee:

As at 31<sup>st</sup> March 2017, the NRC consists of the following non-executive independent directors as its members viz., M/s. Vice Admiral P J Jacob (Retd), R Vijayaraghavan and V Subramanian.

Vice Admiral P J Jacob (Retd.) is the Chairman of the NRC and Mr R Raja Prakash, Company Secretary acts as the secretary of the Committee.

Chairman of the Committee was present at the last AGM held on 2<sup>nd</sup> September 2016.

### 6.2 The particulars of meetings and attendance by the members of the Committee, during the year under review, are given in the table below:

Date of the meeting	Members present (M/s.)
12.05.2016	Vice Admiral P J Jacob and
07.02.2017	V Subramanian

### 6.3 The broad terms of reference of NRC are as under:

- Guiding the board for laying down the terms and conditions in relation to appointment and removal of director(s), Key Managerial Personnel (KMP) and Senior Management Personnel (SMP) of the Company.
- Evaluating the performance of the director(s) and providing necessary report to the board for its further evaluation and consideration.
- Recommending to the board on remuneration payable to the director(s), KMP and SMP of the Company based on (i) the Company's structure and financial performance; and (ii) remuneration trends and practices that prevail in peer companies across automobile industry.
- Retaining, motivating and promoting talent among the employees and ensuring long term sustainability of talented SMP by creation of competitive advantage through a structured talent review.

### 6.4 The role / scope of NRC is as follows:

- To make recommendations to the board with respect to incentive compensation plans for executive director(s) and remuneration to non-executive director(s).
- To identify persons who are qualified to become director(s), KMP and SMP of the Company.
- To recommend to the board for appointment /removal of director(s), KMP and SMP of the Company.
- To formulate criteria for determining qualification, positive attributes and independence of a director.

- To recommend to the board a policy for remuneration to director(s), KMP and SMP of the Company.

### 6.5 Evaluation Criteria

The NRC laid down the criteria for evaluating the performance of every director, committees of the board and the board as a whole and also the performance of KMP and SMP.

The performance evaluation of the board as a whole was assessed based on the criteria, like its composition, size, mix of skills and experience, its meeting sequence, effectiveness of discussion, decision making, follow up action, governance issues and the performance and reporting by various committees set up by the board.

The performance evaluation of individual director was carried out based on his / her commitment to the role and fiduciary responsibilities as a board member, attendance and active participation, strategic and lateral thinking, contribution and recommendations given professionally, heading / acting as member of various sub-committees etc.

The performance of SMP was measured against their achievement of the business plans approved by the board during and at the completion of the financial year and their annual 'at-risk' remuneration which reflects their business plan achievements. An evaluation of performance has been undertaken based on the criteria for all the SMP for 2016-17.

The NRC has the overall responsibility for evaluating and approving the compensation plans, policies and programmes applicable to the SMP. The NRC also delegated its authority to CMD, wherever appropriate, for this purpose.

### 6.6 Remuneration Policy

NRC formulates policies to ensure that-

- the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate director(s) of the quality required to run the Company successfully;
- the relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- the remuneration to director(s), KMP and SMP of the Company involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

#### Executive director(s)

The NRC will determine the remuneration payable to the executive director(s) and recommend to the board for its approval. The board's approval shall be subject to the prior approval or post approval or ratification of the shareholders of the Company and / or Central Government, if required under applicable laws. The remuneration payable to the executive chairman, managing director and whole-time director of the Company shall be in accordance with the applicable

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percentage(s) / slab(s) / condition(s) as set out in (i) the articles of association of the Company and (ii) the Act, 2013 and any rules made thereunder, which may be in force, from time to time.

Where the Company is required to avail any insurance on behalf of its Executive Director(s) for indemnifying them against any liability(ies), the same shall be availed by the board and premium payable on such insurance shall not be treated as part of the remuneration payable by the Company to any such personnel. However, in the event that such executive director is proved guilty resulting in an insurance claim against the Company, any premium paid on such insurance shall be treated as part of the remuneration of the executive director(s), responsible for such claim.

### Non- Executive / Independent Director(s)

The non - executive /independent director(s) will receive remuneration by way of fees for attending meetings of board or any committee in which Director(s) is member, provided that, the amount of such sitting fees shall not exceed (i) INR 1,00,000 (Indian Rupees One lakh) per meeting of the board or any committee in which the Director(s) is member or (ii) such other amount as may be prescribed by the Central Government from time to time.

### Remuneration to KMP and SMP of the Company

NRC will recommend to the board and the board will approve the remuneration payable to (i) KMP, who is / are not an executive director(s), and (ii) SMP of the Company.

The break-up of the remuneration payable to KMP and SMP of the Company including perquisites such as employer's contribution to provident fund, pension scheme, medical expenses, club fees and like will also be approved by the board on the recommendations received from the NRC.

### Profit Related Commission

#### *Executive Director(s):*

In addition to fixed remuneration, the executive director(s) shall be entitled to receive commission linked to the profits of the Company for each financial year subject to the limits prescribed under the provisions of the Act, 2013.

#### *Non - Executive / Independent Director(s):*

In addition to the sitting fees, the non - executive / independent director(s) shall be entitled to commission from the Company subject to the monetary limit approved by shareholders of the Company and aggregate commission amount would not exceed the prescribed limit of the profits of the Company computed in accordance with applicable provisions of the Act, 2013.

#### *Other KMP and SMP:*

In addition to fixed remuneration, to motivate other KMP viz., who is / are not an Executive Director(s) and SMP of the Company to pursue a long term growth and success for and of the Company, the NRC shall recommend to the board the amount that may be distributed amongst other KMP and SMP of the Company as performance based remuneration, on such interval as the NRC may think fit.

#### *Equity based remuneration along with profit related commission:*

Subject to the provisions of the Act, 2013, all director(s), KMP and SMP of the Company shall be entitled to avail any stock options including stock appreciation rights or such other benefits if issued by the Company, except for:

- (i) an employee, who is promoter(s) or relative(s) of the promoter(s); and
- (ii) any director(s) holding more than 10% (ten percent) equity shares of the Company, either directly or indirectly.

The equity based remuneration to executive chairman, managing directors and whole-time director(s) of the Company shall be subject to limits prescribed under the Act, 2013 or any rules framed thereunder and any other applicable law including securities laws in India.

An independent director shall not be entitled to take part in any stock option plan issued by the board for the employees of the Company.

### 6.7 Remuneration to directors:

#### *Executive directors:*

The remuneration payable to the Chairman and Managing Director (CMD) and Joint Managing Directors (JMDs) is fixed by the board within the limits approved by the shareholders in terms of the relevant provisions of the Act, 2013.

Particulars of remuneration paid to executive directors during the financial year 2016-17:

(Rs. in lakhs)

Executive Directors	Salary	Commis- sion	Perqui- sites	Contribution to PF & Other Funds	Total
Mr Venu Srinivasan, CMD	51.00	–	21.41	8.67	81.08
Dr. Lakshmi Venu, JMD	90.00	378.00	127.37	15.30	610.67
Mr Sudarshan Venu, JMD	24.00	–	1.32	4.08	29.40

There is no separate provision for payment of severance fees. The notice period is mutually agreed between these directors and the board. The tenure of office of executive directors is for five years from their respective dates of appointment.

The above remuneration to Mr Venu Srinivasan, CMD and Mr Sudarshan Venu, JMD are notwithstanding their holding similar positions in the subsidiary Company, viz., TVS Motor Company Limited (TVSM) and drawing remuneration,

## Sundaram-Clayton Limited

as approved by its shareholders, from time to time, provided that the total remuneration drawn by them as CMD and JMD from the Company and TVSM does not exceed the higher maximum limit admissible, from any one of these two companies.

The above remuneration to Dr. Lakshmi Venu, JMD is notwithstanding her holding position of Deputy Managing Director (DMD) in TAFE Motors and Tractors Limited (TMTL), as approved by its shareholders, from time to time, provided that the total remuneration drawn by her as JMD and DMD from the Company and TMTL does not exceed the higher maximum limit admissible, from any one of these two companies.

The directors are paid commission within the permissible limits approved by the members and determined by the board every year depending upon the performance of the Company.

Non-executive directors:

Sitting fees

Rs. 10,000/- each is paid to the Non-executive directors for every meeting of the board and / or committee thereof attended by them, which is within the limits, prescribed under the Act, 2013.

Commission

The Company benefits from the expertise, advise and inputs provided by the IDs. The IDs devote their valuable time in deliberating on strategic and critical issues in the course of the board / committee meetings of the Company and give their valuable advice, suggestions and guidance to the management of the Company, from time to time and hence IDs are being paid by way of sitting fees and commission.

As approved by the shareholders through postal ballot dated June 21, 2016, Non-executive and Independent Directors will be paid commission, not exceeding 1% of the net profits of the Company, in aggregate, subject to a maximum, as determined by the board, for each such director for every financial year for a period of five years commencing from 1<sup>st</sup> April, 2016.

A commission of Rs. 12.00 lakhs per annum is payable to each such IDs, who serve as members of the audit and risk management committee as well and Rs. 9.00 lakhs per annum to other IDs. The amount of commission for every financial year will be decided by the board, as approved by the shareholders, as calculated pursuant to Section 198 of the Act, 2013. The above remuneration structure is commensurate with the best practices in terms of remunerating NE-IDs and adequately compensate for the time and contribution made by the NE-IDs.

At the AGM held on 21<sup>st</sup> August 2014, all the IDs were appointed to hold office for a first term of five consecutive years from the conclusion of that AGM, except Mr R Gopalan, NE-ID, who was appointed by the shareholders through postal ballot on June 21, 2016 who will hold office till the conclusion of the 57<sup>th</sup> Annual General Meeting (to be held in 2019) and to receive remuneration by way of fees, reimbursement of expenses for participation in the meetings of the board and / or committees and also profit related commission in terms of Section 197 of the Act, 2013 in addition to sitting fee.

Presently, the Company does not have a scheme for grant of stock options either to the directors or employees of the Company.

6.8 Particulars of sitting fees / commission paid to the non-executive directors during the financial year 2016-2017 are as follows:

(in Rs.)

Name of the directors (M/s.)	Sitting fees(*)	Commission	Total
K Mahesh	10,000	-	10,000
Gopal Srinivasan	40,000	-	40,000
T K Balaji	80,000	-	80,000
Vice Admiral P J Jacob (Retd.)	1,30,000	12,00,000	13,30,000
V Subramanian	1,20,000	12,00,000	13,20,000
S Santhanakrishnan	1,40,000	12,00,000	13,40,000
R Vijayaraghavan	40,000	9,00,000	9,40,000
Kamlesh Gandhi	60,000	9,00,000	9,60,000
R Gopalan	80,000	12,00,000	12,80,000
<b>Total</b>	<b>7,00,000</b>	<b>66,00,000</b>	<b>73,00,000</b>

(\*) - Includes fees for attending meetings of the board and committees.

6.9 Details of shareholdings of non-executive directors in the Company as on 31<sup>st</sup> March 2017:

Name of the non-executive director (M/s.)	No. of shares
K Mahesh	123
Gopal Srinivasan*	66
T K Balaji	-
Vice Admiral P J Jacob (Retd)	-
V Subramanian	-
S Santhanakrishnan	-
R Vijayaraghavan	-
Kamlesh Gandhi	-
R Gopalan	-

\* Mr Venu Srinivasan and Mr Gopal Srinivasan being brothers are relatives in terms of Section 2(77) of the Act, 2013.

There are no other pecuniary relationships or transactions of the non-executive directors' vis-à-vis of the Company.

## 7. Stakeholders' Relationship Committee (SRC)

7.1 The SRC consists of three members viz., M/s. S Santhanakrishnan and R Vijayaraghavan, non-executive and independent directors and Dr. Lakshmi Venu, executive and non-independent director. Mr S Santhanakrishnan is the Chairman of the Committee and he was present at the AGM held on 2<sup>nd</sup> September 2016.

7.2 As required by SEBI (LODR) Regulations, Mr R Raja Prakash, company secretary is the compliance officer of the Company, who oversees the redressal of investor grievances. For any clarification / complaint, the shareholders may contact the company secretary.

## Sundaram-Clayton Limited

7.3 The particulars of meetings and attendance by the members of the Committee during the year under review, are given in the table below:

Date of the meeting	Members present (M/s.)
12.05.2016 05.08.2016 03.11.2016	S Santhanakrishnan and Dr. Lakshmi Venu
07.02.2017	S Santhanakrishnan, R Vijayaraghavan and Dr. Lakshmi Venu

7.4 The SRC oversees and reviews all the matters connected with share transfers, issue of duplicate share certificates and other issues pertaining to shares. The SRC also looks into redressal of investors' grievances pertaining to transfer of shares, non-receipt of Annual Report, non-receipt of declared dividends etc. The Company, in order to expedite the process of share transfers, has delegated the power of share transfers to an officer of the Company. The Company, as a matter of policy, disposes of investors' complaints within a span of seven days.

7.5 Complaints received and redressed during the year 2016-17:

S.No.	Nature of complaints	No. of complaints
1.	Non receipt of dividend warrants	4
2.	Non receipt of annual report	Nil
3.	Non-receipt of share certificates	Nil
	Total	4

7.6 All the queries and complaints received during the financial year ended 31<sup>st</sup> March 2017, were duly redressed and no queries are pending at the year end.

All requests for dematerialization of shares were carried out within the stipulated time period and no share certificate was pending for dematerialization.

7.7 Reconciliation of Share Capital Audit:

A Practising Company Secretary carries out a Reconciliation of Share Capital (RSC) Audit on a quarterly basis to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The report was placed before the board for perusal.

The RSC audit report confirms that the total issued and listed capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

### 8. Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee consists of three directors viz., M/s Venu Srinivasan, Dr. Lakshmi Venu and Vice Admiral P J Jacob. Mr Venu Srinivasan is the Chairman of the committee.

The details of CSR Policy, initiatives and spending are spelt out in the directors report.

During the year, the Committee met on 12<sup>th</sup> May 2016 and all the members were present at the meeting.

### 9. Administrative Committee

The Administrative Committee consist of three directors viz., M/s Venu Srinivasan, Gopal Srinivasan and T K Balaji. Mr Venu Srinivasan is the Chairman of the Committee.

The particulars of meetings and attendance by the members of the Committee during the year under review, are given in the table below:

Date of the meeting	Members present (M/s.)
20.06.2016	Venu Srinivasan, Gopal Srinivasan and T K Balaji
05.08.2016	Venu Srinivasan and T K Balaji
13.03.2017	Venu Srinivasan, Gopal Srinivasan and T K Balaji

## 10. General body meeting

10.1 Location and time where the AGMs were held during the last three years:

Year	Location	Date	Time
2013-14	The Music Academy, New No.168 (Old No. 306) TTK Road, Royapettah, Chennai - 600 014	21.08.2014	10.15 A.M.
2014-15		20.08.2015	10.00 A.M.
2015-16		02.09.2016	10.00 A.M.

10.2 Special resolutions passed in the previous three AGMs:

During the last three years, namely 2013-14 to 2015-16 approvals of the shareholders were obtained by passing special resolutions as follows:

Year	Subject matter of the special resolution	Date of AGM
2013-14	Appointment of M/s Vice Admiral P J Jacob (Retd.), V Subramanian, S Santhanakrishnan, Suresh Kumar Sharma, R Vijayaraghavan and Kamlesh Gandhi, as Independent Directors of the Company for the first term of five years each.	21.08.2014
2014-15	Nil	20.08.2015
2015-16	Nil	02.09.2016

10.3 None of the subjects placed before the shareholders in the last / ensuing annual general meeting required / requires approval by a Postal Ballot. However, in terms of Regulation 44 of SEBI (LODR) Regulations and Section 108 of the Act, 2013 read with the Companies (Management and Administration) Rules, 2014, the Company provided to the members facility to exercise their right to vote through remote e-Voting and through poll at the meeting for all the items at the annual general meeting held on 2<sup>nd</sup> September 2016.

## Sundaram-Clayton Limited

### 10.4 Postal Ballot

The board sought the consent of shareholders of the Company by way of special resolution through Postal Ballot as per the notice issued to the shareholders on 12<sup>th</sup> May 2016, for:

Resln. No.	Subject
6.	Approving the payment of commission to non-executive directors for a period of 5 years not exceeding 1% of the profits of the company for each financial year commencing from 2016-2017.

The special resolution was passed by the shareholders of the Company with overwhelming majority.

The result of the Postal Ballot is given below.

Particulars	No. / % of votes cast in favour		No. / % of votes cast against	
	No.	%	No.	%
Resolution No. 6	1,79,14,523	99.98	4,079	0.02

### 10.5 Person who conducted the Postal Ballot exercise

Ms. B Chandra, Practising Company Secretary, Chennai was appointed to act as the scrutinizer for conducting the postal ballot and E-voting.

### 10.6 Procedure for Postal Ballot

- The Board of Directors, vide resolution dated 12<sup>th</sup> May 2016, had appointed Ms B Chandra, Practising Company Secretary as the scrutinizer.
- The dispatch of the Postal Ballot Notice dated 12<sup>th</sup> May 2016 together with Explanatory Statement was completed on 19<sup>th</sup> May 2016 along with forms and postage prepaid business envelopes to all the shareholders whose name(s) appeared on the Registers of Members/list of beneficiaries as on 12<sup>th</sup> May 2016.
- The voting under the Postal Ballot was kept open from 23<sup>rd</sup> May 2016 to 21<sup>st</sup> June 2016.
- Particulars of Postal Ballot forms received from the members using the electronic platform of CDSL were entered in a register separately maintained for the purpose.
- The postal ballot forms were kept under the safe custody of the Scrutinizer in sealed and tamper proof ballot boxes before commencing the scrutiny of such postal ballot forms.
- All postal ballot forms received by the scrutinizer upto 5.00 p.m. on 21<sup>st</sup> June 2016 had been considered for scrutiny.

## 11. Means of communication to shareholders

The board believes that effective communication of information is an essential component of corporate governance. The Company regularly interacts with shareholders through multiple channels of communication such as results announcement, annual report, media releases, the Company's website and specific communications to Stock Exchanges, where the Company's shares are listed.

### 11.1 Quarterly results:

The unaudited quarterly financial results of the Company were published in English and regional newspapers.

### 11.2 Newspapers wherein results are normally published:

The results are normally published in English Newspapers viz., The Hindu, Business Line, Economic Times and Regional Newspaper viz., Dinamani.

### 11.3 Website:

The Company has in place a website addressed as [www.sundaram-clayton.com](http://www.sundaram-clayton.com). This website contains the basic information about the Company, e.g. details of its business, financial information, shareholding pattern, compliance with corporate governance, contact information of the designated officials of the Company, who are responsible for assisting and handling investor grievances, such other details as may be required under Regulation 46 of SEBI (LODR) Regulations.

The Company ensures that the contents of this website are periodically updated. In addition, the Company makes use of this website for publishing official news release and presentations, if any, made to institutional investors / analysts.

## 12. General shareholder information

### 12.1 Annual General Meeting:

Day, Date and time	: Wednesday, the 19 <sup>th</sup> July 2017 at 10.00 A.M.
Venue	: The Music Academy, New No.168, TTK Road, Royapettah, Chennai 600 014.

### 12.2 Financial year

Financial year	: 1 <sup>st</sup> April to 31 <sup>st</sup> March
Financial calendar	: 2017-2018 (Tentative):
Financial reporting for the quarter ended	: Financial calendar
30 <sup>th</sup> June 2017	: between 15 <sup>th</sup> July and 14 <sup>th</sup> August 2017
30 <sup>th</sup> September 2017	: between 15 <sup>th</sup> October and 14 <sup>th</sup> November 2017
31 <sup>st</sup> December 2017	: between 15 <sup>th</sup> January and 14 <sup>th</sup> February 2018
31 <sup>st</sup> March 2018	: between 15 <sup>th</sup> April and 30 <sup>th</sup> May 2018

### 12.3 Particulars of dividend payment:

The board of directors of the Company at its meeting held on 3<sup>rd</sup> November 2016, declared a first interim dividend of Rs.15 per share (300%) for the year 2016-2017, absorbing a sum of Rs.30.35 Cr. The same was paid to the shareholders on 16<sup>th</sup> November 2016.

The board at its meeting held on 13<sup>th</sup> March 2017, declared a second interim dividend of Rs.16.50 per share (330%) for the year 2016-2017, absorbing a sum of Rs.33.38 Cr. The same was paid to the shareholders on 24<sup>th</sup> March 2017.

Hence, the total amount of both dividends paid for the year ended 31<sup>st</sup> March 2017 aggregates to Rs.31.50 per share (630%) absorbing Rs.63.73 Cr on 2,02,32,085 equity shares of Rs.5 each.

## Sundaram-Clayton Limited

The Company has set-off its dividend distribution tax payable under Section 115-O(1A) of the Income Tax Act, 1961 against the dividend distribution tax paid by one of its subsidiary company on its dividend declared to the extent available.

### Dividend distribution policy

SEBI vide its circular dated 8<sup>th</sup> July 2016 mandated the top 500 listed companies based on market capitalization to formulate Dividend Distribution Policy which shall be disclosed in their annual reports and on their websites.

In compliance of the said requirement, the board at its meeting held on 7<sup>th</sup> February 2017 had formulated a Dividend Distribution Policy and the same is available on the Company's website at: [www.sundaram-clayton.com/Web%20files/Dividend%20Distribution%20Policy%20-%20SCL.pdf](http://www.sundaram-clayton.com/Web%20files/Dividend%20Distribution%20Policy%20-%20SCL.pdf).

### 12.4 Listing on Stock Exchanges:

Name of the Stock Exchange	Stock code / symbol
BSE Limited (BSE) Phiroze Jeejeebhoy Towers Dalal Street, Mumbai 400 001, India Tel.: 91 22 2272 1233 Fax : 91 22 2272 1919	520056
National Stock Exchange of India Limited (NSE) Exchange Plaza, Plot No. C/1, G-Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051, India Tel.: 91 22 2659 8100 Fax : 91 22 2659 8120	SUNCLAYLTD
ISIN allotted by Depositories (Company ID Number)	INE105A01035

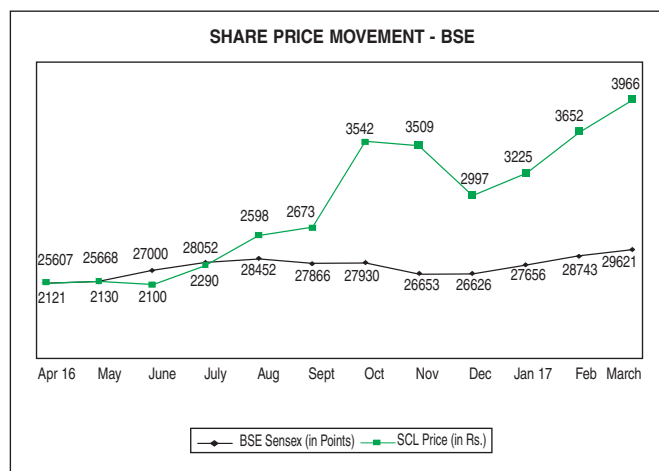
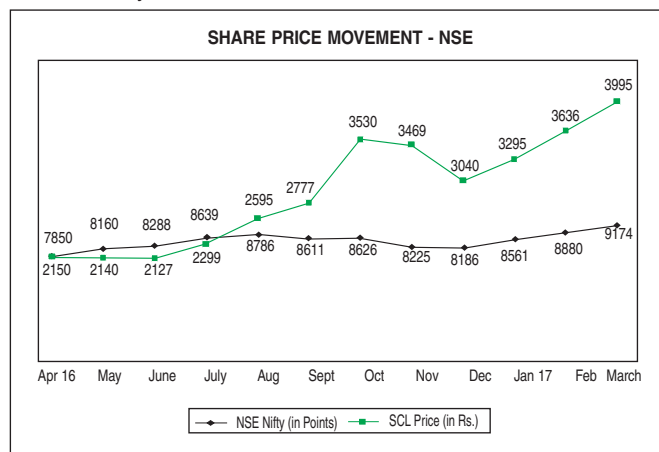
(Note: Annual listing fees and custodial charges for the year 2017-18 were duly paid to the above Stock Exchanges and Depositories)

### 12.5 Market Price Data: (in Rupees)

Month	NSE (Monthly)		BSE (Monthly)	
	High	Low	High	Low
April 2016	2,149.95	1,952.00	2,121.00	1,972.00
May 2016	2,140.00	1,884.10	2,130.00	1,925.00
June 2016	2,127.40	1,951.20	2,100.00	1,951.10
July 2016	2,298.95	2,060.50	2,290.00	2,068.35
August 2016	2,594.85	2,270.00	2,598.30	2,309.50
September 2016	2,777.00	2,400.00	2,673.20	2,400.05
October 2016	3,530.00	2,590.00	3,541.80	2,549.00
November 2016	3,469.00	2,615.55	3,509.00	2,650.20
December 2016	3,040.00	2,701.00	2,997.00	2,700.00

Month	NSE (Monthly)		BSE (Monthly)	
	High	Low	High	Low
January 2017	3,295.00	2,895.00	3,225.00	2,935.05
February 2017	3,636.00	3,121.00	3,652.00	3,125.05
March 2017	3,995.00	3,226.10	3,966.00	3,250.00

### 12.6 Share price performance in comparison to broad based indices - NSE Nifty and BSE Sensex:



### 12.7 Share Transfer Agents and share transfer system:

- The Company has registered itself with SEBI as Share Transfer Agent (STA) in Category II.
- All matters connected with the share transfer, dividends and other matters are being handled by the share transfer department of the Company located at the address mentioned elsewhere in this report.
- Shares lodged for transfers are normally processed within 15 days from the date of lodgement, if the documents are clear in all respects.
- All requests for dematerialization of securities are processed and the confirmation is given to the depositories within 15 days. Grievances received from investors and other miscellaneous correspondences relating to change of address, mandates, etc., are processed by the Company within 7 days.



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- e. Certificates are being obtained and submitted to Stock Exchanges, on half-yearly basis, from a Company Secretary-in-practice towards due compliance of share transfer formalities by the Company within the due dates, in terms of Regulation 40(9) of SEBI (LODR) Regulations.
- f. Certificates have also been received from a Company Secretary-in-practice and submitted to the Stock Exchanges, on a quarterly basis, for timely dematerialization of shares of the Company and for reconciliation of the share capital of the Company, as required under SEBI (Depositories and Participants) Regulations, 1996.
- g. The Company, as required under Regulation 6(2)(d) of SEBI (LODR) Regulations, has designated the following e-mail ID, namely [investorscomplaintssta@scl.co.in](mailto:investorscomplaintssta@scl.co.in) for the purpose of registering complaints, if any, by the investors and expeditious redressal of their grievances.
- h. A certificate signed by the company secretary and senior manager - shares towards maintenance of share transfer facility by Share Transfer Department in compliance with Regulation 7(3) of the SEBI (LODR) Regulations was prepared and submitted to the Stock Exchanges.
- i. Shareholders are, therefore, requested to correspond with the Share Transfer Department for transfer / transmission of shares, change of address and queries pertaining to their shareholding, dividend, etc., at their address given in this report.

### 12.8 Shareholding pattern of the Company as on 31<sup>st</sup> March 2017:

Category of Shareholder	31.03.2017	
	No. of shares held	%
<b>Shareholding of Promoter and Promoter Group</b>		
Bodies Corporate	1,51,74,060	75.00
<b>Total (A)</b>	<b>1,51,74,060</b>	<b>75.00</b>
<b>Public Shareholding</b>		
Mutual Funds	25,31,223	12.51
Banks / Financial Institutions	715	-
Insurance Companies	5,58,036	2.76
Foreign Institutional Investors	54,556	0.27
<b>Total Institutions (B)</b>	<b>31,44,530</b>	<b>15.54</b>
Bodies Corporate	1,81,996	0.90
Individuals holding nominal capital in excess of Rs.2 lakhs	1,66,583	0.82
Individuals holding nominal capital upto Rs.2 lakhs	15,31,646	7.58
NRI Repatriable	11,614	0.06
NRI Non - Repatriable	18,689	0.09
Directors & relatives	2,967	0.01
<b>Total Non-Institutions (C )</b>	<b>19,13,495</b>	<b>9.46</b>
<b>Total Public Shareholding D= (B+C)</b>	<b>50,58,025</b>	<b>25.00</b>
<b>Grand Total (A+D)</b>	<b>2,02,32,085</b>	<b>100.00</b>

### 12.9 Distribution of Shareholding as on 31<sup>st</sup> March 2017:

Shareholding (Range)	No of shares	%	No of members	%
Upto 500	11,79,980	5.83	15,970	98.12
501-1000	1,25,338	0.62	172	1.06
1001-2000	78,049	0.39	55	0.34
2001-5000	1,36,743	0.68	43	0.26
5001-10000	96,990	0.48	14	0.09
10001 & above	1,86,14,985	92.00	22	0.13
<b>Total</b>	<b>2,02,32,085</b>	<b>100.00</b>	<b>16,276</b>	<b>100.00</b>

### 12.10 Dematerialization of shares and liquidity:

The promoter holding consisting of 1,51,74,060 equity shares of Rs.5/- each has been fully dematerialized. Out of 50,58,025 equity shares of Rs.5/- each held by persons other than promoters, 48,67,891 shares have been dematerialized as on 31<sup>st</sup> March, 2017 accounting for 96.24%.

12.11 The Company has not issued any Global Depository Receipt / American Depository Receipt / Warrant or any convertible instrument, which is likely to have impact on the Company's equity.

### 12.12 Other Disclosures

- a) There were no pecuniary relationships or transactions with NE-IDs vis-a-vis the Company during the year under review, except payment of sitting fees and profit related commission.
- b) During the year, there were no materially significant transactions with related parties that may have potential conflict with the interests of the Company at large.
- c) Company has a forex hedging policy and covers are appropriately taken to cover the currency risk. The exposure and cover taken are reviewed by the audit and risk management committee on regular basis. Company is not a dealer in Commodities. Prices payable to vendors for raw materials and components are negotiated based on internationally available data.

### 12.13 Plant locations:

Chennai : Padi, Chennai - 600 050  
Tamil Nadu, India  
Tel : 044 - 2625 8212  
Fax : 044 - 2625 7177  
Email : [corpsec@scl.co.in](mailto:corpsec@scl.co.in)

Mahindra World City : Plot No. AA5, VI Avenue,  
Auto Ancillary SEZ,  
Mahindra World City, Chengalpattu  
Kancheepuram District - 603 004  
Tamil Nadu, India  
Tel. : 044 - 4749 0049  
Email : [corpsec@scl.co.in](mailto:corpsec@scl.co.in)

## Sundaram-Clayton Limited

Oragadam : Plot No. B-14, SIPCOT  
Industrial Growth Centre  
Sriperumbudur Taluk,  
Kancheepuram District - 602 105  
Tel : 044 - 6710 3300  
Email : [corpsec@scl.co.in](mailto:corpsec@scl.co.in)

Hosur : Hosur - Thally Road,  
Belagondapalli,  
Hosur - 635 114  
Tamil Nadu, India  
Tel. : 04347 - 233445  
Email : [corpsec@scl.co.in](mailto:corpsec@scl.co.in)

### 12.14 Address for investors correspondence :

- (i) For transfer / dematerialisation of shares, payment of dividend on shares and any other query relating to the shares of the Company : Sundaram-Clayton Limited  
Share Transfer Department  
"Jayalakshmi Estates", 1<sup>st</sup> Floor,  
No.29, Haddows Road,  
Chennai 600 006
- (ii) for any query on non-receipt of annual report : Email : [raman@scl.co.in](mailto:raman@scl.co.in)  
[sclshares@gmail.com](mailto:sclshares@gmail.com)
- (iii) for Investors grievance & general correspondence : Email : [corpsec@scl.co.in](mailto:corpsec@scl.co.in)  
[investorscomplaintssta@scl.co.in](mailto:investorscomplaintssta@scl.co.in)

### 13. Non-mandatory disclosures

The non-mandatory requirements have been adopted to the extent and in the manner as stated under the appropriate headings detailed below:

#### 13.1 The Board:

As the Company has an executive chairman, disclosure under this head is not mandatory. The Non-Independent directors of the Company are liable to retire by rotation and if eligible, offer themselves for re-appointment. Specific tenure has been fixed for the independent directors in terms of Section 149 of the Companies Act, 2013 and during this period, they will not be liable to 'retire by rotation' as per Sections 150(2), 152(2) read with Schedule IV to the Act, 2013.

#### 13.2 Shareholder rights:

The half-yearly results of the Company are published in newspapers as soon as they are approved by the board and are also uploaded in the Company's website namely [www.sundaram-clayton.com](http://www.sundaram-clayton.com). The results are not sent to the shareholders individually.

#### 13.3 Audit qualifications:

The financial statements of the Company are unmodified.

### 14. Request to shareholders

Shareholders are requested to follow the general safeguards / procedures as detailed hereunder so as to enable the Company to serve them efficiently and avoid risks while dealing in securities of the Company.

#### Demat of Shares:

Shareholders are requested to convert their physical holding to demat/ electronic form through any of the DPs to avoid any possibility of loss, mutilation etc., of physical share certificates and also to ensure safe and speedy transaction in securities.

#### Registration of Electronic Clearing Service (ECS) mandate:

SEBI has made it mandatory for all companies to use the bank account details furnished by the Depositories for payment of dividend through ECS to investors wherever ECS and bank details are available. The Company will not entertain any direct request from members holding shares in electronic mode for deletion of / change in such bank details. Members who wish to change such bank account details are therefore requested to advise their DPs about such change, with complete details of bank account.

ECS helps in quick remittance of dividend without possible loss/delay in postal transit. Shareholders, who have not earlier availed this facility, are requested to register their ECS details with the share transfer department or their respective DPs.

#### Transfer of shares in physical mode:

Shareholders should fill up complete and correct particulars in the transfer deed, for expeditious transfer of shares. Wherever applicable, registration number of power of attorney should also be quoted in the transfer deed at the appropriate place.

Shareholders, whose signatures have undergone any change over a period of time, are requested to lodge their new specimen signature duly attested by a bank manager to the share transfer department of the Company.

In terms of SEBI (LODR) Regulations, it has become mandatory for transferees to furnish a copy of Permanent Account Number (PAN) for registration of transfer of shares to be held in physical mode.

In case of loss / misplacement of share certificates, shareholders should immediately lodge a FIR / Complaint with the police and inform the Company / share transfer department with original or certified copy of FIR / acknowledged copy of complaint for marking stop transfer of shares.

#### Consolidation of Multiple Folios:

Shareholders, who have multiple folios in identical names, are requested to apply for consolidation of such folios and send the relevant share certificates to the Company.

#### Registration of Nominations:

Nomination in respect of shares, as per Section 72 of the Act 2013 provides facility for making nominations by shareholders in respect of their holding of shares. Such nomination greatly facilitates transmission of shares from the deceased shareholder to his / her nominee without having to go through the process of obtaining succession certificate / probate of the Will, etc.

It would therefore be in the best interest of the shareholders holding shares in physical form registered as a sole holder to make such nominations. Shareholders, who have not availed nomination facility, are requested to avail the same by submitting the nomination in

## Sundaram-Clayton Limited

Form SH-13. This form will be made available on request. Investors holding shares in demat form are advised to contact their DPs for making nominations.

Updation of address:

Shareholders are requested to update their addresses registered with the Company, directly through the share transfer department, to receive all communications promptly.

Shareholders, holding shares in electronic form, are requested to deal only with their DPs in respect of change of address and furnishing bank account number, etc.

SMS Alerts:

Shareholders are requested to note that NSDL and CDSL have announced the launch of SMS alert facility for demat account holders whereby shareholders will receive alerts for debits / credits (transfers) to their demat accounts a day after the transaction. These alerts will be sent to those account holders who have provided the mobile numbers to their DPs. No charge will be levied by NSDL / CDSL on DPs providing this facility to investors. This facility will be available to investors who request for the same and provide their mobile numbers to the DPs. Further information is available on the website of NSDL and CDSL namely [www.nsdl.co.in](http://www.nsdl.co.in) and [www.cdslindia.com](http://www.cdslindia.com), respectively.

Timely encashment of dividends:

Shareholders are requested to encash their dividends promptly to avoid hassles of revalidation.

As required by SEBI, shareholders are requested to furnish details of their bank account number and name and address of the bank for incorporating the same in the warrants. This would avoid wrong credits being obtained by unauthorized persons.

Shareholders, who have not encashed their dividend warrants, in respect of dividends declared for the year ended 31<sup>st</sup> March, 2010 and for any financial year thereafter may contact the Company and surrender their warrants for payment.

Shareholders are requested to note that the dividends, not claimed for a period of seven years from the date they first became due for payment, shall be transferred to IEPF in terms of Section 124(6) of the Companies Act, 2013 read with Investor Education & Protection Fund (IEPF) Authority (Accounting, Audit, Transfer and Refund) Rules, 2016. Accordingly a sum of Rs 1.46 lakhs, being unclaimed dividend, was transferred to IEPF during the year.

### Transfer of shares to IEPF

As per amended IEPF (Accounting, Audit, Transfer and Refund) Rules, 2017 the Company is required to transfer the underlying shares for which the dividends were not claimed for 7 consecutive years, to IEPF authority. The Company will initiate the transfer of

such shares including the shares in suspense account upon notification by the Ministry of Corporate Affairs.

INFORMATION IN RESPECT OF UNCLAIMED DIVIDENDS DUE FOR REMITTANCE INTO IEPF IS GIVEN BELOW:

### PARTICULARS OF UNCLAIMED DIVIDEND OF THE COMPANY

Financial Year	Date of declaration	Date of transfer to special account	Due date for transfer to IEPF
2009-2010 (2 <sup>nd</sup> interim)	13-08-2010	18-09-2010	18-09-2017
2010-2011 (1 <sup>st</sup> interim)	28-01-2011	05-03-2011	05-03-2018
2010-2011 (2 <sup>nd</sup> interim)	12-08-2011	17-09-2011	17-09-2018
2011-2012 (1 <sup>st</sup> interim)	20-04-2012	26-05-2012	26-05-2019
2012-2013 (1 <sup>st</sup> interim)	08-02-2013	16-03-2013	16-03-2020
2012-2013 (2 <sup>nd</sup> interim)	08-05-2013	06-06-2013	06-06-2020
2013-2014 (1 <sup>st</sup> interim)	29-10-2013	27-11-2013	27-11-2020
2013-2014 (2 <sup>nd</sup> interim)	18-03-2014	16-04-2014	16-04-2021
2013-2014 (3 <sup>rd</sup> interim)	14-05-2014	12-06-2014	12-06-2021
2014-2015 (1 <sup>st</sup> interim)	04-02-2015	05-03-2015	05-03-2022
2014-2015 (2 <sup>nd</sup> interim)	20-03-2015	18-04-2015	18-04-2022
2014-2015 (3 <sup>rd</sup> interim)	08-05-2015	07-06-2015	07-06-2022
2015-2016 (1 <sup>st</sup> interim)	09-02-2016	10-03-2016	10-03-2023
2015-2016 (2 <sup>nd</sup> interim)	14-03-2016	13-04-2016	13-04-2023
2016-2017 (1 <sup>st</sup> interim)	03-11-2016	03-12-2016	03-12-2023
2016-2017 (2 <sup>nd</sup> interim)	13-03-2017	12-04-2017	12-04-2024

Any person whose shares / unclaimed dividend has been transferred to the Fund, may claim such shares / dividend from the IEPF Authority by submitting an online application in Form IEPF-5 available on the website [www.iepf.gov.in](http://www.iepf.gov.in) along with fee specified by the Authority from time to time in consultation with the Central Government.

### 15. Unclaimed share certificates

In terms of the provisions of Regulation 39(4) read with Schedule VI of SEBI (LODR) Regulations, the unclaimed share certificates are required to be dematerialized and transferred to "Unclaimed Suspense Account". As required under SEBI (LODR) Regulations, the Company sent reminder letters to the shareholders, whose share certificates were returned undelivered or unclaimed. The voting rights in respect of unclaimed shares held in Unclaimed Suspense Account stands frozen in terms of Regulation 39 read with Schedule VI of SEBI (LODR) Regulations, till the rightful owners of such shares claim them.

## Sundaram-Clayton Limited

After complying with the requirements under the SEBI (LODR) Regulations, the Company has opened an "Unclaimed Suspense Account" and details are as follows:

Details	No. of shareholders	No. of shares
No of Shares in the Unclaimed suspense account as on 31 <sup>st</sup> March 2016	492	32,842
No. of shares transferred to the shareholders on request from 1 <sup>st</sup> April 2016 to 31 <sup>st</sup> March 2017	16	1,258
No of Shares in the Unclaimed suspense account as on 31 <sup>st</sup> March 2017	476	31,584

### Green initiative in corporate governance

Rule 11 of the Companies (Accounts) Rules, 2014, permits circulation of annual report through electronic means to such of the shareholders whose e-mail addresses are registered with NSDL or CDSL or the shareholders who have registered their E-mail IDs with the Company to receive the documents in electronic form and physical copies to those shareholders whose e-mail ids have not been either registered with the Company or with the depositories.

To support this green initiative of the Government, shareholders are requested to register their e-mail addresses, with the DPs, in case shares are held in dematerialized form and with the Company, in case the shares are held in physical form and also intimate changes, if any, in their registered e-mail addresses to the Company / DPs, from time to time.

## Compliance with Code of Business Conduct and Ethics

To

The Shareholders of Sundaram-Clayton Limited,  
Chennai

On the basis of the written declarations received from members of the board and senior management personnel in terms of the relevant provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, it is hereby certified that both the members of the board and the senior management personnel of the Company have affirmed compliance with the respective provisions of the Code of Business Conduct and Ethics of the Company as laid down by the board for the year ended 31<sup>st</sup> March 2017.

Place : Chennai  
Date : 3<sup>rd</sup> May 2017

VENU SRINIVASAN  
Chairman & Managing Director

## **Sundaram-Clayton Limited**

### **Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification**

To

The Board of Directors  
Sundaram-Clayton Limited

We certify that we have reviewed the financial statements prepared based on the first time adopted Indian Accounting Standards for the year ended 31<sup>st</sup> March 2017 and to the best of our knowledge and belief:

- (a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
- (b) these statements together present a true and fair view of the Company's affairs and are in compliance with applicable Indian Accounting Standards, Laws and Regulations.
- (c) no transactions entered into by the Company during the year are fraudulent, illegal or violative of the Company's code of conduct.

We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit and Risk Management Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and steps taken or proposed to be taken for rectifying these deficiencies.

We have indicated to the Auditors and the Audit and Risk Management Committee of the following:

- (a) significant changes in internal control over financial reporting during the year;
- (b) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements;  
and
- (c) that there were no instances of significant fraud of which we have become aware and the involvement therein, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

VENU SRINIVASAN  
Chairman & Managing Director

V N VENKATANATHAN  
Chief Financial Officer

Place : Chennai  
Date : 3<sup>rd</sup> May 2017

### **Auditors' certificate on compliance of the provisions of the Code of Corporate Governance**

To

The Shareholders of Sundaram-Clayton Limited, Chennai.

We have examined the compliance of conditions of Corporate Governance by Sundaram-Clayton Limited, Chennai - 600 006 ('the Company') for the year ended 31<sup>st</sup> March 2017 as per the relevant provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [SEBI (LODR) Regulations].

Compliance of the conditions of Corporate Governance is the responsibility of Company's management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned SEBI (LODR) Regulations.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For SUNDARAM & SRINIVASAN  
*Chartered Accountants*  
Firm Regn. No. 004207S

M. BALASUBRAMANIYAM  
*Partner*  
Membership No. F7945

Place : Chennai  
Date : 3<sup>rd</sup> May 2017

# Sundaram-Clayton Limited

## Form No. MR-3

### SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH 2017

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To

The Members of  
Sundaram-Clayton Limited,  
[CIN: L35999TN1962PLC004792]  
Jayalakshmi Estates, No.29, Haddows Road,  
Chennai - 600006.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s SUNDARAM-CLAYTON LIMITED bearing CIN L35999TN1962PLC004792 (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that, in my opinion, the Company has, during the audit period covering the financial year ended on 31.03.2017, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31.03.2017, according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Companies Act 1956 (to the extent applicable);
- (iii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iv) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (v) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; and
- (vi) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015;

c. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

d. The Securities and Exchange Board of India (Listing obligations and Disclosure requirements) Regulations 2015;

We are informed that the company, during the year, was not required to comply with the following regulations and consequently not required to maintain any books, papers, minute books or other records or file any forms / returns under:

- a. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009
- b. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999
- c. The Securities and Exchange Board of India (Issue and Listing of Debt securities) Regulations 2008
- d. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
- e. The Securities and Exchange Board of India (Buy back of Securities) Regulations, 1998

(vii) Based on the study of the systems and processes in place and a review of the reports of (1) the heads of the Departments (2) Occupier/Manager of the factories located in Padi, Mahindra World City, Oragadam and Hosur Units which manufacture aluminium pressure die castings for heavy commercial vehicles., passenger cars and two wheelers (3) the compliance reports made by the functional heads of various departments which are submitted to the Board of Directors of the Company (4) the Internal Audit Reports submitted to the Company, I report that the Company has complied with the provisions of the following statutes and the rules made thereunder to the extent it is applicable to them:

- The Environment (Protection) Act, 1986
- The Water (Prevention and Control of Pollution) Act, 1974
- The Air (Prevention and Control of Pollution) Act, 1981
- Factories Act, 1948
- Industrial Disputes Act, 1947
- The Payment of Wages Act, 1936
- The Minimum Wages Act, 1948
- Employees' State Insurance Act, 1948
- The Employees' Provident Funds and Miscellaneous Provisions Act, 1952

## **Sundaram-Clayton Limited**

- The Payment of Bonus Act, 1965
- The Payment of Gratuity Act, 1972
- The Contract Labour (Regulation & Abolition) Act, 1970
- The Maternity Benefit Act, 1961
- The Child Labour (Prohibition & Regulation) Act, 1986
- The Industrial Employment (Standing Order) Act, 1946
- The Employees' Compensation Act, 1923
- The Apprentices Act, 1961
- Equal Remuneration Act, 1976
- The Employment Exchange (Compulsory Notification of Vacancies) Act, 1959
- Conferment of Permanent Status Act, 1981
- The Municipality / Local Act
- The Public Liability Insurance Act, 1991
- Indian Electricity Act, 2003
- The Energy Conservation Act, 2001
- The Environmental Impact Assessment Notification, 2006
- The Inflammable Substances Act, 1952
- The Legal Metrology Act, 2009
- Workmens' Compensation Act, 1923
- Personal Injuries compensation Insurance Act

I have also examined compliance with the applicable clauses (i) Secretarial Standards issued by The Institute of Company Secretaries of India; and

- (ii) The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that

- The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- Based on the minutes made available to us, we report that majority decision is carried through and that there were no dissenting votes from any Board member that was required to be captured and recorded as part of the minutes.

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor, report deviations, if any, to the Board, take corrective actions and ensure compliance with applicable laws, rules, regulations and guidelines.

B Chandra  
Practising Company Secretary

Place : Chennai  
Date : 3<sup>rd</sup> May, 2017

ACS No.: 20879  
C P No.: 7859

### **Annexure – A to Secretarial Audit Report of even date**

- To,
- The Members of  
Sundaram-Clayton Limited,  
Jayalakshmi Estates,  
No.29, Haddows Road,  
Chennai - 600006
- Our report of even date is to be read along with this letter.
1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on the secretarial record based on our audit.
  2. We have followed audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide the reasonable basis for our opinion.
  3. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
  4. Wherever required, we have obtained the Management representation about compliance of laws, rules and regulations and happening of events, etc.
  5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. Our examination was limited to the verification procedures on test basis.
  6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

B Chandra  
Practising Company Secretary

Place : Chennai  
Date : 3<sup>rd</sup> May, 2017

ACS No.: 20879  
C P No.: 7859

**Independent Auditor's Report on the Standalone Financial Statements of Sundaram-Clayton Limited, Chennai for the year ended 31<sup>st</sup> March 2017**

To the Members of  
Sundaram-Clayton Limited, Chennai

**Report on the Standalone Ind AS Financial Statements**

We have audited the accompanying standalone Ind AS financial statements of SUNDARAM-CLAYTON LIMITED, Chennai - 600006 ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March 2017, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity, the Cashflow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Standalone Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including Other Comprehensive Income), Changes in equity and cashflows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act, read with Rule 4 of Companies (Indian Accounting Standards) Rules, 2015.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these Ind AS standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial

statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

**Opinion**

In our opinion and to the best of our information and according to the explanations furnished to us, the aforesaid standalone Ind AS financial statements, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS;

- a) of the state of affairs (financial position) of the Company as at March 31, 2017;
- b) of the Profit (including Other Comprehensive Income) for the year ended on that date;
- c) of the Changes in Equity for the year ended on that date; and
- d) of the cashflows for the year ended on that date.

**Report on other Legal and Regulatory Requirements**

- 1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure-"A", a statement on the matters specified in the paragraphs 3 and 4 of the Order, to the extent applicable.
- 2. As required by section 143(3) of the Act, we report that:
  - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c. The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Cashflow Statement dealt with by this report are in agreement with the books of account.
  - d. In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 4 of the Companies (Indian Accounting Standards) Rules, 2015.



## *Sundaram-Clayton Limited*

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- e. On the basis of written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164(2) of the Act.
- f. With respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure - "B".
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations furnished to us:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements - Refer note no. 35 to the standalone Ind AS financial statements.
  - ii. The Company has long-term derivative contracts but material foreseeable losses are not expected. There are no other long term contracts.
- iii. There has been no delay in transferring amounts required to be transferred to Investor Education and Protection Fund by the Company.
- iv. The Company has provided requisite disclosures in its standalone Ind AS financial statements as to holdings as well as dealings in Specified Bank Notes from November 08, 2016 to December 30, 2016. Based on audit procedures and relying on management representation, we report that the disclosures are in accordance with the books of accounts maintained by the Company and produced to us by the management. Refer note 38 to the financial statements.

For Sundaram & Srinivasan  
*Chartered Accountants*  
*Firm Regn. No.: 004207S*

M. BALASUBRAMANIAM  
*Partner*  
*Membership No.: F7945*

Place : Chennai  
Date : 3<sup>rd</sup> May 2017

**Annexure "A" referred to in our report under "Report on Other Legal and Regulatory requirements Para 1" of even date on the accounts for the year ended 31<sup>st</sup> March 2017.**

1. (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) Fixed assets are physically verified by the management in accordance with a regular programme at reasonable intervals. In our opinion the interval is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) The title deeds of immovable properties of the company are held in the name of the Company.

2. The inventory has been physically verified at reasonable intervals during the year by the management. The discrepancies between the physical stocks and the books were not material and have been properly dealt with in the books of account.

In respect of inventories with third parties, which have not been physically verified, there is a process of obtaining confirmation from such parties.

3. During the year, the company has not granted any loan to a company, firm, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.

4. During the year, the company has not granted any loan nor has furnished any guarantee nor provided any security. Hence reporting on whether there is compliance with provisions of section 185 of the Companies Act, 2013 does not arise.

The company has invested a sum of Rs. 14.98 crore during the year and the total investments made by the Company is in compliance with the provisions of section 186 of the Companies Act, 2013.

5. The Company has not accepted any deposit within the meaning of sections 73 to 76 of the Companies Act, 2013, during the year.

6. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government under Section 148(1) of the Companies Act, 2013 for maintenance of cost records and are of the opinion that prima-facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

7. (a) According to the records provided to us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Duty of Customs, Duty of Excise, Value Added Tax, Cess and other statutory dues to the appropriate authorities. However, certain delays were noticed in remittance of Income Tax deduction at source, Value Added Tax and Service Tax into Government.

- (b) According to the information and explanations furnished to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Service Tax, Duty of Customs, Duty of Excise, Value Added Tax and Cess were in arrears, as at 31<sup>st</sup> March 2017 for a period of more than six months from the date they became payable.

- (c) According to information and explanations furnished to us, the following are the details of the disputed dues that were not deposited with the concerned authorities:

Name of the statute	Nature of dues	Amount (Rs. in crores)	Forum where the dispute is pending
Central Excise Act, 1944	Excise Duty	1.59	Commissioner (Appeals), Chennai
Finance Act, 1994	Service Tax	3.77	Custom Excise & Service Tax Appellate Tribunal, Chennai
		0.39	Commissioner (Appeals), Chennai
		0.01	Additional Commissioner of Central Excise, Chennai
Income Tax Act, 1961	Income Tax	6.53	Commissioner of Income Tax (Appeals), Chennai
Tamilnadu Town and Country Planning Act, 1971	Fee payable to CMDA / Municipal Authorities	0.25	The Honourable High Court of Judicature at Madras
Tamilnadu Value Added Tax Act, 2006	Value added tax	0.12	Appellate Deputy Commissioner, Chennai

8. Based on our verification and according to the information and explanations given by the management, the Company has not defaulted in repayment of dues to its banks. The Company has not borrowed from any financial institution or Government nor has issued any debenture.

9. (a) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year. Hence reporting on utilization of such money does not arise.

- (b) The Company has not availed any fresh term loan during the year. The loans availed in earlier years were applied for the purpose for which they were availed.

## **Sundaram-Clayton Limited**

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10. Based on the audit procedures adopted and information and explanations furnished to us by the management, no fraud on or by the Company has been noticed or reported during the course of our audit.
11. In our opinion and according to the information and explanations given to us, managerial remuneration has been paid and provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.
12. The Company is not a Nidhi company and as such this clause of the Order is not applicable.
13. (a) In our opinion and according to the information and explanations furnished to us, all transactions with the related parties are in compliance with sections 177 and 188 of the Companies Act, 2013.
- (b) The details of transactions during the year have been disclosed in the Financial Statements as required by the applicable accounting standards. Refer note no. 36 to the financial statements.
14. During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures under Section 42 of the Companies Act, 2013.
15. In our opinion and according to the information and explanations furnished to us, the Company has not entered into any non-cash transactions with directors or persons connected with them.
16. The Company is not required to register under Section 45-IA of the Reserve Bank of India Act, 1934.

For Sundaram & Srinivasan  
*Chartered Accountants*  
*Firm Regn. No.: 004207S*

M. BALASUBRAMANIAM  
*Partner*  
*Membership No.: F7945*

Place : Chennai  
Date : 3<sup>rd</sup> May 2017

## **Annexure B to the Independent Auditors' Report on the Standalone Financial Statements of Sundaram-Clayton Limited, Chennai for the year ended 31<sup>st</sup> March, 2017.**

### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of SUNDARAM-CLAYTON LIMITED, Chennai ("the Company") as of March 31, 2017 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (hereinafter "ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

#### **Meaning of Internal Financial Controls Over Financial Reporting**

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the

reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that;

- I. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- II. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and
- III. provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

#### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on;

- i. existing policies and procedures adopted by the Company for ensuring orderly and efficient conduct of business .
- ii. continuous adherence to Company's policies .
- iii. existing procedures in relation to safeguarding of Company's fixed assets, investments, inventories, receivables, loans and advances made and cash and bank balances .
- iv. existing system to prevent and detect fraud and errors .
- v. accuracy and completeness of Company's accounting records; and
- vi. existing capacity to prepare timely and reliable financial information.

For Sundaram & Srinivasan  
*Chartered Accountants*  
Firm Regn. No.: 004207S

M. BALASUBRAMANIAM  
*Partner*  
Membership No.: F7945

Place : Chennai  
Date : 3<sup>rd</sup> May 2017

## Sundaram-Clayton Limited

### BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2017

(Rupees in crores)

	Notes	As at 31.03.2017	As at 31.03.2016	As at 01.04.2015
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	2	482.39	433.16	397.73
Capital work in progress	2	36.87	21.81	9.34
Other intangible assets	2	1.87	1.93	0.59
Financial assets				
i. Investments	3	214.65	137.38	132.71
ii. Other financial assets	4	8.87	8.67	8.04
Other non-current assets	5	25.42	24.96	25.69
<b>Total non-current assets</b>		<b><u>770.07</u></b>	<b><u>627.91</u></b>	<b><u>574.10</u></b>
<b>Current assets</b>				
Inventories	6	235.14	236.24	219.85
Financial assets				
i. Trade receivables	7	171.10	188.23	170.77
ii. Cash and cash equivalents	8	0.72	1.35	0.86
iii. Bank balances other than (ii) above	9	0.89	1.46	1.24
iv. Other financial assets	4	7.21	13.77	8.40
Current tax assets (Net)		9.10	9.10	8.57
Other current assets	10	64.89	55.60	68.85
<b>Total current assets</b>		<b><u>489.05</u></b>	<b><u>505.75</u></b>	<b><u>478.54</u></b>
<b>Total Assets</b>		<b><u>1,259.12</u></b>	<b><u>1,133.66</u></b>	<b><u>1,052.64</u></b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	11	10.12	10.12	10.12
Other equity	12	601.50	492.99	446.48
<b>Total equity</b>		<b><u>611.62</u></b>	<b><u>503.11</u></b>	<b><u>456.60</u></b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Financial liabilities				
i. Borrowings	13	121.60	98.90	106.49
ii. Other financial liabilities	18	4.03	0.66	0.18
Provisions	14	22.09	15.03	17.13
Deferred tax liabilities (Net)	15	35.77	29.97	23.59
<b>Total non-current liabilities</b>		<b><u>183.49</u></b>	<b><u>144.56</u></b>	<b><u>147.39</u></b>
<b>Current liabilities</b>				
<b>Financial liabilities</b>				
i. Borrowings	16	150.26	180.57	220.31
ii. Trade payables	17	182.93	157.42	127.63
iii. Other financial liabilities	18	106.55	112.55	75.00
Other current liabilities	19	7.19	9.12	6.88
Provisions	14	14.87	22.89	15.30
Current tax liabilities (Net)		2.21	3.44	3.53
<b>Total current liabilities</b>		<b><u>464.01</u></b>	<b><u>485.99</u></b>	<b><u>448.65</u></b>
<b>Total liabilities</b>		<b><u>647.50</u></b>	<b><u>630.55</u></b>	<b><u>596.04</u></b>
<b>Total equity and liabilities</b>		<b><u>1,259.12</u></b>	<b><u>1,133.66</u></b>	<b><u>1,052.64</u></b>
Significant Accounting Policies	1			

VENU SRINIVASAN  
Chairman & Managing Director

Dr. LAKSHMI VENU  
Joint Managing Director

As per our report annexed  
For SUNDARAM & SRINIVASAN  
Chartered Accountants  
Firm Regn. No. 004207S

Chennai  
3<sup>rd</sup> May 2017

V N VENKATANATHAN  
Chief Financial Officer

R RAJA PRAKASH  
Company Secretary

M BALASUBRAMANIAM  
Partner  
Membership No. F7945

## Sundaram-Clayton Limited

### STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2017

		(Rupees in crores)	
	Notes	Year ended 31.03.2017	Year ended 31.03.2016
<b>INCOME</b>			
I	Revenue from operations	1,515.35	1,527.94
II	Other income	74.32	105.09
III	<b>Total income</b>	<b><u>1,589.67</u></b>	<b><u>1,633.03</u></b>
<b>IV EXPENSES</b>			
	Cost of materials consumed	649.22	710.58
	Changes in inventories of finished goods, work-in-process and Stock-in-Trade	13.88	(8.42)
	Excise duty	120.80	110.20
	Employee benefits expense	213.68	206.74
	Finance costs	28.54	32.25
	Depreciation and amortisation expense	60.64	54.95
	Other expenses	385.52	370.24
	<b>Total expenses</b>	<b><u>1,472.28</u></b>	<b><u>1,476.54</u></b>
V	<b>Profit before exceptional items and tax (III - IV)</b>	<b><u>117.39</u></b>	<b><u>156.49</u></b>
VI	Exceptional items	2.28	6.03
VII	<b>Profit before tax</b>	<b><u>119.67</u></b>	<b><u>162.52</u></b>
VIII	Tax expense		
	i) Current tax	9.07	10.43
	ii) Deferred tax	5.01	7.65
IX	<b>Profit for the year (VII - VIII)</b>	<b><u>105.59</u></b>	<b><u>144.44</u></b>
X	<b>Other comprehensive income</b>		
	<i>A. Items that will not be reclassified to Statement of Profit and Loss:</i>		
	Remeasurement of post employment benefit obligations	2.30	(3.75)
	Change in fair value of equity instruments	64.52	0.31
	Income tax relating to these items	(0.38)	1.06
	<i>B. Items that will be reclassified to Statement of Profit and Loss:</i>		
	Transactions relating to Derivative instruments	1.18	(0.61)
	Income tax relating to these items	(0.41)	0.21
	Other comprehensive income for the year, net of tax	<u>67.21</u>	<u>(2.78)</u>
XI	<b>Total comprehensive income for the year (IX + X)</b>	<b><u>172.80</u></b>	<b><u>141.66</u></b>
XII	Earnings per equity share		
	Basic & Diluted earnings per share	52.19	71.39

VENU SRINIVASAN  
Chairman & Managing Director

Dr. LAKSHMI VENU  
Joint Managing Director

As per our report annexed  
For SUNDARAM & SRINIVASAN  
Chartered Accountants  
Firm Regn. No. 004207S

Chennai  
3<sup>rd</sup> May 2017

V N VENKATANATHAN  
Chief Financial Officer

R RAJA PRAKASH  
Company Secretary

M BALASUBRAMANIAM  
Partner  
Membership No. F7945

## Sundaram-Clayton Limited

### STATEMENT OF CHANGES IN EQUITY

(Rupees in crores)

a. Equity Share Capital	
As at April 1, 2015	10.12
Changes in equity share capital	-
As at March 31, 2016	10.12
Changes in equity share capital	-
As at March 31, 2017	10.12
b. Other Equity	

Particulars	Reserves & Surplus				Other Reserves		
	General reserve	Securities Premium reserve	Retained earnings	Total	Fair value through other Comprehensive income	Hedging reserve	Total
<b>Balance as at April 1, 2015</b>	224.84	36.42	109.18	370.44	76.04	-	76.04
Add : Profit for the period	-	-	144.44	144.44	-	-	-
Other comprehensive income	-	-	(3.18)	(3.18)	0.80	(0.40)	0.40
<b>Total Comprehensive Income for the year</b>	-	-	141.26	141.26	0.80	(0.40)	0.40
Add/(Less) : Transfer to Retained earnings			0.90	0.90	(0.90)		(0.90)
Distribution to shareholders :							
Less : Third interim dividend paid for the year ended 31.03.2015 (Rs.6.00 / share)	-	-	(12.14)	(12.14)	-	-	-
First Interim dividend paid for the year ended 31.03.2016 (Rs.21.00 / share)	-	-	(42.49)	(42.49)	-	-	-
Second Interim dividend paid for the year ended 31.03.2016 (Rs.20.00 / share)	-	-	(40.46)	(40.46)	-	-	-
Dividend Tax*	-	-	(0.06)	(0.06)	-	-	-
<b>Balance as at March 31, 2016</b>	224.84	36.42	156.19	417.45	75.94	(0.40)	75.54
Add : Profit for the period	-	-	105.59	105.59	-	-	-
Other comprehensive income	-	-	1.50	1.50	64.94	0.77	65.71
<b>Total Comprehensive Income for the year</b>	-	-	107.09	107.09	64.94	0.77	65.71
Add/(Less) : Transfer to Retained earnings	-	-	2.16	2.16	(2.32)	-	(2.32)
Distribution to shareholders :							
Less : First Interim dividend paid for the year ended 31.03.2017 (Rs.15.00 / share)	-	-	(30.35)	(30.35)	-	-	-
Second Interim dividend paid for the year ended 31.03.2017 (Rs.16.50 / share)	-	-	(33.38)	(33.38)	-	-	-
Dividend Tax*	-	-	(0.40)	(0.40)	-	-	-
<b>Balance as at March 31, 2017</b>	224.84	36.42	201.31	462.57	138.56	0.37	138.93

\*The Company has taken credit for the dividend distribution tax paid by one of the subsidiary companies on its dividend declared as per section 115-O (1A) of the Income Tax Act, 1961.

#### Nature and purpose of reserves:

Security premium reserve: This consists of premium realised on issue of shares and will be applicable / utilised in accordance with the provisions of the Companies Act, 2013.

General reserve: General reserve is part of retained earnings. This is available for distribution to share holders as dividend and capitalisation.

Hedge Reserve - Refer Note No. 31 (D)

VENU SRINIVASAN  
Chairman & Managing Director

Dr. LAKSHMI VENU  
Joint Managing Director

As per our report annexed  
For SUNDARAM & SRINIVASAN  
Chartered Accountants  
Firm Regn. No. 004207S

Chennai  
3<sup>rd</sup> May 2017

V N VENKATANATHAN  
Chief Financial Officer

R RAJA PRAKASH  
Company Secretary

M BALASUBRAMANIAM  
Partner  
Membership No. F7945

## Sundaram-Clayton Limited

### CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2017

	(Rupees in crores)	
	Year ended 31.03.2017	Year ended 31.03.2016
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax	119.67	162.52
Add: Depreciation and amortisation for the year	60.64	54.95
Exceptional Income	(2.28)	(6.03)
Loss on sale/scrapping of property, plant and equipment	0.89	0.78
Profit on sale of property, plant and equipment	(0.68)	(0.29)
Dividend income	(69.24)	(100.45)
Interest income	(1.26)	(1.32)
Increase in fair value of financial assets	(3.14)	(0.51)
Interest expense	27.84	23.19
	12.77	(29.68)
<b>Operating profit before working capital changes</b>	<b>132.44</b>	<b>132.84</b>
Adjustments for:		
Inventories	1.10	(16.39)
Trade Receivables	17.13	(17.46)
Other financial assets	7.68	(6.22)
Other non-current assets	(0.46)	0.73
Other current assets	(9.29)	13.25
Provisions	1.34	1.74
Trade Payables	25.51	29.99
Other financial liabilities (excluding current maturities of debt)	5.01	(0.26)
Other current liabilities	(1.93)	2.24
	46.09	7.62
Cash generated from operations	178.53	140.46
Direct taxes paid	(10.58)	(11.04)
<b>Net cash from operating activities</b>	<b>167.95</b>	<b>129.42</b>
	<b>(A)</b>	
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment (including Capital work in progress)	(128.47)	(105.51)
Sale of property, plant and equipment	5.67	6.86
(Purchase) / Sale of investments	(9.45)	(4.67)
Interest received	1.26	1.32
Dividend received	69.24	100.45
<b>Net Cash from / (used in) investing activities</b>	<b>(61.75)</b>	<b>(1.55)</b>
	<b>(B)</b>	



**Sundaram-Clayton Limited**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2017 - (continued)**

(Rupees in crores)

	Year ended 31.03.2017	Year ended 31.03.2016
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net Borrowings:		
Term loans availed / (repaid)	15.45	30.70
Unsecured loan availed / (repaid)	(30.65)	34.55
Interest paid	(27.84)	(23.19)
Dividend and dividend tax paid	(64.13)	(95.15)
<b>Net cash from financing activities (C)</b>	<b>(107.17)</b>	<b>(53.09)</b>
<b>D NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>		
	<b>(0.97)</b>	<b>74.78</b>
Cash and cash equivalents at the beginning of the year		
Cash and Bank balances	1.35	0.86
Cash credit balance	(66.42)	(140.71)
	(65.07)	(139.85)
Cash and cash equivalents at the end of the year		
Cash and Bank balances	0.72	1.35
Cash credit balance	(66.76)	(66.42)
	(66.04)	(65.07)

Notes:

- 1 The above statement has been prepared in indirect method except in case of dividend, tax and purchase and sale of investments which have been considered on the basis of actual movement of cash.
- 2 Cash and cash equivalent include cash and bank balances.

	VENU SRINIVASAN <i>Chairman &amp; Managing Director</i>	Dr. LAKSHMI VENU <i>Joint Managing Director</i>	As per our report annexed For SUNDARAM & SRINIVASAN <i>Chartered Accountants</i> Firm Regn. No. 004207S
Chennai 3 <sup>rd</sup> May 2017	V N VENKATANATHAN <i>Chief Financial Officer</i>	R RAJA PRAKASH <i>Company Secretary</i>	M BALASUBRAMANIAM <i>Partner</i> Membership No. F7945

## 1 SIGNIFICANT ACCOUNTING POLICIES

### a) Brief description of the Company

Sundaram-Clayton Limited ('the Company') is a public limited company incorporated in India whose shares are publicly traded. The registered office is located at "Jayalakshmi Estates", 29, Haddows Road, Nungambakkam, Chennai - 600006, Tamil Nadu, India.

The Company manufactures non-ferrous gravity and pressure die castings. The Company has four manufacturing plants located in Tamil Nadu, India.

### b) Basis of preparation

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) read with Companies (Indian Accounting Standards) Rules, 2015 and other relevant provisions of the Act.

Disclosures under Ind AS are made only in respect of material items and in respect of items that will be useful to the users of financial statements in making economic decision.

The financial statements have been prepared on historical cost basis under accrual basis of accounting except for certain financial assets and liabilities (as per the accounting policy below), which have been measured at fair value.

The financial statements upto year ended March 31, 2016 were prepared in accordance with the accounting standards notified under Companies (Accounting Standard) Rules, 2006 (as amended) and other relevant provisions of the Act.

These financial statements are the first financial statements of the Company under Ind AS. Refer Notes 33 and 34 for an explanation of how the transition from Generally Accepted Accounting Principles (GAAP) to Ind AS has affected the Company's financial position, financial performance and cash flow.

### c) Use of estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. The management believes that these estimates and assumptions are reasonable and prudent. However, actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future period.

This note provides an overview of the areas that involved a higher degree of judgment or complexity. It also provides an overview of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgments is included in the relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

### d) Significant Estimates and judgments

The areas involving significant estimates and judgments are:

- i) Estimation of fair value of unlisted securities - [Refer Note 30]
- ii) Estimation of defined benefit obligation - [Refer Note 29]
- iii) Estimation of useful life of Property, Plant and Equipment - [Refer Note 1(f) and 1(g)]

### e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and net of returns, trade allowances and rebates and amounts collected on behalf of third parties. It includes excise duty but excludes Value Added Tax, Sales Tax and Service Tax.

- i) Sale of products:  
Revenue from sale of products is recognised when significant risk and rewards of ownership pass to the customers, as per the terms of the contract and it is probable that the economic benefits associated with the transaction will flow to the Company.
- ii) Revenue from Services:  
Revenue from Services is recognised in the accounting period in which the services are rendered and when invoices are raised.
- iii) Dividend income:  
Dividends are recognised in the Statement of Profit and Loss only when the right to receive payment is established and it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of dividend can be reliably measured.

### f) Property, Plant and Equipment

Freehold Land is stated at historical cost. All other items of Property, Plant and Equipment are stated at cost of acquisition/construction less accumulated depreciation / amortization and impairment, if any. Cost includes:

- (i) purchase price,
- (ii) taxes and duties,

## Sundaram-Clayton Limited

### SIGNIFICANT ACCOUNTING POLICIES - (continued)

- (iii) labour cost, and
- (iv) directly attributable overheads incurred upto the date the asset is ready for its intended use.

However, cost excludes excise duty, value added tax and service tax, to the extent credit of the duty or tax is availed of.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as separate asset is derecognised when replaced. All other repairs and maintenance are charged to the Statement of Profit and Loss during the reporting period in which they are incurred.

Gains or losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Statement of Profit and Loss within Other gains/(losses).

#### g) Depreciation

- i) Depreciation on tangible fixed assets is charged over the estimated useful life of the asset or part of the asset (after considering double/triple shifts) as evaluated by a Chartered Engineer, on straight line method, in accordance with Part A of Schedule II to the Companies Act, 2013.
- ii) The estimated useful life of the tangible fixed assets as assessed by the Chartered Engineer and followed by the Company is furnished below:

Description	Years
Factory building and other buildings	30 to 64
Plant and Equipment	8 to 21
Electrical Equipment	15
Furniture and Fixtures	10
Computers	3
Mobile phones	1
Vehicles	6

- iii) The residual value for all the above assets are retained at 5% of the cost except for Mobile phones for which Nil residual value is considered. Residual values and useful lives are reviewed, and adjusted, if appropriate, for each reporting period.
- iv) On tangible fixed assets added / disposed off during the year, depreciation is charged on pro-rata basis for the period for which the asset was purchased and used.
- v) Depreciation in respect of tangible assets costing individually less than Rs.5,000/- is provided at 100%.

#### h) Amortization of Intangible assets

Intangible assets acquired are accounted at their acquisition cost and are amortised over its useful life, viz., 2 years in the case of software.

#### i) Impairment

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### j) Foreign currency translation

- (i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). i.e in Indian rupees (INR) and all values are rounded off to nearest crores except where otherwise indicated.

### SIGNIFICANT ACCOUNTING POLICIES - (continued)

(ii) Transactions and balances

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction.

- (a) Foreign currency monetary assets and liabilities such as cash, receivables, payables, etc., are translated at year end exchange rates.
- (b) Non-monetary items denominated in foreign currency such as investments, fixed assets, etc., are valued at the exchange rate prevailing on the date of transaction.
- (c) Exchange differences arising on settlement of transactions and translation of monetary items are recognised as income or expense in the year in which they arise.

k) Hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

The Company documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 30. Movements in the hedging reserve in shareholders' equity are shown in Note 31(D). The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cashflow hedges is recognised in the other comprehensive income in cash flow hedging reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Profit and Loss, within other gains/(losses).

When forward contracts are used to hedge forecast transactions, the company generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in other comprehensive income in cash flow hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains and losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedging reserve within equity.

Amounts accumulated in equity are reclassified to Statement of Profit and Loss in the periods when the hedged item affects the Statement of Profit and Loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to the Statement of Profit and Loss within other gains/(losses).

l) Inventories

Inventories are valued at the lower of cost and net realisable value.

- i. Cost of raw materials, components, stores, spares, work-in-process and finished goods are determined on a moving average basis.
- ii. Cost of finished goods and work-in-process comprises of Direct materials, Direct labour and an applicable proportion of variable and fixed overhead expenditure. Fixed Overhead Expenditure is absorbed on the basis of normal operating capacity.
- iii. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### SIGNIFICANT ACCOUNTING POLICIES - (continued)

- iv. Materials and supplies held for use in production of inventories are not written down if the finished products in which they will be used are expected to be sold at or above cost. Slow and non-moving material, obsolescence, defective inventories are duly provided for.

#### m) Employee benefits

- i) Short term obligations:

Short term obligations are those that are expected to be settled fully within 12 months after the end of the reporting period. They are recognised up to the end of the reporting period at the amounts expected to be paid at the time of settlement.

- ii) Other long term employee benefit obligations:

The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are, therefore, recognised and provided for at the present value of the expected future payments to be made in respect of services provided by employee upto the end of reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in the Statement of Profit and Loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

- iii) Post-employment obligation:

The Company operates the following post-employment schemes:

- a) Defined benefit plans such as gratuity for its eligible employees, pension plan for eligible senior managers; and
- b) Defined contribution plan such as provident fund.

- a) Pension and gratuity obligation:

The liability or asset recognised in the balance sheet in respect of defined benefit pension and gratuity plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by Actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on the government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Statement of Profit and Loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income (net of deferred tax). They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the Statement of Profit and Loss as past service cost.

- b) Provident fund:

The eligible employees of the Company are entitled to receive benefits in respect of provident fund, a defined contribution plan, in which both employees and the Company make monthly contributions at a specified percentage of the covered employees' salary. The provident fund contributions are made to an irrevocable trust set up by the Company. The Company is generally liable for annual contributions and any shortfall in the fund assets based on the Government specified minimum rates of return and recognises such contributions and shortfall, if any, as an expense in the year in which it is incurred.

- iv) Bonus plans:

The Company recognises a liability and an expense for bonus. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### n) Taxes on income

Tax expense comprises of (i) current tax and (ii) deferred tax.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

### SIGNIFICANT ACCOUNTING POLICIES - (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in Statement of Profit and Loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Where the Company is entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (the Research and Development or other investment allowances), the Company accounts for such allowances as tax credits, which means that the allowance reduce income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

#### o) Provisions and contingent liabilities

##### i) Provision:

A provision is recorded when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated. The estimated liability for product warranties is accounted based on technical evaluation, when the products are sold.

Provisions are evaluated at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

##### ii) Contingent liabilities:

Wherever there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from past events but is not recognised because (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (b) the amount of the obligation cannot be measured with sufficient reliability are considered as contingent liability. Show cause notices are not considered as Contingent Liabilities unless converted into demand.

#### p) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

#### q) Leases

Leases of property, plant and equipment where the Company, as a lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of lease at fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Statement of Profit and Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term, if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating lease.

#### r) Cash and Cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

### SIGNIFICANT ACCOUNTING POLICIES - (continued)

#### s) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

#### t) Investments and Other financial assets

##### i) Classification

The Company classifies its financial assets in the following categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through statement of profit and loss), and
- Those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flow.

##### ii) Measurement

At initial recognition, the Company measures a financial asset at its fair value (in the case of a financial asset not a fair value through profit or loss) plus transaction cost that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of Profit and Loss.

##### A) Debt Instruments:

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Company classifies its debt instruments

##### i) Amortised Cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the Statement of Profit and Loss when the asset is de-recognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

##### ii) Fair Value through profit or loss:

Assets that do not meet the criteria for amortised cost or Fair Value through Other Comprehensive Income (FVOCI) are measured at Fair Value through Statement of Profit and Loss (FVTPL). A gain or loss on a debt investment that is subsequently measured at fair value through statement of profit and loss and is not part of a hedging relationship is recognised in statement of profit and loss and presented in the statement of profit and loss within other gains / (losses) in the period in which it arises. Interest income from these financial assets is included in other income.

##### B) Equity instruments:

Subsequent to initial recognition, the Company measures all investments in equity (except of the subsidiaries/associates) at fair value. Where the company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there will be no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments are recognised in the Statement of Profit and Loss as other income when the Company's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately. Where the Company elects to measure fair value through statement of profit and loss, changes in the fair value of such financial assets are recognised in the statement of profit and loss.

##### C) Investment in subsidiaries / associates:

Investment in subsidiaries / associates are measured at cost less provision for impairment.

##### iii) Impairment of financial assets

The company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been significant increase in credit risk.

### SIGNIFICANT ACCOUNTING POLICIES - (continued)

Note 31 details how the company determines whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected credit losses to be recognised from initial recognition of the receivables.

#### iv) Derecognition of financial assets

A financial asset is derecognised only when:

- a) the Company has transferred the rights to receive cash flows from the financial asset, or
- b) the Company retains the contractual rights to receive the cash flows of the financial asset, but expects a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised, if the Company has not retained control of the financial asset. Where the company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

#### u) Borrowings

Borrowings are initially recognised at fair value, net of transaction cost incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction cost) and the redemption amount is recognised in the Statement of Profit and Loss over the period of the borrowings, using the effective interest method. Fees paid on the established loan facilities are recognised as transaction cost of the loan, to the extent that it is probable that some or all the facility will be drawn down.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the Statement of Profit and Loss as other gain/(loss).

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for over or at least 12 months after the reporting period.

#### v) Current and Non-current classification

The Company presents assets and liabilities in the balance sheet based on current / non-current classification.

Cash or cash equivalent is treated as current, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. In respect of other assets, it is treated as current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle
- held primarily for the purpose of trading
- expected to be realised within twelve months after the reporting period.

All other assets are classified as non-current.

A liability is treated as current when:

- it is expected to be settled in the normal operating cycle
- it is held primarily for the purpose of trading
- it is due to be settled within twelve months after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. In Company's considered view, twelve months is its operating cycle.



## Sundaram-Clayton Limited

### Notes to Financial Statements

#### 2. PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS

(Rupees in crores)

Description	Property, Plant & Equipment							Intangible	Total (tangible and intangible)
	Free hold land	Buildings	Plant & equipment	Furniture & fixtures	Office equipment	Vehicles	Total	Software	
Cost of assets:									
Deemed cost as at 01-04-2015	3.20	89.65	285.90	3.69	3.94	11.35	397.73	0.59	398.32
Additions	–	1.33	85.02	0.81	1.70	1.98	90.84	2.20	93.04
Sub-total	3.20	90.98	370.92	4.50	5.64	13.33	488.57	2.79	491.36
Sales / deletion	(0.26)	(0.14)	(0.74)	(0.26)	(0.04)	(0.04)	(1.48)	–	(1.48)
Total	2.94	90.84	370.18	4.24	5.60	13.29	487.09	2.79	489.88
Depreciation / Amortisation:									
For the year	–	3.37	46.53	0.55	1.60	2.04	54.09	0.86	54.95
Sub-total	–	3.37	46.53	0.55	1.60	2.04	54.09	0.86	54.95
Withdrawn on assets sold / deleted	–	–	(0.08)	(0.05)	(0.02)	(0.01)	(0.16)	–	(0.16)
Total	–	3.37	46.45	0.50	1.58	2.03	53.93	0.86	54.79
Net Carrying amount									
As at 31-03-2016	2.94	87.47	323.73	3.74	4.02	11.26	433.16	1.93	435.09

#### CAPITAL WORK-IN-PROGRESS (AT COST)

	2015-16	2014-15
(a) Building	3.34	–
(b) Plant & equipment	18.38	9.34
(c) Others	0.09	–
Total	<u>21.81</u>	<u>9.34</u>

Description	Property, Plant & Equipment							Intangible	Total (tangible and intangible)
	Free hold land	Buildings	Plant & equipment	Furniture & fixtures	Office equipment	Vehicles	Total	Software	
Cost of assets:									
As at 01-04-2016	2.94	90.84	370.18	4.24	5.60	13.29	487.09	2.79	489.88
Additions	7.00	7.06	91.77	0.70	2.34	3.21	112.08	1.33	113.41
Sub-total	9.94	97.90	461.95	4.94	7.94	16.50	599.17	4.12	603.29
Sales / deletion	(0.17)	–	(3.05)	–	(0.03)	(0.61)	(3.86)	(0.08)	(3.94)
Total	9.77	97.90	458.90	4.94	7.91	15.89	595.31	4.04	599.35
Depreciation / Amortisation:									
Upto 31-03-2016	–	3.37	46.45	0.50	1.58	2.03	53.93	0.86	54.79
For the year	–	3.56	51.19	0.59	1.63	2.32	59.29	1.35	60.64
Sub-total	–	6.93	97.64	1.09	3.21	4.35	113.22	2.21	115.43
Withdrawn on assets sold / deleted	–	–	(0.11)	–	(0.01)	(0.18)	(0.30)	(0.04)	(0.34)
Total	–	6.93	97.53	1.09	3.20	4.17	112.92	2.17	115.09
Net Carrying amount									
As at 31-03-2017	9.77	90.97	361.37	3.85	4.71	11.72	482.39	1.87	484.26

#### CAPITAL WORK-IN-PROGRESS (AT COST)

	2016-17	2015-16
(a) Building	0.61	3.34
(b) Plant & equipment	36.04	18.38
(c) Others	0.22	0.09
Total	<u>36.87</u>	<u>21.81</u>

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

#### 3. INVESTMENTS

Sl. No.	Particulars	Subsidiary/ associates	No. of shares / units			Face Value per share/ unit	Currency	Extent of holding (%)	Rupees in crores			
			As at 31.03.2017	As at 31.03.2016	As at 01.04.2015				As at 31.03.2017	As at 31.03.2016	As at 01.04.2015	
<b>(a)</b>	<b>Investment in Equity Instruments fair valued through OCI*</b>											
	<b>Quoted :</b>											
(i)	Suprajit Engineering Limited, Bengaluru		57,72,000	57,72,000	57,72,000	1.00	INR		138.79	75.61	74.92	
(ii)	Harita Seating Systems Limited, Chennai		7,280	7,280	7,280	10.00	INR		0.51	0.32	0.12	
	<b>Unquoted :</b>											
(iii)	Green Infra BTV Limited, New Delhi (formerly known as TVS Energy Limited) <sup>®</sup>		45,00,000	45,00,000	45,00,000	10.00	INR		4.50	4.50	4.50	
(iv)	Sai Regency Power Corporation Private Limited, Chennai <sup>®</sup>		3,75,000	3,75,000	3,75,000	10.00	INR		0.38	0.38	0.38	
(v)	Adyar Property Holding Company Private Limited, Chennai (Cost Rs.6,825) <sup>®</sup>		105	105	105		INR		-	-	-	
	Private equity instruments <sup>#</sup> :											
(vi)	TVS Shriram Growth fund Scheme 1A of TVS Capital Funds Limited, Chennai		66,522.16	80,387.55	85,516.22	1,000.00	INR		5.64	8.77	10.60	
(vii)	TVS Shriram Growth fund Scheme 1B of TVS Capital Funds Limited, Chennai		58,409	75,000	30,000	1,000.00	INR		6.43	7.51	3.17	
	Investments in Equity Instruments at COST*											
	<b>Quoted:</b>											
(viii)	TVS Motor Company Limited, Chennai	Subsidiary	27,26,82,786	27,26,82,786	27,26,82,786	1.00	INR	57.40%	19.59	19.59	19.59	
	<b>Unquoted:</b>											
(ix)	Sundaram-Clayton (USA) Limited, Illinois, USA (Cost Rs.5,572)	Subsidiary	100	100	100	1.00	USD	100.00%	-	-	-	
(x)	Sundaram Holding USA Inc., Delaware, USA	Subsidiary	16,93,682	250	-	1.00	USD	32.00%	11.36	-	-	
(xi)	TVS Training and Services Limited, Chennai	Associate	27,63,359	27,63,359	20,00,000	10.00	INR	30.53%	2.76	2.76	2.00	
(xii)	Sundram Non-Conventional Energy Systems Limited, Chennai	Associate	1,17,650	1,17,650	1,17,650	10.00	INR	23.53%	0.12	0.12	0.12	
	Total value of Equity Instruments (a)								190.08	119.56	115.40	
<b>(b)</b>	<b>Investments in Preference Shares:</b>											
	<b>Unquoted :</b>											
	TVS Motor Services Limited, Chennai		1,00,00,000	1,00,00,000	1,00,00,000	10.00	INR		15.77	14.53	14.27	
	Total value of Preference shares (b)								15.77	14.53	14.27	
<b>(c)</b>	<b>Other non-current Investments</b>											
(i)	ICICI Prudential Life Insurance Company Limited, Mumbai						INR		3.00	1.16	1.07	
(ii)	Life Insurance Corporation of India, Chennai						INR		5.51	2.13	1.97	
(iii)	5 Years National Savings Certificates VIII Issue (in the name of nominee)- Face Value -Rs. 10,000						INR		-	-	-	
(iv)	Tulsyan NEC Limited, Chennai <sup>®</sup>		97,500	-	-	10.00	INR		0.29	-	-	
	Total value of Other non-current Investments (c)								8.80	3.29	3.04	
	Total (a) + (b) + (c)								214.65	137.38	132.71	
	Aggregate amount of quoted investments and market value thereof								11,886.47	8,878.13	7,269.78	
	Aggregate amount of unquoted investments								55.76	41.86	38.08	
	Aggregate amount of impairment in value of investments								-	-	-	
	<b>Total</b>								11,942.23	8,919.99	7,307.86	

\* All investments are fully paid up except investment in Adyar Property Holding Company Private Limited, Chennai.

# The values have been arrived using the management's best estimate of the fair value of the fund. These values may not materially differ from the actuals.

® Cost treated as Fair value.

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

	(Rupees in crores)		
	As at 31-03-2017	As at 31-03-2016	As at 01-04-2015
<b>4 OTHER FINANCIAL ASSETS</b>			
<b>Non-current</b>			
Rental deposits	8.19	8.38	7.74
Derivatives (Forwards, POS, IRS)	0.68	0.29	0.30
<b>Total</b>	<u>8.87</u>	<u>8.67</u>	<u>8.04</u>
<b>Current</b>			
Unsecured, Considered Good:			
Employee Advances*	3.53	4.60	1.74
Interest accrued on deposits/investments	-	-	0.02
Claims receivable	1.17	4.62	0.01
Derivatives (Forwards, POS, IRS)	2.51	4.55	6.63
<b>Total</b>	<u>7.21</u>	<u>13.77</u>	<u>8.40</u>
* includes dues from officers	0.12	0.13	0.14
<b>5 OTHER NON-CURRENT ASSETS</b>			
Capital advances	3.01	3.49	2.61
<b>Advances - other than capital advances:</b>			
Statutory and other deposits	9.10	7.26	8.05
Unamortised prepayments for lease hold land	10.15	10.27	10.39
Prepaid expenses	3.16	3.94	4.64
<b>Total</b>	<u>25.42</u>	<u>24.96</u>	<u>25.69</u>
<b>6 INVENTORIES (at weighted average cost or net realisable value whichever is less)</b>			
Raw materials and components	22.10	20.73	26.20
Goods-in-transit - Raw materials and components	1.97	4.73	4.12
Work-in-process	23.90	20.81	18.89
Finished goods	91.11	108.08	101.58
Stores and spares	96.06	81.89	69.06
<b>Total</b>	<u>235.14</u>	<u>236.24</u>	<u>219.85</u>
<b>7 TRADE RECEIVABLES</b>			
Unsecured, considered good	171.10	188.23	170.77
Doubtful	0.48	2.16	2.57
<b>Total</b>	<u>171.58</u>	<u>190.39</u>	<u>173.34</u>
Less: Provision for doubtful receivables	0.48	2.16	2.57
<b>Total</b>	<u>171.10</u>	<u>188.23</u>	<u>170.77</u>
<b>8 CASH AND CASH EQUIVALENTS</b>			
Balances with banks	0.62	1.04	0.56
Cheques / drafts on hand	-	0.14	0.14
Cash on hand	0.10	0.17	0.16
<b>Total</b>	<u>0.72</u>	<u>1.35</u>	<u>0.86</u>

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

	(Rupees in crores)		
	As at 31-03-2017	As at 31-03-2016	As at 01-04-2015
<b>9 OTHER BANK BALANCES</b>			
Earmarked balances with banks (for unpaid dividend)	0.89	1.46	0.74
Balance with banks (with more than 3 months and less than 12 months maturity)	–	–	0.50
<b>Total</b>	0.89	1.46	1.24
<b>10 OTHER CURRENT ASSETS</b>			
Service Tax set off receivable	1.00	1.76	2.14
Value Added Tax receivable	2.10	2.44	1.97
Balance with excise authorities	28.94	33.88	45.68
Prepaid expense	7.65	6.53	4.99
Unamortised prepayments for leasehold land	0.12	0.12	0.12
Vendor advances	12.63	5.49	13.15
Export incentives receivable	12.45	5.38	0.80
<b>Total</b>	64.89	55.60	68.85

### 11 EQUITY SHARE CAPITAL

(a) Details of authorised, issued and subscribed share capital

Particulars	As at 31-03-2017		As at 31-03-2016		As at 01-04-2015	
	Number	Rupees in crores	Number	Rupees in crores	Number	Rupees in crores
Authorised Capital:						
Equity Shares of Rs.5/- each	5,00,00,000	25.00	5,00,00,000	25.00	5,00,00,000	25.00
Issued, Subscribed & Paid up Capital:						
Equity Shares of Rs.5/- each fully paid	2,02,32,085	10.12	2,02,32,085	10.12	2,02,32,085	10.12

(b) Reconciliation of equity shares outstanding at the beginning and at the end of the year

Particulars	As at 31-03-2017		As at 31-03-2016		As at 01-04-2015	
	Number	Rupees in crores	Number	Rupees in crores	Number	Rupees in crores
Shares outstanding at the beginning of the year	2,02,32,085	10.12	2,02,32,085	10.12	2,02,32,085	10.12
Shares issued during the year	–	–	–	–	–	–
Shares outstanding at the end of the year	2,02,32,085	10.12	2,02,32,085	10.12	2,02,32,085	10.12

(c) (i) Rights and preferences attached to equity share:

Every shareholder is entitled to such rights as to attend the meeting of the shareholders, to receive dividends distributed and also has a right in the residual interest of the assets of the company. Every shareholder is also entitled to right of inspection of documents as provided in the Companies Act, 2013.

(ii) There are no restrictions attached to equity shares.

(d) Details of shares held by holding/ultimate holding/subsidiaries/associates of holding company at the end of 31<sup>st</sup> March 2017

Name of shareholder	Relationship	Class of share	As at 31-03-2017		As at 31-03-2016		As at 01-04-2015	
			Number of shares held	% of holding	Number of shares held	% of holding	Number of shares held	% of holding
T V Sundram Iyengar & Sons Pvt Ltd- Madurai	Holding company	Equity	38,07,330	18.82	38,07,330	18.82	38,07,330	18.82
Sundaram Industries Pvt Ltd - Madurai	Fellow Subsidiary	Equity	60,62,522	29.96	60,62,522	29.96	60,62,522	29.96
Southern Roadways Limited - Madurai	Fellow Subsidiary	Equity	30,31,127	14.98	30,31,127	14.98	30,31,127	14.98

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

(e) Details of shareholders holding more than five percent at the end of 31<sup>st</sup> March 2017 (other than 11 (d) above)

Name of shareholder	Class of shares	As at 31-03-2017		As at 31-03-2016		As at 01-04-2015	
		No. of shares held	% of holding	No. of shares held	% of holding	No. of shares held	% of holding
Sundaram Finance Limited- Chennai	Equity	22,73,081	11.24	22,73,081	11.24	22,73,081	11.24
Reliance Capital Trustee Company Limited, Thane*	Equity	–	–	10,32,338	5.10	–	–

\* Shareholding as at 31/03/2015 & 31/03/2017 by Reliance Capital Trustee Company Limited, Thane is less than 5%.

### 12 OTHER EQUITY

(Rupees in crores)

	As at 31-03-2017	As at 31-03-2016	As at 01-04-2015
General reserve	224.84	224.84	224.84
Securities premium reserve	36.42	36.42	36.42
Retained earnings	201.31	156.19	109.18
Other reserves	138.93	75.54	76.04
<b>Total</b>	<b>601.50</b>	<b>492.99</b>	<b>446.48</b>

### 13 FINANCIAL LIABILITIES - BORROWINGS (NON-CURRENT)

Description	No. of instalments due	Frequency	Maturity	As at 31-03-2017	As at 31-03-2016	As at 01-04-2015
<b>Secured:</b>						
Rupee Term loan I	–	Quarterly	Feb-16	–	–	14.26
Rupee Term loan II	–	Half yearly	Mar-16	–	–	12.50
Rupee Term loan III	3	Quarterly	Dec-17	17.52	40.79	64.08
Foreign Currency Non-resident Borrowings (FCNR(B))	–	Bullet payment	Mar-18	64.85	66.26	62.50
External Commercial Borrowing I (ECB I)	–	Bullet payment	Oct-18, Nov-18 & Mar-19	77.39	78.86	–
External Commercial Borrowing II (ECB II)	6	Half yearly	Mar-22	38.25	–	–
<b>Unsecured:</b>						
Soft loan	–	Yearly		1.96	2.61	3.27
Buyer's Credit	–	Bullet payment	Jul-19	4.00	–	1.21
<b>Total Borrowings :</b>				<b>203.97</b>	<b>188.52</b>	<b>157.82</b>
Less : Current Maturities of long-term borrowings (Refer Note No. 18)				82.37	89.62	51.33
<b>Total</b>				<b>121.60</b>	<b>98.90</b>	<b>106.49</b>

Details of securities offered against charge:

(i) Rupee Term Loans:

Secured by first and exclusive charge on specific plant and equipment situated at the Company's factories.

(ii) Soft loan is repayable in 5 yearly instalments, "from the commencement of sale of the product produced in the "commercial plant, or a new producing plant installed on the basis of result of the Technology Development and Demonstration Programme (TDDP) project, whichever is earlier".

(iii) FCNR(B) and ECB loan from Bank:

Secured by charge on specific plant and equipment situated at the Company's factories.

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

(Rupees in crores)

Amount payable in each instalment other than bullet repayments:

Description	Currency	Amount	Interest
Rupee Term loan III	INR	5.84 Crores	SBI MCLR plus Margin
External Commercial Borrowing I (ECB I)	USD	–	3 Month USD LIBOR plus Margin
External Commercial Borrowing II (ECB II)	USD	1 million	6 Month USD LIBOR plus Margin

### 14 PROVISIONS

Particulars	As at 31-03-2017		As at 31-03-2016		As at 01-04-2015	
	Current	Non-current	Current	Non-current	Current	Non-current
Employee benefits						
(a) Pension	6.39	15.89	17.57	10.25	10.14	12.88
(b) Leave salary	0.42	4.25	1.07	2.83	1.10	2.30
(c) Gratuity	4.00	–	–	–	–	–
<b>Total</b>	<b>10.81</b>	<b>20.14</b>	<b>18.64</b>	<b>13.08</b>	<b>11.24</b>	<b>15.18</b>
Others						
(a) Warranty	4.06	–	4.25	–	4.06	–
(b) Sales tax	–	1.95	–	1.95	–	1.95
<b>Total</b>	<b>14.87</b>	<b>22.09</b>	<b>22.89</b>	<b>15.03</b>	<b>15.30</b>	<b>17.13</b>

As at 31-03-2017      As at 31-03-2016      As at 01-04-2015

### 15 DEFERRED TAX LIABILITIES / (ASSETS)

The balance comprises temporary differences attributable to:

Depreciation	48.67	41.85	34.62
Employee benefits	(10.72)	(10.98)	(8.98)
Financial assets & Financial liabilities	(3.33)	(1.62)	(3.71)
Others	1.15	0.72	1.66
<b>Total</b>	<u>35.77</u>	<u>29.97</u>	<u>23.59</u>

Movement in deferred tax liabilities / (assets)

Particulars	Depreciation	Employee benefits	Financial assets & Financial liabilities	Others	Total
<b>At April 1, 2015</b>	34.62	(8.98)	(3.71)	1.66	23.59
(Charged)/credited:					
- to statement of profit and loss	7.23	(2.57)	3.93	(0.94)	7.65
- to other comprehensive income	–	0.57	(1.84)	–	(1.27)
<b>At March 31, 2016</b>	41.85	(10.98)	(1.62)	0.72	29.97
(Charged)/credited:					
- to statement of profit and loss	6.82	(0.53)	(1.71)	0.43	5.01
- to other comprehensive income	–	0.79	–	–	0.79
<b>At March 31, 2017</b>	48.67	(10.72)	(3.33)	1.15	35.77

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

(Rupees in crores)

	As at 31-03-2017	As at 31-03-2016	As at 01-04-2015
<b>16 FINANCIAL LIABILITIES - BORROWINGS (CURRENT)</b>			
Repayable on demand from banks:			
Secured	66.76	66.42	140.71
Unsecured	83.50	114.15	79.60
<b>Total</b>	150.26	180.57	220.31

Details of securities created for loans repayable on demand:

First charge by way of hypothecation and / or pledge of current assets viz., stocks of raw materials, semi-finished and finished goods, stores and spares not relating to plant and equipment, bills receivable, book debts and all other movable assets located in all plants.

### 17 TRADE PAYABLES

Current

Dues to Micro and Small Enterprises **	2.95	2.19	2.35
Dues to enterprises other than Micro and Small Enterprises	179.98	155.23	125.28
<b>Total</b>	182.93	157.42	127.63

\*\* Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the management. The entire closing balance represents the principal amount payable to these enterprises. There are no interests due or outstanding on the same.

### 18 OTHER FINANCIAL LIABILITIES

**Non current**

Derivatives	4.03	0.66	0.18
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**Current**

Current Maturities of long term borrowings:

(i) Rupee Term loan I	-	-	14.26
(ii) Rupee Term loan II	-	-	12.50
(iii) Rupee Term loan III	17.52	23.36	23.36
(iv) Buyer's credit	-	-	1.21
(v) Foreign Currency Non-resident Borrowings (FCNR(B))	64.85	66.26	-
Sub-total	82.37	89.62	51.33
Interest accrued but not due on loans	1.52	1.93	3.79
Unpaid Dividends	0.89	1.46	0.74
Employee related liabilities	17.31	17.41	17.55
Liabilities for expenses	1.21	1.48	1.51
Derivatives	3.25	0.65	0.08
<b>Total</b>	106.55	112.55	75.00

### 19 OTHER CURRENT LIABILITIES

Statutory dues	6.01	5.28	4.13
Advance received from customers	1.18	3.84	2.75
<b>Total</b>	7.19	9.12	6.88

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

	Year ended 31.03.2017	Year ended 31.03.2016
(Rupees in crores)		
<b>20 REVENUE FROM OPERATIONS</b> (Including Excise duty)		
Sale of products	1,416.08	1,456.62
Sale of services	29.88	26.04
Other operating revenue	69.39	45.28
<b>Total</b>	1,515.35	1,527.94
<b>21 OTHER INCOME</b>		
Dividend income:		
(i) From subsidiary	68.17	99.53
(ii) From others	1.07	0.92
Interest income	1.26	1.32
Increase in Fair value of Financial Assets*	3.14	0.51
Gain on foreign currency transactions and translation	-	2.52
Profit on sale of Plant, property & equipment	0.68	0.29
<b>Total</b>	74.32	105.09
* Increase in Fair value of Financial Assets represents changes in Fair Value of preference shares held in TVS Motor Services Limited, Chennai and Other non-current investments.		
<b>22 COST OF MATERIALS CONSUMED</b>		
Opening stock of raw materials and components	20.73	26.20
Add: Purchases	650.59	705.11
	671.32	731.31
Less: Closing stock of raw materials and components	22.10	20.73
<b>Consumption of raw materials and components</b>	649.22	710.58
<b>23 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROCESS AND STOCK-IN-TRADE</b>		
Opening stock:		
Work-in-process	20.81	18.89
Finished goods	108.08	101.58
<b>Total (A)</b>	128.89	120.47
Closing stock:		
Work-in-process	23.90	20.81
Finished goods	91.11	108.08
<b>Total (B)</b>	115.01	128.89
<b>Change in inventories (A) - (B)</b>	13.88	(8.42)



## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

	Year ended 31.03.2017	Year ended 31.03.2016
(Rupees in crores)		
<b>24 EMPLOYEE BENEFITS EXPENSE</b>		
Salaries, wages and bonus	173.21	166.73
Contribution to provident and other funds	10.71	11.74
Welfare expenses	29.76	28.27
<b>Total</b>	213.68	206.74
<b>25 FINANCE COSTS</b>		
Interest	27.84	23.19
Exchange differences	0.49	8.83
Other borrowing costs	0.21	0.23
<b>Total</b>	28.54	32.25
<b>26 OTHER EXPENSES</b>		
Consumption of stores, spares and tools	81.24	75.01
Power and fuel	88.37	86.39
Rent	26.40	25.64
Repairs - buildings	21.15	18.92
Repairs - plant and equipment	39.44	32.12
Repairs - others	0.75	0.65
Insurance	3.79	3.16
Rates and taxes (excluding taxes on income)	2.07	1.13
Audit fees [Refer note 35(iv)]	0.65	0.59
Packing and freight charges	52.97	63.78
Warehousing charges	13.29	14.13
Loss on sale of Property, plant & equipment	0.89	0.78
Loss on foreign currency transactions and translation	4.70	-
Corporate social responsibility expenditure	0.85	0.47
Miscellaneous expenses (under this head there is no expenditure which is in excess of 1% of revenue from operations or Rs.10 lakh, whichever is higher)	48.96	47.47
<b>Total</b>	385.52	370.24

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

(Rupees in crores)

Year ended  
31.03.2017

Year ended  
31.03.2016

### 27 TAX EXPENSE

#### (a) Tax expense

##### i) Current tax:

Current tax on profits for the year	11.00	12.00
Adjustments for current tax of prior periods	(1.93)	(1.57)
<b>Total (A)</b>	9.07	10.43

##### ii) Deferred tax:

Decrease / (increase) in deferred tax assets	(2.25)	(3.53)
(Decrease) / increase in deferred tax liabilities	7.26	11.18
<b>Total (B)</b>	5.01	7.65
<b>Tax expense (A) + (B)</b>	14.08	18.08

#### (b) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:

Profit before tax expense	119.67	162.52
Tax at the Indian tax rate of 34.61% (2015-2016 – 34.61%)	41.42	56.25
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Dividend Income	(23.96)	(34.77)
Other items	3.54	(4.43)
Tax credits not availed in books	(10.00)	(5.04)
Adjustments for current tax of prior periods	(1.93)	(1.57)
Deferred Tax Liability	5.01	7.65
<b>Tax expense</b>	14.08	18.08

### 28 EARNINGS PER EQUITY SHARE

#### (a) Basic and diluted earnings per share

Basic and diluted earnings per share attributable to the equity holders of the Company (Rs.)	52.19	71.39
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#### (b) Earnings used in calculating earnings per share

Basic and diluted earnings per share		
Profit attributable to equity holders of the company used in calculating basic earnings per share	105.59	144.44

#### (c) Weighted average number of equity shares used as the denominator in calculating basic earnings per share

2,02,32,085

2,02,32,085

### 29 EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations	March 31, 2017			March 31, 2016			April 1, 2015		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Pension	6.39	15.89	22.28	17.57	10.25	27.82	10.14	12.88	23.02
Leave Salary	0.42	4.25	4.67	1.07	2.83	3.90	1.10	2.30	3.40
Gratuity	4.00	–	4.00	–	–	–	–	–	–
<b>Total</b>	<b>10.81</b>	<b>20.14</b>	<b>30.95</b>	<b>18.64</b>	<b>13.08</b>	<b>31.72</b>	<b>11.24</b>	<b>15.18</b>	<b>26.42</b>

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

(Rupees in crores)

#### 29 EMPLOYEE BENEFIT OBLIGATIONS – (continued)

Amount recognised in the Balance Sheet and the movements in the net defined benefit obligation / other employee benefits over the years are as follows:

Particulars	Defined benefit obligation						Other employee benefits		
	Gratuity			Pension			Leave Salary		
	Present value of obligation	Fair value of plan assets	Net amount	Present value of obligation	Fair value of plan assets	Net amount	Present value of obligation	Fair value of plan assets	Net amount
<b>April 1, 2015</b>	10.94	13.66	(2.72)	23.02	–	23.02	3.40	–	3.40
Current service cost	1.08	–	1.08	1.31	–	1.31	0.09	–	0.09
Interest expense / (income)	0.87	1.09	(0.22)	1.84	–	1.84	0.27	–	0.27
Experience (gains) / losses	–	–	–	–	–	–	0.14	–	0.14
<b>Total amount recognised in statement of profit and loss</b>	<b>12.89</b>	<b>14.75</b>	<b>(1.86)</b>	<b>26.17</b>	<b>–</b>	<b>26.17</b>	<b>3.90</b>	<b>–</b>	<b>3.90</b>
<i>Remeasurements:</i>									
Return on plan assets, excluding amounts included in interest expense / (income)	–	0.11	(0.11)	–	–	–	–	–	–
(Gain) / loss from changes in demographic assumptions	–	–	–	–	–	–	–	–	–
(Gain) / loss from changes in financial assumptions	–	–	–	–	–	–	–	–	–
Experience (gains) / losses	2.21	–	2.21	1.65	–	1.65	–	–	–
<b>Total amount recognised in other comprehensive income</b>	<b>2.21</b>	<b>0.11</b>	<b>2.10</b>	<b>1.65</b>	<b>–</b>	<b>1.65</b>	<b>–</b>	<b>–</b>	<b>–</b>
Employer contribution	–	1.90	(1.90)	–	–	–	–	–	–
Benefit payments	(0.81)	(0.81)	–	–	–	–	–	–	–
<b>March 31, 2016</b>	<b>14.29</b>	<b>15.95</b>	<b>(1.66)</b>	<b>27.82</b>	<b>–</b>	<b>27.82</b>	<b>3.90</b>	<b>–</b>	<b>3.90</b>

Particulars	Gratuity			Pension			Leave Salary		
	Present value of obligation	Fair value of plan assets	Net amount	Present value of obligation	Fair value of plan assets	Net amount	Present value of obligation	Fair value of plan assets	Net amount
<b>April 1, 2016</b>	14.29	15.95	(1.66)	27.82	–	27.82	3.90	–	3.90
Current service cost	1.56	–	1.56	1.34	–	1.34	0.09	–	0.09
Interest expense / (income)	1.21	1.35	(0.14)	1.89	–	1.89	0.28	–	0.28
Experience (gains) / losses	–	–	–	–	–	–	0.17	–	0.17
(Gain) / loss from change in financial assumptions	–	–	–	–	–	–	0.23	–	0.23
<b>Total amount recognised in statement of profit and loss</b>	<b>2.77</b>	<b>1.35</b>	<b>1.42</b>	<b>3.23</b>	<b>–</b>	<b>3.23</b>	<b>0.77</b>	<b>–</b>	<b>0.77</b>
<i>Remeasurements</i>									
Return on plan assets, excluding amounts included in interest expense / (income)	–	(2.95)	2.95	–	–	–	–	–	–
(Gain) / loss from change in demographic assumptions	–	–	–	–	–	–	–	–	–
(Gain) / loss from change in financial assumptions	1.14	–	1.14	1.49	–	1.49	–	–	–
Experience (gains)/losses	2.38	–	2.38	(10.26)	–	(10.26)	–	–	–
<b>Total amount recognised in other comprehensive income</b>	<b>3.52</b>	<b>(2.95)</b>	<b>6.47</b>	<b>(8.77)</b>	<b>–</b>	<b>(8.77)</b>	<b>–</b>	<b>–</b>	<b>–</b>
Employer contribution	–	2.23	(2.23)	–	–	–	–	–	–
Benefit payments	(0.33)	(0.33)	–	–	–	–	–	–	–
<b>March 31, 2017</b>	<b>20.25</b>	<b>16.24</b>	<b>4.00</b>	<b>22.28</b>	<b>–</b>	<b>22.28</b>	<b>4.67</b>	<b>–</b>	<b>4.67</b>

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

(Rupees in crores)

#### 29 EMPLOYEE BENEFIT OBLIGATIONS – (continued)

##### (i) Post-Employment benefits

Significant estimates: actuarial assumptions and sensitivity

The significant actuarial assumptions are as follows:

Details	Gratuity		Pension		Leave salary	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Discount rate	7%	8%	7%	8%	7%	8%
Salary growth rate	6%	6%	6%	6%	6%	6%
Mortality rate	IALM (2006-08) Ultimate					

Assumptions regarding future mortality for pension and medical benefits were made based on actuarial advice in accordance with published statistics and experience. These assumptions translate into an average life expectancy in years for a pensioner retiring at 58 years.

##### (ii) Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Gratuity Details	Change in assumption		Impact on defined benefit obligation			
	March 31, 2017	March 31, 2016	Increase in assumption		Decrease in assumption	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Discount rate	0.50%	0.50%	19.40	13.69	21.19	14.95
Salary growth rate	0.50%	0.50%	21.19	14.96	19.39	13.68
Mortality rate	5.00%	5.00%	20.25	14.29	20.25	14.29

Pension Details	Change in assumption		Impact on defined benefit obligation			
	March 31, 2017	March 31, 2016	Increase in assumption		Decrease in assumption	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Discount rate	0.50%	0.50%	21.12	26.36	23.53	29.37
Salary growth rate	0.50%	0.50%	22.63	28.26	21.92	27.36
Mortality rate	5.00%	5.00%	22.27	27.81	22.27	27.80

Leave salary Details	Change in assumption		Impact on defined benefit obligation			
	March 31, 2017	March 31, 2016	Increase in assumption		Decrease in assumption	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Discount rate	0.50%	0.50%	4.42	3.69	4.94	4.13
Salary growth rate	0.50%	0.50%	4.94	4.13	4.42	3.69
Mortality rate	5.00%	5.00%	4.67	3.90	4.67	3.90

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the defined benefit liability recognised in the balance sheet.

##### (iii) Risk exposure

Through its defined benefit plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

**Asset volatility:** The plan liabilities are calculated using a discount rate set with reference to bond yields; if plan assets underperform this yield, this will create a deficit. Most of the plan asset investments is in fixed income securities with high grades and in government securities. These are subject to interest rate risk and the fund manages interest rate risk with derivatives to minimise risk to an acceptable level. A portion of the funds are invested in equity securities and in alternative investments which have low correlation with equity securities. The equity securities are expected to earn a return in excess of the discount rate and contribute to the plan deficit. The company has a risk management strategy where the aggregate amount of risk exposure on a portfolio level is maintained at a fixed range. Any deviations from the range are corrected by rebalancing the portfolio. The company intends to maintain the above investment mix in the continuing years.

**Changes in bond yield:** A decrease in bond yields will increase plan liabilities, although this will be partially offset by a yield increase in the value of the plans' bond holdings.

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

**Inflation risks:** In the pension plans, the pensions in payment are not linked to inflation and hence this is a less material risk.

**Life expectancy:** The pension plan obligations are to provide benefits for the life of the member, and increases in life expectancy will result in an increase in the plan liabilities. This is particularly significant where inflationary increases result in higher sensitivity to changes in life expectancy.

### 30 FAIR VALUE MEASUREMENTS

Financial instruments by category

(Rupees in crores)

Particulars	March 31, 2017			March 31, 2016			April 1, 2015		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
<b>Financial assets</b>									
Investments									
- Equity instruments	-	156.25	-	-	97.09	-	-	93.69	-
- Preference shares	15.77	-	-	14.53	-	-	14.27	-	-
- Others	-	-	8.80	-	-	3.29	-	-	3.04
Trade receivables	-	-	171.10	-	-	188.23	-	-	170.77
Balances with Banks	-	-	1.51	-	-	2.64	-	-	1.94
Derivative financial assets	2.24	0.95	-	4.67	0.17	-	6.93	-	-
Security deposits	-	-	8.19	-	-	8.38	-	-	7.74
Other financial assets	-	-	4.70	-	-	9.22	-	-	1.77
<b>Total</b>	<b>18.01</b>	<b>157.20</b>	<b>194.30</b>	<b>19.20</b>	<b>97.26</b>	<b>211.76</b>	<b>21.20</b>	<b>93.69</b>	<b>185.26</b>
<b>Financial liabilities</b>									
Trade payables	-	-	182.93	-	-	157.42	-	-	127.63
Borrowings - Current	-	-	150.26	-	-	180.57	-	-	220.31
Borrowings - Non Current	-	-	121.60	-	-	98.90	-	-	106.49
Current Maturities of long term borrowings	-	-	82.37	-	-	89.62	-	-	51.33
Derivative financial liabilities	6.90	0.38	-	0.54	0.77	-	0.26	-	-
Other financial liabilities	-	-	20.93	-	-	22.28	-	-	23.59
<b>Total</b>	<b>6.90</b>	<b>0.38</b>	<b>558.09</b>	<b>0.54</b>	<b>0.77</b>	<b>548.79</b>	<b>0.26</b>	<b>-</b>	<b>529.35</b>

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level is given below:

Financial assets and liabilities measured at fair value - recurring fair value measurements

At 31 March 2017	Notes	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
<b>Financial assets at FVTPL:</b>					
Investments					
- Preference shares	3	-	-	15.77	15.77
Derivative financial asset	4	-	2.24	-	2.24
<b>Financial assets at FVOCI:</b>					
Investments					
- Equity instruments	3	139.30	12.07	4.88	156.25
- Others		-	-	-	-
Derivative financial asset	4	-	0.95	-	0.95
<b>Total</b>		<b>139.30</b>	<b>15.26</b>	<b>20.65</b>	<b>175.21</b>
<b>Financial liabilities</b>					
<b>Financial liabilities at FVTPL:</b>					
Derivative financial liability	18	-	6.90	-	6.90
<b>Financial liabilities at FVOCI:</b>					
Derivative financial liability	18	-	0.38	-	0.38
<b>Total</b>		<b>-</b>	<b>7.28</b>	<b>-</b>	<b>7.28</b>

FVTPL - Fair value through Statement of Profit and Loss; FVOCI - Fair value through Other Comprehensive Income

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

Assets and liabilities which are measured at amortised cost for which fair values are disclosed (Rupees in crores)

At 31 March 2017	Notes	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Investments					
- Others	3	-	-	8.80	8.80
<b>Total</b>		-	-	8.80	8.80

Financial assets and liabilities measured at fair value - recurring fair value measurements

At 31 March 2016	Notes	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
<b>Financial assets at FVTPL:</b>					
Investments					
- Preference shares	3	-	-	14.53	14.53
Derivative financial asset	4	-	4.67	-	4.67
<b>Financial Investments at FVOCI:</b>					
Investments					
- Equity instruments	3	75.93	16.28	4.88	97.09
- Others		-	-	-	-
Derivative financial asset	4	-	0.17	-	0.17
<b>Total</b>		75.93	21.12	19.41	116.46
<b>Financial liabilities</b>					
<b>Financial Investments at FVTPL:</b>					
Derivative financial liability	18	-	0.54	-	0.54
<b>Financial Investments at FVOCI:</b>					
Derivative financial liability	18	-	0.77	-	0.77
<b>Total</b>		-	1.31	-	1.31

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

At 31 March 2016	Notes	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Investments					
- Others	3	-	-	3.29	3.29
<b>Total financial assets</b>		-	-	3.29	3.29

Financial assets and liabilities measured at fair value - recurring fair value measurements

At 01 April 2015	Notes	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
<b>Financial assets at FVTPL:</b>					
Investments					
- Preference shares	3	-	-	14.27	14.27
Derivative financial asset	4	-	6.93	-	6.93
<b>Financial Investments at FVOCI:</b>					
Investments					
- Equity instruments	3	75.04	13.77	4.88	93.69
- Others		-	-	-	-
<b>Total</b>		75.04	20.70	19.15	114.89
<b>Financial liabilities</b>					
<b>Financial Investments at FVTPL:</b>					
Derivative financial liability	18	-	0.26	-	0.26
<b>Financial Investments at FVOCI:</b>					
Derivative financial liability		-	-	-	-
<b>Total</b>		-	0.26	-	0.26

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

(Rupees in crores)

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

At 01 April 2015	Notes	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Investments					
- Others	3	–	–	3.04	3.04
<b>Total</b>		–	–	3.04	3.04

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments, traded bonds and mutual funds that have quoted price. The fair value of all equity instruments (including bonds) which are traded in the stock exchanges is valued using the closing price as at the reporting period. The mutual funds are valued using the closing NAV.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities, contingent consideration and indemnification asset included in level 3.

There are no transfers between levels 1 and 2 during the year.

The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of interest rate swaps is calculated as the present value of estimated cash flows based on observable yield curves.
- the fair value of forward exchange contract and principal only swap is determined using forward exchange rate at the balance sheet date.
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

(iii) Fair value measurements using significant unobservable inputs (level 3)

	Preference shares
<b>As at 1 April 2015</b>	14.27
Acquisition / (Disposal)	–
Gains / losses recognised in statement of profit and loss	0.26
Gains / losses recognised in other comprehensive income	–
<b>As at 31 March 2016</b>	14.53
Acquisition/(Disposal)	–
Gains / losses recognised in statement of profit and loss	1.24
Gains / losses recognised in other comprehensive income	–
<b>As at 31 March 2017</b>	15.77

(iv) Valuation inputs and relationships to fair value

Particulars	Fair value as at			Significant unobservable inputs	Probability - weighted %			Sensitivity
	31-Mar-17	31-Mar-16	01-Apr-15		31-Mar-17	31-Mar-16	01-Apr-15	
Preference shares	15.77	14.53	14.27	a) Earnings growth rate	20-30%	20-30%	20-30%	If the growth rate increases by 5% and reduction in discount rate by 50bps, the value of preference shares will increase by 2% and vice versa.
				b) Risk adjusted discount rate	18.32%	17.80%	17.80%	

(v) Valuation processes

Discount rates are determined using a capital asset pricing model to calculate a pretax rate that reflects current market assessments of the time value of money and the risk specific to the asset. Earnings growth factor of preference shares are based on cash flow projections of the Company and unlisted equity securities are estimated based on market information for similar type of companies. Risk adjustments have been derived based on the market risk premium adjusted for company's leveraged financial data.

(vi) Fair value of financial assets and liabilities measured at amortised cost

The carrying amounts of trade receivables, trade payables, deposits, cash and cash equivalents and other current financial liabilities are considered to be the same as their fair values, due to their short-term nature and insignificant change in interest rate.

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

#### 31 FINANCE RISK MANAGEMENT

The company's activities expose it to market risk, liquidity risk and credit risk. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the impact of hedge accounting in the financial statements.

Risk	Exposure arising from	Risk Parameters and Mitigation
Market Risk - Foreign exchange		<ul style="list-style-type: none"> <li>i) The Company operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions.</li> <li>ii) Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the company's functional currency (INR).</li> <li>iii) The risk is measured through a forecast of highly probable foreign currency cash flows. The Company has a forex management policy which is duly approved by the Board.</li> <li>iv) The objective of the hedges when taken is to minimise the volatility of the INR cash flows of highly probable forecast transactions.</li> </ul>
Market Risk - Interest rate	Foreign currency denominated borrowings	<ul style="list-style-type: none"> <li>i) The Company's main interest rate risk arises from long-term borrowings with variable rates, which exposes the Company to cash flow risk.</li> <li>ii) Company's policy is to maintain most of its borrowings at fixed rate using interest rate swaps. The Company's fixed rate borrowings are carried at amortised cost.</li> <li>iii) Foreign currency borrowings are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.</li> </ul>
Liquidity Risk	Borrowings [Other than soft loans given by Govt. Authorities]	<ul style="list-style-type: none"> <li>i) The Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.</li> <li>ii) The Company prepares a detailed annual operating plans to assess the fund requirements - both short term and long term.</li> <li>iii) Detailed monthwise cash flow forecast is also carried out along with required sensitivities. Based on these factors adequate working capital credit limits are organised in advance.</li> <li>iv) Company has pre-approved credit lines with various banks and these are constantly reviewed and approved by the Board.</li> <li>v) For long term fund requirements, Company targets various options such as rupee term loan, external commercial borrowing, debentures etc.</li> <li>vi) The Company obtains a credit rating for the various borrowing facilities on annual basis. Company constantly monitors the free cashflow from operations to ensure that the borrowing is minimized.</li> </ul>
Credit Risk		<ul style="list-style-type: none"> <li>i) Credit risk primarily arises from cash and cash equivalents, trade receivables and investments carried at amortised cost.</li> <li>ii) The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.</li> <li>iii) To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.</li> <li>iv) It considers available reasonable and supportive forward-looking information (more specifically described below).</li> <li>v) A default on a financial asset is when the counterparty fails to make contractual payments within 180 days of when they fall due. This definition of default is determined by considering the business environment in which the entity operates and other macro-economic factors.</li> </ul>
a.	Cash and Cash Equivalents	Surplus cash is deposited only with banks / financial institutions with a high external credit rating.
b.	Domestic Trade Receivables	<ul style="list-style-type: none"> <li>i) The Company extends credit to the customers and such extension of credit is based on customers' credit worthiness, ability to repay and past track record.</li> <li>ii) The Company has extensive reporting systems and review to constantly monitor the receivables.</li> </ul>
c.	Export Trade Receivables	The Company's export customers are Original Equipment Manufacturers with high credit rating. Export receivables are also covered through Insurance with Export Credit Guarantee Corporation of India Limited.



## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

#### 31 FINANCE RISK MANAGEMENT – (continued)

Risk	Exposure arising from	Risk Parameters and Mitigation
Export trade receivables and Import Payables		i) The Company has a forex management policy duly approved by the Board. The Company's policy is to hedge most of its net currency exposure. ii) Company reviews the forex exposure on a regular basis and also reports its adherence to the Board on a quarterly basis. The recording and reporting requirements are strictly adhered.
Foreign currency denominated borrowings		The Company has hedged its borrowings by covering the principal repayments.

#### (A) Credit risk

Basis of recognition of expected credit loss & providing for such loss

Rating	Category	Description of category	Investments	Loans and deposits	Trade receivables
1	High Quality assets, negligible credit risk	Assets where the counter-party has strong capacity to meet the obligations and where the risk of default is negligible or nil.	12 month expected credit losses		Life time expected credit losses (simplified approach)
2	Quality assets, low credit risk	Assets where there is low risk of default and where the counter-party has sufficient capacity to meet the obligations and where there has been low frequency of defaults in the past.			
3	Standard Assets, moderate credit risk	Assets where the probability of default is considered moderate and where the counter-party's capacity to meet the obligations is not strong.			
4	Substandard Assets, relatively high credit risk	Assets where there has been a significant increase in credit risk since initial recognition.	Life time expected credit losses		
5	Low quality assets, very high credit risk	Assets where there is a high probability of default. Also includes assets where the credit risk of counter-party has increased significantly though payments may not be more than 180 days past due.			
6	Doubtful assets, credit impaired	Assets are written off when there is no reasonable expectation of recovery, such as a debtor declaring bankruptcy or failing to engage in a repayment plan with the Company. Where loans or receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in statement of profit and loss.	Asset is written off		

31-Mar-17

a) Expected credit loss for investments, loans and other financial assets

(Rupees in crores)

Particulars	Internal rating	Asset/Asset group	Gross carrying amount	Expected probability of default	Expected credit loss	Carrying amount net of impairment provision
Loss allowance measured at 12 month expected credit loss	1	Investments at amortised cost	8.80	–	–	8.80
	1	Other financial assets	12.89	–	–	12.89

b) Expected credit loss for trade receivables under simplified approach

Particulars	0 to 180 days past due	More than 180 days past due	Total
Gross carrying amount	171.10	0.48	171.58
Expected loss rate	–	100%	–
Expected credit losses	–	0.48	0.48
Carrying amount of trade receivables	171.10	–	171.10

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

(Rupees in crores)

#### 31 FINANCE RISK MANAGEMENT – (continued)

31-Mar-16

a) Expected credit loss for investments, loans and other financial assets

Particulars	Internal rating	Asset/Asset group	Gross carrying amount	Expected probability of default	Expected credit loss	Carrying amount net of impairment provision
Loss allowance measured at 12 month expected credit loss	1	Investments at amortised cost	3.29	–	–	3.29
	1	Other financial assets	17.60	–	–	17.60

b) Expected credit loss for trade receivables under simplified approach

Particulars	0 to 180 days past due	More than 180 days past due	Total
Gross carrying amount	188.23	2.16	190.39
Expected loss rate	–	100%	–
Expected credit losses	–	2.16	2.16
Carrying amount of trade receivables	188.23	–	188.23

01-Apr-15

a) Expected credit loss for investments, loans and other financial assets

Particulars	Internal rating	Asset/Asset group	Gross carrying amount	Expected probability of default	Expected credit loss	Carrying amount net of impairment provision
Loss allowance measured at 12 month expected credit loss	1	Investments at amortised cost	3.04	–	–	3.04
	1	Other financial assets	9.51	–	–	9.51

b) Expected credit loss for trade receivables under simplified approach

Particulars	0 to 180 days past due	More than 180 days past due	Total
Gross carrying amount	170.77	2.57	173.34
Expected loss rate	–	100%	–
Expected credit losses	–	2.57	2.57
Carrying amount of trade receivables	170.77	–	170.77

Reconciliation of loss allowance provision - Trade receivables

Loss allowance April 1, 2015	2.57
Changes in loss allowance	0.41
Loss allowance March 31, 2016	2.16
Changes in loss allowance	1.68
Loss allowance March 31, 2017	0.48

#### (B) Liquidity risk

(i) Financing arrangements

The Company had access to the following undrawn borrowing facilities at the end of the reporting period:

	31 March, 2017	31 March, 2016	1 April, 2015
Floating rate - Expiring within one year (bank overdraft and other facilities)	523.84	466.93	377.19

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time in INR and have an average maturity ranging from 30 to 180 days.

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

(Rupees in crores)

#### 31 FINANCE RISK MANAGEMENT – (continued)

(ii) Maturities of financial liabilities

The tables below analyse the company's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- a) all non-derivative financial liabilities, and
- b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

31-Mar-17

Contractual Maturities of Financial Liabilities	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
Borrowings	158.27	6.49	71.34	119.64	–	355.74
Trade payables	182.93	–	–	–	–	182.93
Other financial liabilities	6.43	4.33	8.65	–	–	19.41
Derivatives	3.25	–	–	4.03	–	7.28

31-Mar-16

Contractual Maturities of Financial Liabilities	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
Borrowings	188.34	72.74	11.68	98.25	–	371.01
Trade payables	157.42	–	–	–	–	157.42
Other financial liabilities	7.29	4.35	8.71	–	–	20.35
Derivatives	0.65	–	–	0.66	–	1.31

01-Apr-15

Contractual Maturities of Financial Liabilities	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
Borrowings	239.76	16.32	20.02	105.83	–	381.93
Trade payables	127.63	–	–	–	–	127.63
Other financial liabilities	6.64	4.39	8.77	–	–	19.80
Derivatives	0.08	–	–	0.18	–	0.26

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

#### (C) Market risk

##### i) Foreign exchange risk

The Company's exposure to foreign currency risk at the end of the reporting period expressed in INR, are as follows:

Particulars	31-03-2017		31-03-2016		01-04-2015	
	USD	EUR	USD	EUR	USD	EUR
<b>Financial assets</b>						
Trade receivables	49.51	30.14	46.68	37.20	60.09	21.94
Derivatives	1.95	1.25	4.63	0.20	0.33	6.60
Exposure to foreign currency risk (assets)	51.46	31.39	51.31	37.40	60.42	28.54
<b>Financial liabilities</b>						
Foreign currency loan	180.49	–	145.12	–	63.71	–
Trade payables	61.25	15.41	62.40	1.56	49.86	2.47
Derivatives	7.28	–	0.71	0.60	0.18	0.08
Exposure to foreign currency risk (liabilities)	249.02	15.41	208.23	2.16	113.75	2.55
Net Exposure to foreign currency risk assets / (liabilities)	(197.56)	15.98	(156.92)	35.24	(53.33)	25.99

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

(Rupees in crores)

#### 31 FINANCE RISK MANAGEMENT – (continued)

##### Sensitivity

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments

Particulars	Impact on profit after tax*		Impact on other components of equity*	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
USD sensitivity				
INR/USD Increases by 10%	(17.63)	(13.92)	0.04	(0.04)
INR/USD Decreases by 10%	17.63	13.92	(0.04)	0.04
EURO sensitivity				
INR/EURO Increases by 10%	1.42	3.14	0.01	(0.01)
INR/EURO Decreases by 10%	(1.42)	(3.14)	(0.01)	0.01

\* Holding all other variables constant

##### ii) Interest Rate risk

For short term borrowings the marginal cost of lending rate of the bank is followed. In respect of foreign currency borrowings for longer period, the interest rates are covered through interest rate swaps (IRS).

Particulars	31 March 2017	31 March 2016	01 April 2015
Variable rate borrowings	167.78	221.36	311.15
Fixed rate borrowings	182.45	147.73	65.77

Sensitivity	Impact on profit after tax	
	31 March 2017	31 March 2016
Increase in interest rates by 100 bps	(1.49)	(1.97)
Decrease in interest rates by 100 bps	1.49	1.97

##### iii) Price risk

The company's exposure to equity securities price risk arises from investments held by the Company and classified in the balance sheet either as fair value through other comprehensive income or at fair value through profit or loss. To manage its price risk from investments in equity securities, the Company diversifies its portfolio. The impact of the changes in price risk is not material.

#### (D) Impact of hedging activities

- i) Disclosure of effects of hedge accounting on financial position
- a) Disclosure of effects of hedge accounting on financial position as at 31-03-2017

Type of hedge and risks	Nominal value		Carrying amount of hedging instrument		Maturity Date	Changes in fair value of hedging instrument	Changes in the value of hedged item used as the basis for recognising hedge effectiveness
	Assets	Liabilities	Assets	Liabilities			
Foreign exchange forward contracts	72.74	38.64	2.32	0.71	Apr'17 to Jul'17	1.77	(1.77)
Principal only swaps & Interest rate swaps	–	184.63	0.87	6.57	Apr'17 to Mar'22	(9.39)	9.39

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

(Rupees in crores)

#### 31 FINANCE RISK MANAGEMENT – (continued)

b) Disclosure of effects of hedge accounting on financial position as at 31-03-2016

Type of hedge and risks	Nominal value		Carrying amount of hedging instrument		Maturity Date	Changes in fair value of hedging instrument	Changes in the value of hedged item used as the basis for recognising hedge effectiveness
	Assets	Liabilities	Assets	Liabilities			
Foreign exchange forward contracts	80.18	17.93	0.49	0.65	Apr'16 – Mar'17	(6.71)	6.71
Principal only swaps & Interest rate swaps	–	140.77	4.35	0.66	Apr'16 – Mar'19	3.57	(3.57)

c) Disclosure of effects of hedge accounting on financial position as at 01-04-2015

Type of hedge and risks	Nominal value		Carrying amount of hedging instrument		Maturity Date	Changes in fair value of hedging instrument	Changes in the value of hedged item used as the basis for recognising hedge effectiveness
	Assets	liabilities	Assets	liabilities			
Foreign exchange forward contracts	96.82	1.42	6.63	0.08	Apr'15 - Mar'16	NA	NA
Principal only swaps & Interest rate swaps	–	61.87	0.30	0.18	Apr'15 - Aug'16	NA	NA

ii) Disclosure of effects of hedge accounting on financial performance :

a) for the year 31-03-2017

Type of hedge	Change in the value of hedging instrument recognised in other comprehensive income	Hedge ineffectiveness recognised in statement of profit and loss	Amount reclassified from cash flow hedging reserve to statement of profit and loss	Line item affected in statement of profit and loss because of the reclassification
Cash flow hedge : Foreign exchange forward contracts & IRS	1.18	–	–	–

b) for the year 31-03-2016

Type of hedge	Change in the value of hedging instrument recognised in other comprehensive income	Hedge ineffectiveness recognised in statement of profit and loss	Amount reclassified from cash flow hedging reserve to statement of profit and loss	Line item affected in statement of profit and loss because of the reclassification
Cash flow hedge : Foreign exchange forward contracts & IRS	(0.61)	–	–	–

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

(Rupees in crores)

#### 31 FINANCE RISK MANAGEMENT – (continued)

Movements in Cash flow hedging reserve

Particulars	Forward contracts	Interest rate swap	Total
Opening balance as at April 1, 2015	–	–	–
Change in fair value of hedging instruments	(0.11)	(0.50)	(0.61)
Reclassification to statement of profit and loss	–	–	–
Deferred tax on the above	0.04	0.17	0.21
<b>Closing balance as at March 31, 2016</b>	<b>(0.07)</b>	<b>(0.33)</b>	<b>(0.40)</b>
Opening balance as at April 1, 2016	(0.07)	(0.33)	(0.40)
Change in fair value of hedging instruments	0.19	0.99	1.18
Reclassification to statement of profit and loss	–	–	–
Deferred tax on the above	(0.07)	(0.34)	(0.41)
<b>Closing balance as at March 31, 2017</b>	<b>0.05</b>	<b>0.32</b>	<b>0.37</b>

#### 32 CAPITAL MANAGEMENT

##### (a) Risk management

The company's objectives when managing capital are

- to safeguard its status as a going concern
- to ensure returns to shareholders
- to ensure benefits to stakeholders

In order to maintain optimum capital structure, the board may

- increase the capital by fresh issue of shares or
- reduce the same by return to equity holders
- vary the equity by increasing or reducing the quantum of dividend

Consistent with others in the industry, the Company monitors capital on the basis of the following gearing ratio:

Net debt divided by total equity

Gearing ratio refers to the level of a company's debt compared to its total equity.

The company's strategy is to maintain an optimum gearing ratio. The gearing ratios were as follows:

Particulars	March 31, 2017	March 31, 2016	April 1, 2015
Net debt	354	368	377
Total equity	612	503	457
<b>Debt to equity ratio</b>	<b>58%</b>	<b>73%</b>	<b>83%</b>

##### (b) Dividends

Particulars	March 31, 2017	March 31, 2016
Equity shares:		
Third interim dividend paid for the year ended 31.03.2015 (Rs.6.00 / share)	–	12.14
First Interim dividend paid for the year ended 31.03.2016 (Rs.21.00 / share)	–	42.49
Second Interim dividend paid for the year ended 31.03.2016 (Rs.20.00 / share)	–	40.46
First Interim dividend paid for the year ended 31.03.2017 (Rs.15.00 / share)	30.35	–
Second Interim dividend paid for the year ended 31.03.2017 (Rs.16.50 / share)	33.38	–

**Notes to Financial Statements - (continued)**

**33 FIRST-TIME ADOPTION OF IND AS**

**Transition to Ind AS**

These are the Company's first financial statements prepared in accordance with Ind AS.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31<sup>st</sup> March 2017, the comparative information presented in these financial statements for the year ended 31<sup>st</sup> March 2016 and in the preparation of an opening Ind AS balance sheet at 1<sup>st</sup> April 2015 (The company's date of transition).

An explanation of how the transition from GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows is set out below.

**A. Exemptions and exceptions availed**

Set out below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from GAAP to Ind AS.

**1. Deemed cost - Property, plant & equipments and Intangible Assets**

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the GAAP and use that as its deemed cost as at the date of transition. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets.

Accordingly, the Company has chosen to retain the cost of the Property, plant & equipment and intangible assets at their GAAP value.

**2. Deemed cost - Equity Investments**

Ind AS 101 permits first-time adopter to elect to measure the investments in subsidiaries, associates and joint venture at cost determined in accordance with Ind AS 27 or deemed cost. Deemed cost for the purpose of transition shall mean fair value of the investment at the entity's date of transition to Ind AS or GAAP carrying amount at that date (GAAP cost). A first-time adopter may choose either Fair Value or GAAP carrying amount in each subsidiary, joint venture or associate that it elects to measure using a deemed cost.

Accordingly, the Company has elected to measure equity investments in subsidiaries and associates at GAAP carrying cost.

**3. Designation of previously recognised financial instruments**

Ind AS 101 allows an entity to designate investments in equity instruments either through Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Statement of Profit and Loss (FVTPL) on the basis of the facts and circumstances at the date of transition to Ind AS. The Company has elected to route the fair value gains / (losses) through FVOCI for its investment in equity investments.

**4. Leases**

Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. Ind AS 101 provides an option to make this assessment on the basis of facts and circumstances existing at the date of transition to Ind AS, except where the effect is expected to be not material. The company has elected to apply this exemption for such contracts / arrangements.

**B. Mandatory Exemptions**

**1. Estimates**

An entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with GAAP (after adjustments to reflect any difference in accounting policies), unless there is unassailable evidence that those estimates were in error. Ind AS estimates as at 1<sup>st</sup> April 2015 are consistent with the estimates as at the same date made in conformity with GAAP. The Company made estimates for following items in accordance with Ind AS at the date of transition as these were not required under GAAP:

- (i) Investments in equity instruments carried at FVOCI.
- (ii) Investments in debt instruments carried at FVTPL / Amortised Cost.
- (iii) Impairment of financial assets based on Expected Credit Loss Model.
- (iv) Fair valuation of other financial assets and liabilities in accordance with IND AS 109.

**2. Hedge Accounting**

Hedge accounting can only be applied prospectively from the transition date to transactions that satisfy the hedge accounting criteria in Ind AS 109, at that date. Hedging relationships cannot be designated retrospectively, and the supporting documentation cannot be created retrospectively. As a result, only hedging relationships that satisfied the hedge accounting criteria as of 1<sup>st</sup> April 2015 are reflected as hedges in the Company's results under Ind AS.

On date of transition to Ind AS, the entity had assessed that all the designated hedging relationship qualifies for hedge accounting as per Ind AS 109. Consequently, the Company continues to apply hedge accounting on and after the date of transition to Ind AS.

**3. Classification and measurement of financial assets**

Ind AS 101 requires an entity to assess classification and measurement of financial assets (investment in debt instruments) on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

### Notes to Financial Statements - (continued)

#### C. Notes to first-time adoption

##### 1. Remeasurements of post-employment benefit obligations

Under Ind AS, remeasurements i.e. actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income. Under the GAAP, these remeasurements were forming part of the statement of profit and loss for the year. As a result of this change, the profit for the year ended 31<sup>st</sup> March 2016 increased by Rs.3.75 Crores. There is no impact on the total equity as at 31<sup>st</sup> March 2016.

##### 2. Security Deposits

Under GAAP, interest free lease security deposits (that are refundable in cash on completion of the lease term) are recorded at their transaction value. Under Ind AS, all financial assets are required to be recognised at fair value. Accordingly, the Company has fair valued these security deposits under Ind AS. Difference between the fair value and transaction value of the security deposit has been recognised as prepaid rent.

##### 3. Lease hold land

Under GAAP, leasehold land was disclosed as part of Property, plant & equipment and amortization was claimed. Under Ind AS, the lease of land is treated as an operating lease and consequently the unamortised portion of upfront payment for lease of land has been treated as a prepayment.

##### 4. Borrowings

Under GAAP, transaction fees on borrowings were charged off to expense during availment of loan. Under Ind AS, the transaction cost is required to be deducted from the carrying amount of the borrowings on the initial recognition. These costs are recognised in the statement of profit and loss over the tenor of the borrowing as part of the interest expense by applying the Effective Interest Rate method.

##### 5. Proposed dividend

Under GAAP, dividends proposed by the board of directors after the balance sheet date but before the approval of the financial statements were considered as recognisable events. Accordingly, provision for proposed dividend was recognised as a liability. Under Ind AS, such dividends are recognised when the same is approved by the shareholders in the general meeting. Accordingly, the liability for the interim dividend of 1<sup>st</sup> April 2015 (Rs.12.14 Crs) included under provisions have been reversed and correspondingly retained earnings have increased. Consequently, the total equity increased by an equivalent amount.

##### 6. Excise duty

Under GAAP, revenue from sale of products was presented exclusive of excise duty. Under Ind AS, revenue from sale of goods is presented inclusive of excise duty. The excise duty paid is included in the statement of profit and loss as part of expenses. This change has resulted in an increase in total revenue and total expenses for the year ended 31<sup>st</sup> March 2016 by Rs.110.20 Crs. There is no impact on the total equity and profit.

##### 7. Other Comprehensive Income

Under Ind AS, all items of income and expense recognised in a period should be included in the statement of profit and loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in statement of profit and loss but are shown in the statement of profit and loss as 'Other Comprehensive Income' includes remeasurements of defined benefit plans, effective portion of gains and losses on cash flow hedging instruments and fair value gains or (losses) on FVOCI equity instruments. The concept of other comprehensive income did not exist under GAAP.

##### 8. Investments

Under GAAP, investments in equity instruments and mutual funds were classified as long term investments and carried at cost less provision for permanent decline in value of such investments. Under Ind AS these instruments are required to be measured at fair value. Equity instruments are fair valued through other comprehensive income. Preference shares are fair valued through statement of profit and loss.

##### 9. Hedging

Under GAAP, discount / premium on forward contracts were amortised over the tenor of forward contract. Under Ind AS, the company is required to designate hedge as fair value hedge or cashflow hedge. Fair value hedges are hedges of the fair value of recognised assets or liabilities or a firm commitment & cash flow hedges are hedges of a particular risk associated with the cash flows of highly probable forecast transactions. Accordingly, resulting gain or loss on an effective cash flow hedge has been adjusted in other comprehensive income and in case of fair value hedge or an ineffective cash flow hedge the gain or loss has been taken to statement of profit and loss.

##### 10. Deferred Tax

Deferred tax have been recognised on the adjustments made on transition to Ind AS.



## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

(Rupees in crores)

#### 34 RECONCILIATION BETWEEN GAAP AND IND AS

##### I) Reconciliation of total equity as at March 31, 2016 and April 01, 2015

Particulars	March 31, 2016	April 01, 2015
Total equity (shareholder's funds) as per GAAP	431.20	374.61
Adjustments:		
Valuation of Investments at Fair Value (Refer Note 1 below)	71.31	71.40
Proposed Dividend	-	12.14
Impact of Derivatives	3.78	0.20
Measurement of Financial assets / liabilities at amortised cost	0.52	(0.43)
Tax adjustments	(3.70)	(1.32)
<b>Total adjustments</b>	<b>71.91</b>	<b>81.99</b>
<b>Total equity as per Ind AS</b>	<b>503.11</b>	<b>456.60</b>

##### II) Reconciliation of total comprehensive income for the year ended March 31, 2016

Profit after tax as per GAAP	139.60
Adjustments:	
Actuarial Loss / (Gain ) on Employee defined benefit plans recognised in other comprehensive income	3.75
Increase in fair value of investments	0.50
Impact of derivatives	4.18
Measurement of financial assets / liabilities at amortised cost	0.06
Tax on above	(3.65)
<b>Total adjustments</b>	<b>4.84</b>
Profit after tax as per Ind AS	144.44
Other comprehensive income (net of tax)	(2.78)
<b>Total comprehensive income as per Ind AS</b>	<b>141.66</b>

##### III) Impact of Ind AS adoption on cash flow statement

Particulars	GAAP	Adjustments	Ind AS
Net cashflow from operating activities	130.81	(1.39)	129.42
Net cashflow from investing activities	2.15	(3.70)	(1.55)
Net cashflow from financing activities	(57.96)	4.87	(53.09)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>75.00</b>	<b>(0.22)</b>	<b>74.78</b>
<b>Cash and cash equivalents as at April 1, 2015</b>	<b>(138.61)</b>	<b>(1.24)</b>	<b>(139.85)</b>
<b>Cash and cash equivalents as at March 31, 2016</b>	<b>(63.61)</b>	<b>(1.46)</b>	<b>(65.07)</b>

##### Note 1 :

- i) As per Ind AS 101, the Company has elected to measure equity investments in subsidiaries and associates at carrying cost under GAAP which is considered as Deemed Cost.
- ii) The terms of issue of Preference shares held by the Company in TVS Motor Services Limited (TVSMS), Chennai contain an option to receive appropriate number of equity shares of TVS Credit Services Limited (TVSCS), Chennai [subsidiary of TVSMS] in lieu of redemption. Accordingly, the preference shares are treated as Debt and fair valued.
- iii) In respect of other listed equity investments, these are fair valued and remeasured at each Balance sheet date and the changes in fair value are reflected in other comprehensive income.

Company name	Cost as per GAAP	Fair value as at 01.04.2015
<b>Subsidiaries:</b>		
TVS Motor Company Limited, Chennai	19.59	19.59
Sundaram-Clayton (USA) Limited, Illinois, USA	-	-
Sundaram Holding USA Inc., Delaware, USA	-	-
<b>Associates:</b>		
TVS Training and Services Limited, Chennai	2.00	2.00
Sundram Non Conventional Energy Systems Limited, Chennai	0.12	0.12

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

(Rupees in crores)

#### 34 RECONCILIATION BETWEEN GAAP AND IND AS – (continued)

Company name	Cost as per GAAP	Fair value as at 01.04.2015
<b>Preference shares:</b>		
TVS Motor Services Limited, Chennai	10.00	14.27
<b>Other Equity instruments:</b>		
Suprajit Engineering Limited, Bengaluru	0.43	74.92
Harita Seating Systems Limited, Chennai	0.04	0.12
Green Infra BTV Limited, New Delhi	4.50	4.50
Sai Regency Power Corporation Private Limited, Chennai	0.38	0.38
<b>Other investments:</b>		
TVS Shriram Growth fund Scheme 1A of TVS Capital Funds Limited, Chennai	8.55	10.60
TVS Shriram Growth fund Scheme 1B of TVS Capital Funds Limited, Chennai	3.00	3.17
ICICI Prudential Life Insurance Company Limited, Mumbai	4.45	1.07
Life Insurance Corporation of India, Chennai	8.25	1.97
<b>Total</b>	<b>61.31</b>	<b>132.71</b>
Fair value gain / (loss) through Other Comprehensive Income		76.79
Fair value gain / (loss) through Statement of Profit and Loss		(5.39)
<b>Total</b>		<b>71.40</b>

#### 35 OTHER DISCLOSURES

##### (i) Contingent liabilities

Details	31 <sup>st</sup> March 2017	31 <sup>st</sup> March 2016	01 <sup>st</sup> April 2015
(i) Claims against the company not acknowledged as debt			
Income tax	6.53	5.83	8.35
Excise duty	–	0.06	0.22
Service tax	1.89	5.72	5.75
Value Added Tax	0.16	0.16	–
Others	0.51	0.70	0.84
(ii) Guarantees excluding financial guarantees	6.62	6.65	7.72
(iii) Other money for which the company is contingently liable (includes uncalled money of Rs.3,675 on partly paid shares of Adyar Property Holding Company Limited, Chennai)	78.31	119.44	110.80
<b>Total</b>	<b>94.02</b>	<b>138.56</b>	<b>133.68</b>

##### (ii) Capital commitments

Details	31 <sup>st</sup> March 2017	31 <sup>st</sup> March 2016	01 <sup>st</sup> April 2015
(i) Estimated amount of contract remaining to be executed on capital account and not provided for	33.45	33.66	10.57
(ii) Investments	–	–	4.50

##### (iii) Rental expenses relating to operating Lease

Details	31 <sup>st</sup> March 2017	31 <sup>st</sup> March 2016
Minimum lease payments		
- Not later than one year	22.21	22.93
- Later than one year and not later than five years	27.47	49.67
- Later than five years	–	0.06
<b>Total</b>	<b>49.68</b>	<b>72.66</b>

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

(Rupees in crores)

#### 35 OTHER DISCLOSURES – (continued)

(iv) Audit Fees

Details	31 <sup>st</sup> March 2017	31 <sup>st</sup> March 2016
As statutory auditors	0.36	0.32
Taxation matters	0.06	0.06
Certification matters	0.03	0.03
Other services	0.20	0.18
<b>Total</b>	<b>0.65</b>	<b>0.59</b>

(v) Expenditure incurred on Corporate Social Responsibility activities:

Details	31 <sup>st</sup> March 2017	31 <sup>st</sup> March 2016
(a) Gross amount required to be spent by the Company during the year	0.80	0.46
(b) Amount spent during the year in cash:		
(i) Construction / acquisition of any asset	–	–
(ii) On purposes other than (i) above	0.85	0.47

(vi) Exceptional income represents profit from sale of land.

(vii) Segment Reporting:

This disclosure is given as part of consolidated accounts.

Details	31 <sup>st</sup> March 2017	31 <sup>st</sup> March 2016
Trade payables include amount due to micro and small scale industrial units	2.95	2.19
<b>Disclosure under Micro, Small and Medium Enterprises Development Act, 2006</b>	<b>31<sup>st</sup> March 2017</b>	<b>31<sup>st</sup> March 2016</b>
(i) The principal amount and interest due thereon remaining unpaid to any supplier at the end of each accounting year:		
a) Principal (all are within agreed credit period and not due for payment)	2.95	2.19
b) Interest (as no amount is overdue)	Nil	Nil
(ii) The amount of interest paid by the buyer in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amount of payment made to the supplier beyond the appointed day during each accounting year.	Nil	Nil
(iii) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil
(iv) The amount of interest accrued and remaining unpaid at the end of each accounting year.	Nil	Nil
(v) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as deductible expenditure under Section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil

Details	31 <sup>st</sup> March 2017	31 <sup>st</sup> March 2016
(ix) Research and development expenditure incurred and claimed under Income Tax Act, 1961		
a) Revenue Expenditure		
Salaries & wages	5.05	4.65
Materials / consumables / spares	0.02	0.02
Repairs and maintenance	0.04	0.04
Software / data processing	0.35	1.15
Foreign and inland travel	0.02	0.22
Administrative and other expenses	0.03	0.06
Power	0.28	0.29
<b>Total - A</b>	<b>5.79</b>	<b>6.43</b>
b) Capital expenditure		
Plant & Equipment (included in total cost of additions of Rs. 91.77 Cr under Plant and Equipment)	7.52	1.25
Others	0.30	0.17
<b>Total - B</b>	<b>7.82</b>	<b>1.42</b>
<b>Total expenditure (A + B)</b>	<b>13.61</b>	<b>7.85</b>

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

#### 36 RELATED PARTY DISCLOSURES

##### LIST OF RELATED PARTIES

a) Reporting entity	Sundaram-Clayton Limited, Chennai (SCL)
b) Holding Company	T V Sundram Iyengar & Sons Private Limited, Madurai
c) Subsidiary companies	(i) TVS Motor Company Limited, Chennai (TVSM) (ii) Sundaram Auto Components Limited, Chennai - Subsidiary of TVSM (iii) TVS Housing Limited, Chennai - Subsidiary of TVSM (iv) Sundaram-Clayton (USA) Limited, Illinois, USA (v) TVS Motor (Singapore) Pte. Limited, Singapore - (TVSM Singapore) - Subsidiary of TVSM (vi) PT TVS Motor Company Indonesia, Jakarta - Subsidiary of TVSM Singapore (vii) TVS Motor Company (Europe) B.V. Amsterdam - (TVSM Europe) - Subsidiary of TVSM (viii) Sundaram Holding USA.Inc., Delaware USA (ix) Green Hills Land holding LLC, South Carolina, USA (x) Component Equipment Leasing LLC, South Carolina, USA (xi) Workspace Project LLC, South Carolina, USA (xii) Premier Land Holding LLC, South Carolina, USA
	Other related parties and their relationship where transaction exists
d) Fellow Subsidiaries	(i) TVS Electronics Limited, Chennai (ii) TVS Capital Funds Limited, Chennai (iii) TVS Investments Limited, Chennai
e) Group member	(i) Sundram Fasteners Limited, Chennai (ii) Delphi TVS Diesel Systems Limited, Chennai (iii) India Nippon Electricals Limited, Chennai (iv) TVS Logistics Services Limited, Chennai (v) Harita Techserv Limited, Chennai (vi) Sundaram Brake Linings Limited, Chennai (vii) TVS Autoserv GmbH, Germany (viii) TVS Dynamic Global Freight Services Limited, Chennai (ix) Green Infra Wind Energy Theni Limited, New Delhi
f) Associate companies	(i) Sundram Non-Conventional Energy Systems Limited, Chennai (ii) Emerald Haven Realty Limited, Chennai (iii) TVS Training and Services Limited, Chennai
g) Key management personnel(KMP)	(i) Mr Venu Srinivasan, Chairman and Managing director (ii) Dr . Lakshmi Venu, Joint Managing Director (iii) Mr Sudarshan Venu, Joint Managing Director
h) Relative of KMP	Mrs. Mallika Srinivasan
i) Enterprise over which KMP have significant influence	Harita-NTI Limited, Chennai

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

#### 36 RELATED PARTY DISCLOSURES - (continued)

##### Related party transactions

(Rupees in crores)												
Sl. No	Nature of transactions	Name of the Company	Holding Company	Subsidiaries	Fellow Subsidiaries	Associates	Group member	KMP-Significant influence	KMP	Relative of KMP	Total	
1	Purchase of goods	Harita-NTI Limited, Chennai	-	-	-	-	-	2.49	-	-	2.49	
		T V Sundram Iyengar & Sons Pvt Ltd., Madurai	0.43	-	-	-	-	-	-	-	0.43	
			0.43 (0.16)	-	-	-	-	2.49 (3.59)	-	-	2.92 (3.75)	
2	Sale of goods (including sub contract charges)	TVS Motor Company Limited, Chennai	-	329.09	-	-	-	-	-	-	329.09	
		Sundram Fasteners Limited, Chennai	-	-	-	-	1.11	-	-	-	1.11	
		Delphi TVS Diesel Systems Limited, Chennai	-	-	-	-	11.56	-	-	-	11.56	
			-	329.09 (300.59)	-	-	-	12.67 (11.01)	-	-	-	341.76 (311.60)
3	Purchase of power	Sundram Non Conventional Energy Systems Limited, Chennai	-	-	-	0.86	-	-	-	-	0.86	
			-	-	-	0.86	-	-	-	-	0.86	
			-	-	-	(0.62)	-	-	-	-	(0.62)	
4	Rendering of services	TVS Motor Company Limited, Chennai	-	27.07	-	-	-	-	-	-	27.07	
		Sundaram Auto Components Limited, Chennai	-	2.87	-	-	-	-	-	-	2.87	
		TVS Electronics Limited, Chennai	-	-	0.10	-	-	-	-	-	0.10	
		India Nippon Electricals Limited, Chennai	-	-	-	-	0.03	-	-	-	0.03	
		Harita-NTI Limited, Chennai	-	-	-	-	-	0.21	-	-	0.21	
			-	29.94 (27.61)	0.10 (0.07)	-	-	0.03 (0.21)	0.21 (0.21)	-	-	30.28 (27.89)
5	Receiving of services	Sundaram Auto Components Limited, Chennai	-	2.08	-	-	-	-	-	-	2.08	
		Sundaram-Clayton (USA) Limited, Illinois, USA	-	0.08	-	-	-	-	-	-	0.08	
		T V Sundram Iyengar & Sons Pvt Limited, Madurai	0.08	-	-	-	-	-	-	-	0.08	
		TVS Training and Services Limited, Chennai	-	-	-	0.47	-	-	-	-	0.47	
		TVS Motor Company Limited, Chennai	-	1.30	-	-	-	-	-	-	1.30	
		TVS Electronics Limited, Chennai	-	-	1.03	-	-	-	-	-	1.03	
		TVS Logistics Services Limited, Chennai	-	-	-	-	2.02	-	-	-	2.02	
		Harita Techserv Limited, Chennai	-	-	-	-	0.12	-	-	-	0.12	
		Sundaram Brake Linings Limited, Chennai	-	-	-	-	0.02	-	-	-	0.02	
		TVS Dynamic Global Freight Services Limited, Chennai	-	-	-	-	12.55	-	-	-	12.55	
		TVS Autoserv GmbH, Germany	-	-	-	-	4.97	-	-	-	4.97	
		Sundram Fasteners Limited, Chennai	-	-	-	-	0.80	-	-	-	0.80	
			0.08 (0.05)	3.46 (2.45)	1.03 (0.93)	0.47 (0.53)	20.48 (34.96)	-	-	-	-	25.52 (38.92)

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

#### 36 RELATED PARTY DISCLOSURES - (continued)

##### Related party transactions - (continued)

(Rupees in crores)

Sl. No	Nature of transactions	Name of the Company	Holding Company	Subsidiaries	Fellow Subsidiaries	Associates	Group member	KMP-Significant influence	KMP	Relative of KMP	Total	
6	Lease rent paid	Sundaram Auto Components Limited, Chennai	-	0.01	-	-	-	-	-	-	0.01	
	Lease rent received	Sundram Non-Conventional Energy Systems Limited, Chennai - Rs.48,000	-	-	-	-	-	-	-	-	-	
			-	0.01	-	-	-	-	-	-	0.01	
			-	(0.01)	-	-	-	-	-	-	(0.01)	
7	Remuneration paid	Key Management Personnel	-	-	-	-	-	-	7.21	-	7.21	
			-	-	-	-	-	-	(6.42)	-	(6.42)	
8	Investments made	Sundaram Holding USA Inc., USA	-	11.35	-	-	-	-	-	-	11.35	
			-	-	-	(0.76)	-	-	-	-	(0.76)	
9	Dividend received	Sundram Non-Conventional Energy Systems Limited, Chennai	-	-	-	0.35	-	-	-	-	0.35	
		TVS Capital Funds Limited, Chennai	-	-	0.10	-	-	-	-	-	0.10	
		TVS Motor Company Limited, Chennai	-	68.17	-	-	-	-	-	-	-	68.17
			-	68.17	0.10	0.35	-	-	-	-	-	68.62
			-	(99.53)	-	(0.24)	-	-	-	-	(99.77)	
10	Outstanding as on 31 <sup>st</sup> March 2017 Receivables	TVS Motor Company Limited, Chennai	-	27.46	-	-	-	-	-	-	27.46	
		Sundaram Auto Components Limited, Chennai	-	0.54	-	-	-	-	-	-	-	0.54
		TVS Investments Limited, Chennai (Rs.5,725)	-	-	-	-	-	-	-	-	-	-
		Sundaram Fasteners Limited, Chennai	-	-	-	-	0.14	-	-	-	-	0.14
		Delphi TVS Diesel Systems Limited, Chennai	-	-	-	-	2.59	-	-	-	-	2.59
		Harita-NTI Limited, Chennai	-	-	-	-	-	0.05	-	-	-	0.05
		Green Infra Wind Energy Theni Limited, New Delhi (Rs.11,368)	-	-	-	-	-	-	-	-	-	-
		India Nippon Electricals Limited, Chennai	-	-	-	-	0.01	-	-	-	-	0.01
		TVS Electronics Limited, Chennai	-	-	0.05	-	-	-	-	-	-	0.05
					-	28.00	0.05	-	2.74	0.05	-	-
			-	(33.30)	-	(0.13)	(2.82)	-	-	-	(36.25)	
11	Outstanding as on 31 <sup>st</sup> March 2017 Payables	TVS Electronics Limited, Chennai	-	-	0.15	-	-	-	-	-	0.15	
		TVS Motor Company Limited, Chennai	-	0.18	-	-	-	-	-	-	-	0.18
		Sundaram Auto Components Limited, Chennai	-	0.44	-	-	-	-	-	-	-	0.44
		T V Sundram Iyengar & Sons Private Limited, Madurai	0.01	-	-	-	-	-	-	-	-	0.01
		TVS Training and Services Limited, Chennai	-	-	-	0.04	-	-	-	-	-	0.04
		Sundram Non-Conventional Energy Systems Limited, Chennai	-	-	-	0.05	-	-	-	-	-	0.05
		TVS Logistics Services Limited, Chennai	-	-	-	-	0.36	-	-	-	-	0.36
		TVS Autoserv GmbH, Germany	-	-	-	-	1.19	-	-	-	-	1.19
		Sundaram Fasteners Limited, Chennai	-	-	-	0.10	-	-	-	-	-	0.10
		TVS Dynamic Global Freight Services Limited, Chennai	-	-	-	-	2.31	-	-	-	-	2.31
		Harita Techserv Limited, Chennai	-	-	-	-	0.03	-	-	-	-	0.03
		Harita-NTI Limited, Chennai	-	-	-	-	-	0.28	-	-	-	0.28
		Key Management Personnel	-	-	-	-	-	-	3.78	-	-	3.78
					0.01	0.62	0.15	0.19	3.89	0.28	3.78	-
			(0.01)	-	(0.07)	(0.04)	(5.75)	(0.25)	(3.78)	-	(9.90)	

Previous year's figures are furnished in brackets

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

(Rupees in crores)

#### 37 DISCLOSURE MADE IN TERMS OF REGULATION 34(3) OF SEBI (LODR) REGULATIONS, 2015

	Particulars	Name of the Company		Amount outstanding as on 31-03-2017	Amount outstanding as on 31-03-2016
a)	Loans and advances				
(i)	Loans and advances in the nature of loans made to subsidiary company	NIL		-	-
(ii)	Loans and advances in the nature of loans made to associate company	NIL		-	-
(iii)	Loans and advances in the nature of loans where there is				
1)	no repayment schedule or repayment beyond seven years (or)	NIL		-	-
2)	no interest or interest below section 186 of the Companies Act, 2013	NIL		-	-
(iv)	Loans and advances in the nature of loans made to firms/companies in which directors of the company are interested	NIL		-	-
b)	Investments by the company				
(i)	In subsidiary companies	TVS Motor Company Limited, Chennai (27,26,82,786 equity shares of Re.1/- each fully paid up)		19.59	19.59
		Maximum amount held at any time			
		During the year	19.59		
		During the previous year	19.59		
		Sundaram-Clayton (USA) Limited, Chicago, Illinois, USA (100 equity shares of USD 1 each fully paid up)		0.001	0.001
		Maximum amount held at any time			
		During the year	0.001		
		During the previous year	0.001		
		Sundaram Holding USA Inc., Delaware USA (16,93,682 (last year - 250) Equity Shares of USD-1 each fully paid-up)		11.36	0.002
		Maximum amount held at any time			
		During the year	11.36		
		During the previous year	0.002		
(ii)	In associate companies	Sundram Non-conventional Energy Systems Limited, Chennai (1,17,650 Equity shares of Rs.10/- each fully paid-up)		0.12	0.12
		Maximum amount held at any time			
		During the year	0.12		
		During the previous year	0.12		
		TVS Training & Services Limited, Chennai (27,63,359 Equity shares of Rs.10/- each fully paid-up)		2.76	2.76
		Maximum amount held at any time			
		During the year	2.76		
		During the previous year	2.76		

## Sundaram-Clayton Limited

### Notes to Financial Statements - (continued)

(Amount in Rupees)

#### 38 DETAILS OF SPECIFIED BANK NOTES

Particulars	Specified Bank Notes	Other Denomination Notes	Total
Closing cash in hand as on 08.11.2016	21,83,000	11,51,284	33,34,284
(+) Permitted receipts*	2,64,000	37,49,854	40,13,854
(-) Permitted payments	-	33,97,417	33,97,417
(-) Amount deposited in Banks	24,47,000	2,260	24,49,260
Closing cash in hand as on 30.12.2016	-	15,01,461	15,01,461

\* Permitted receipts of specified bank notes represents amount of advances given to employees prior to 8<sup>th</sup> November 2016 which were returned

39 Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.

	VENU SRINIVASAN <i>Chairman &amp; Managing Director</i>	Dr. LAKSHMI VENU <i>Joint Managing Director</i>	As per our report annexed For SUNDARAM & SRINIVASAN <i>Chartered Accountants</i> Firm Regn. No. 004207S
Chennai 3 <sup>rd</sup> May 2017	V N VENKATANATHAN <i>Chief Financial Officer</i>	R RAJA PRAKASH <i>Company Secretary</i>	M BALASUBRAMANIAM <i>Partner</i> Membership No. F7945





**Consolidated Financial Statements**  
**of**  
***Sundaram-Clayton Limited***



## Consolidated Financial Statements of *Sundaram-Clayton Limited*

### Independent Auditor's report on the consolidated financial statements of Sundaram-Clayton Limited, Chennai for the year ended 31<sup>st</sup> March 2017

To the Members of  
Sundaram-Clayton Limited,  
Chennai - 600006.

#### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Sundaram-Clayton Limited, Chennai - 600006 (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), its associates, comprising the Consolidated Balance Sheet as at 31st March, 2017, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Financial Statements").

#### Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its associates in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group and its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Control over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associates entities as at 31<sup>st</sup> March, 2017, and their consolidated profit and their consolidated cash flows for the year ended on that date.

#### Other Matters

- (a) We did not audit the financial statements of eleven numbers of subsidiaries whose financial statements reflect total assets of Rs.6,513.60 crores as at 31<sup>st</sup> March, 2017, total revenues of Rs. 13,520.96 crores and net cash outflows amounting to Rs. 74.77 crores for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of profit of Rs. 0.41 crores for the year ended 31<sup>st</sup> March, 2017, as considered in the consolidated financial statements, in respect of two numbers of associates, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associates, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far

## Consolidated Financial Statements of Sundaram-Clayton Limited

as it relates to the aforesaid subsidiaries and associates, is based solely on the reports of the other auditors.

- (b) We did not audit the financial statements of a subsidiary as at 31st March 2017 whose financial statements reflect total assets of Rs. 2.90 crores and nil revenue and cash inflow amounting to Rs. 0.51 crores for the year ended on that date, as considered in the financial statements. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act in so far as it relates to the aforesaid subsidiary, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements certified by the Management.

### Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, we report, to the extent applicable, that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
- (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

- (e) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2017 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies and associate companies incorporated in India, none of the directors of the Group companies and its associate companies incorporated in India is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of internal financial controls over financial reporting of the Holding Company, its subsidiaries and its associates (incorporated in India) and the operating effectiveness of such controls, refer to our separate report in "Annexure A".
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of other auditors on separate financial statements of these subsidiaries and associates as noted in the paragraph (a) on "Other Matters":
- The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associates - refer note 33 to the consolidated financial statements.
  - The Group and its associate entities did not have any material foreseeable losses on long-term contracts including derivative contracts.
  - There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies and associate companies incorporated in India, wherever such amounts were required to be transferred.

For SUNDARAM & SRINIVASAN  
Chartered Accountants  
Firm Regn. No. 004207S

M. BALASUBRAMANIAM  
Partner  
Membership No. F7945

Place : Chennai  
Date : 3<sup>rd</sup> May 2017

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Annexure - A to the Independent Auditor's report on the Consolidated Financial Statements of Sundaram-Clayton Limited, Chennai for the year ended 31<sup>st</sup> March 2017

#### Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of SUNDARAM-CLAYTON LIMITED, CHENNAI ("the Holding Company") and its subsidiary companies and its associate companies, which are incorporated in India, as of March 31, 2017 in conjunction with our audit of the consolidated financial statements of the Company for the year ended on that date.

#### Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company, its subsidiary companies and its associate companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI)". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

#### Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial

reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that;

- I. pertain to the maintenance of records, that in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- II. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
- III. provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

#### Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### Opinion

In our opinion, the Holding Company, its subsidiary companies and its associate companies, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

#### Other matters

Our aforesaid report under section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to two number of subsidiary companies and two numbers of associate companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

For SUNDARAM & SRINIVASAN  
Chartered Accountants  
Firm Regn. No. 004207S

M. BALASUBRAMANIAM  
Partner  
Membership No. F7945

Place : Chennai  
Date : 3<sup>rd</sup> May 2017

## Consolidated Financial Statements of Sundaram-Clayton Limited

### CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2017

(Rupees in crores)

	Notes	As at 31.03.2017	As at 31.03.2016	As at 01.04.2015
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	2	2,747.76	2,413.43	2,067.63
Capital work in progress	2	100.68	69.02	102.25
Investment Properties		32.56	28.12	24.83
Goodwill	2	5.48	5.48	3.28
Other intangible assets	2	55.40	49.20	32.23
Financial assets				
i. Investments	3	1,240.82	975.97	815.86
ii. Others	10	9.09	8.88	8.16
Investments accounted using equity method	4	91.77	50.84	47.18
Non-Current tax assets (Net)		26.51	14.78	34.64
Other non-current assets	5	111.32	76.14	77.70
<b>Total non-current assets</b>		<b>4,421.39</b>	<b>3,691.86</b>	<b>3,213.76</b>
<b>Current assets</b>				
Inventories	6	1,396.71	1,118.56	1,150.78
Financial assets				
i. Trade receivables	7	845.44	645.77	567.38
ii. Cash and cash equivalents	8	47.94	50.69	26.21
iii. Bank balances other than (ii) above	9	5.03	5.86	3.70
iv. Others	10	21.07	43.46	31.46
Current tax assets (Net)		12.16	38.14	78.05
Other current assets	11	567.32	622.04	715.59
<b>Total current assets</b>		<b>2,895.67</b>	<b>2,524.52</b>	<b>2,573.17</b>
<b>Total Assets</b>		<b>7,317.06</b>	<b>6,216.38</b>	<b>5,786.93</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	12	10.12	10.12	10.12
Other equity	13	1,856.89	1,512.67	1,344.61
Equity attributable to owners		1,867.01	1,522.79	1,354.73
Non controlling interest		928.21	769.25	681.43
<b>Total equity</b>		<b>2,795.22</b>	<b>2,292.04</b>	<b>2,036.16</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Financial liabilities				
i. Borrowings	14	622.83	607.63	667.59
ii. Others	19	4.03	0.66	0.18
Provisions	15	86.68	63.72	70.36
Deferred tax liabilities (net)	16	162.96	174.75	154.21
<b>Total non-current liabilities</b>		<b>876.50</b>	<b>846.76</b>	<b>892.34</b>
<b>Current liabilities</b>				
Financial liabilities				
i. Borrowings	17	891.11	571.15	685.09
ii. Trade payables	18	2,106.86	1,747.43	1,619.01
iii. Other financial liabilities	19	275.73	389.62	259.94
Other current liabilities	20	291.65	284.55	236.02
Provisions	15	77.78	81.39	54.84
Current tax liabilities (Net)		2.21	3.44	3.53
<b>Total current liabilities</b>		<b>3,645.34</b>	<b>3,077.58</b>	<b>2,858.43</b>
<b>Total liabilities</b>		<b>4,521.84</b>	<b>3,924.34</b>	<b>3,750.77</b>
<b>Total equity and liabilities</b>		<b>7,317.06</b>	<b>6,216.38</b>	<b>5,786.93</b>
Significant Accounting Policies	1			

VENU SRINIVASAN  
Chairman & Managing Director

Dr. LAKSHMI VENU  
Joint Managing Director

As per our report annexed  
For SUNDARAM & SRINIVASAN  
Chartered Accountants  
Firm Regn. No. 004207S

Chennai  
3<sup>rd</sup> May 2017

V N VENKATANATHAN  
Chief Financial Officer

R RAJA PRAKASH  
Company Secretary

M BALASUBRAMANIAM  
Partner  
Membership No. F7945

## Consolidated Financial Statements of Sundaram-Clayton Limited

### STATEMENT OF CONSOLIDATED PROFIT & LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2017

(Rupees in crores)			
	Notes	Year ended 31.03.2017	Year ended 31.03.2016
<b>I Income</b>			
Revenue from operations	21	14,730.27	13,621.27
Other income	22	171.26	97.03
<b>Total income</b>		<b>14,901.53</b>	<b>13,718.30</b>
<b>II Expenses</b>			
Cost of material consumed	23	9,012.66	8,107.59
Purchase of stock in trade	23	292.70	266.13
Changes in inventories of finished goods, Stock-in-trade and work-in-process	23	(34.87)	54.35
Excise duty		1,232.07	1,157.07
Employee benefit expenses	24	1,041.73	937.93
Finance costs	25	88.16	102.27
Depreciation and amortisation expense		377.45	317.14
Other expenses	26	2,185.00	2,143.85
<b>Total expenses</b>		<b>14,194.90</b>	<b>13,086.33</b>
<b>III Profit before exceptional items, share of net profit of investment and tax (I-II)</b>		<b>706.63</b>	<b>631.97</b>
IV Share of net profit from associates using equity method		0.89	3.08
<b>V Profit before exceptional items and tax (III+IV)</b>		<b>707.52</b>	<b>635.05</b>
VI Exceptional items		2.28	6.11
<b>VII Profit before tax (V+VI)</b>		<b>709.80</b>	<b>641.16</b>
VIII Tax expense	27		
Current tax		176.17	145.01
Deferred tax		(13.44)	23.75
<b>IX Profit for the year (VII-VIII)</b>		<b>547.07</b>	<b>472.40</b>
X (Profit) / Loss attributable to Non-controlling Interest		(216.87)	(180.54)
<b>XI Profit for the year attributable to owners (IX-X)</b>		<b>330.20</b>	<b>291.86</b>
<b>XII Other comprehensive income</b>			
<i>Items that will not be reclassified to statement of profit and loss</i>			
Remeasurements of post employment benefit obligations		(6.82)	(16.10)
Change in fair value of equity instruments		109.07	1.74
Income tax relating to these items		(0.79)	3.47
<i>Items that will be reclassified to statement of profit and loss</i>			
Fair value changes on cash flow hedges		(2.59)	(0.09)
Foreign currency translation adjustments		(23.97)	18.54
Share of other comprehensive income from associates using equity method		(0.03)	(0.02)
Income tax relating to these items		0.89	0.03
<b>Other comprehensive income for the year, net of tax</b>		<b>75.76</b>	<b>7.57</b>
<b>XIII Other Comprehensive income attributable to non-controlling interest (profit) / loss</b>		<b>(3.66)</b>	<b>(4.42)</b>
<b>XIV Total comprehensive income attributable to owners (XI + XII - XIII)</b>		<b>402.30</b>	<b>295.01</b>
Earnings per equity share			
Basic & Diluted earnings per share	34	163.21	144.25

VENU SRINIVASAN  
Chairman & Managing Director

Dr. LAKSHMI VENU  
Joint Managing Director

As per our report annexed  
For SUNDARAM & SRINIVASAN  
Chartered Accountants  
Firm Regn. No. 004207S

Chennai  
3<sup>rd</sup> May 2017

V N VENKATANATHAN  
Chief Financial Officer

R RAJA PRAKASH  
Company Secretary

M BALASUBRAMANIAM  
Partner  
Membership No. F7945



## Consolidated Financial Statements of Sundaram-Clayton Limited

### STATEMENT OF CHANGES IN EQUITY

(Rupees in crores)

a. Equity Share Capital		
As at April 1, 2015		10.12
Changes in equity share capital		-
As at March 31, 2016		10.12
Changes in equity share capital		-
As at March 31, 2017		10.12

b. Other equity

Particulars	Reserves & Surplus				Other Reserves			Non controlling interest	Total
	General reserve	Capital reserve	Security premium	Retained earnings	Equity instruments fair value through other comprehensive income	Foreign currency translation reserve	Hedging reserve		
<b>Balance as at April 1, 2015</b>	658.27	99.11	36.42	465.74	99.74	(15.84)	1.17	681.43	2,026.04
Add : Profit for the year 2015-16				291.86				180.54	472.40
Add : Other comprehensive income for the year 2015-16				(8.40)	1.13	10.62	(0.20)	4.42	7.57
Less : Exchange differences				(10.80)	(0.54)			(3.55)	(14.89)
Add : Share of profit of associate				(0.02)					(0.02)
Less : Residual value of part of assets, whose useful life exhausted	(0.17)								(0.17)
<b>Less : Distribution to shareholders :</b>									
2014-15 Second Interim dividend paid				(12.14)				(24.51)	(36.65)
2015-16 First Interim dividend paid				(42.49)				(22.21)	(64.70)
2015-16 Second Interim dividend paid				(40.46)				(31.83)	(72.29)
Less : Dividend Tax*				(20.33)				(15.04)	(35.37)
<b>Balance as at March 31, 2016</b>	<b>658.10</b>	<b>99.11</b>	<b>36.42</b>	<b>622.96</b>	<b>100.33</b>	<b>(5.22)</b>	<b>0.97</b>	<b>769.25</b>	<b>2,281.92</b>
Add : Profit for the year 2016-17				330.20				216.87	547.07
Add : Other comprehensive income for the year 2016-17				(3.55)	90.09	(13.77)	(0.67)	3.66	75.76
Less : Transferred to retained earnings				3.16	(3.72)				(0.56)
Less : Exchange differences				20.15	0.48	(0.12)		2.83	23.34
Add : Share of profit of associate				(0.03)					(0.03)
<b>Less : Distribution to shareholders :</b>									
2016-17 First Interim dividend paid				(30.35)				(27.87)	(58.22)
2016-17 Second Interim dividend paid				(33.38)				(26.23)	(59.61)
Less : Dividend Tax*				(14.27)				(10.30)	(24.57)
<b>Balance as at March 31, 2017</b>	<b>658.10</b>	<b>99.11</b>	<b>36.42</b>	<b>894.89</b>	<b>187.18</b>	<b>(19.11)</b>	<b>0.30</b>	<b>928.21</b>	<b>2,785.10</b>

\* The Company has taken credit for the dividend distribution tax paid by one of its subsidiary companies on the dividend declared as per Section 115-O (1A) of the Income Tax Act, 1961.

#### Nature and purpose of reserves:

Security premium reserve: This consists of premium realised on issue of shares and will be applicable / utilised in accordance with the provisions of the Companies Act, 2013.

General reserve : General reserve is part of retained earnings. This is available for distribution to shareholders as dividend and capitalisation.

VENU SRINIVASAN  
Chairman & Managing Director

Dr. LAKSHMI VENU  
Joint Managing Director

As per our report annexed  
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Chennai  
3<sup>rd</sup> May 2017

V N VENKATANATHAN  
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Partner  
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## Consolidated Financial Statements of Sundaram-Clayton Limited

### CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2017

		(Rupees in crores)	
		Year ended 31.03.2017	Year ended 31.03.2016
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net profit before tax		709.80	641.16
Adjustments for:			
Depreciation and amortisation for the year	377.45		317.14
Other Non Cash Items			
Exceptional Income	(2.28)		(6.11)
Loss on sale / scrapping of property, plant and equipment	3.41		4.17
Profit on sale of property, plant and equipment	(0.70)		(0.65)
Dividend income	(1.42)		(1.17)
Interest income	(49.69)		(36.94)
Increase in fair value of financial assets	(84.99)		(53.05)
Profit on sale of investment	(0.05)		-
Interest expense	86.43		88.88
		328.16	312.27
<b>Operating profit before working capital changes</b>		1,037.96	953.43
Adjustments for:			
Inventories	(278.15)		32.22
Trade Receivables	(199.67)		(78.39)
Other financial assets	20.17		(11.09)
Other non-current assets and tax assets	(46.91)		21.42
Other current assets and tax assets	80.70		133.46
Movement in foreign currency translation adjustments	(23.96)		18.54
Provisions	12.53		3.81
Trade Payables	359.43		128.42
Other financial liabilities (excluding current maturities of debt)	17.68		(6.29)
Other current liabilities	7.10		48.53
		(51.08)	290.63
Cash generated from operations		986.88	1,244.06
Direct taxes paid		(147.81)	(169.18)
<b>Net cash from operating activities</b>	<b>(A)</b>	839.07	1,074.88
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment (including Capital work in progress)		(772.35)	(686.49)
Sale of fixed assets		13.95	41.62
(Purchase) / Sale of investments		(110.16)	(108.29)
Interest received		49.69	36.94
Dividend received		1.42	1.17
<b>Net Cash from / (used in) investing activities</b>	<b>(B)</b>	(817.45)	(715.05)

## Consolidated Financial Statements of *Sundaram-Clayton Limited*

### CASHFLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2017 - (continued)

		(Rupees in crores)	
		Year ended 31.03.2017	Year ended 31.03.2016
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>			
Net Borrowings:			
Term loan availed / (repaid)		(115.50)	76.49
Unsecured loan availed / (repaid)		282.57	(151.71)
Interest paid		(86.43)	(88.88)
Dividend and dividend tax paid		(142.40)	(209.02)
<b>Net cash from financing activities</b>	<b>( C )</b>	<u>(61.76)</u>	<u>(373.12)</u>
<b>D NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	<b>(A+B+C)</b>	<u>(40.14)</u>	<u>(13.29)</u>
Cash and cash equivalents at the beginning of the year			
Cash and Bank balances	50.69	26.21	
Cash credit balance	<u>(310.62)</u>	<u>(272.85)</u>	
		(259.93)	(246.64)
Cash and cash equivalents at the end of the year			
Cash and Bank balances	47.94	50.69	
Cash credit balance	<u>(348.01)</u>	<u>(310.62)</u>	
		(300.07)	(259.93)

Notes:

- 1 The above statement has been prepared in indirect method except in case of dividend, tax and purchase and sale of investments which have been considered on the basis of actual movement of cash.
- 2 Cash and cash equivalents includes cash and bank balances.

	<b>venu srinivasan</b> <i>Chairman &amp; Managing Director</i>	<b>Dr. LAKSHMI VENU</b> <i>Joint Managing Director</i>	As per our report annexed For SUNDARAM & SRINIVASAN <i>Chartered Accountants</i> Firm Regn. No. 004207S
Chennai 3 <sup>rd</sup> May 2017	<b>V N VENKATANATHAN</b> <i>Chief Financial Officer</i>	<b>R RAJA PRAKASH</b> <i>Company Secretary</i>	<b>M BALASUBRAMANIAM</b> <i>Partner</i> Membership No. F7945

# Consolidated Financial Statements of *Sundaram-Clayton Limited*

## 1 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies mentioned herein are relating to the Consolidated financial statements of Sundaram-Clayton Limited and its subsidiaries and associates.

### a) Brief description of the Company

Sundaram-Clayton Limited ('the Company') is a public limited company incorporated in India whose shares are publicly traded. The registered office is located at "Jayalakshmi Estates", 29, Haddows Road, Nungambakkam, Chennai - 600006, Tamil Nadu, India. The Company together with its subsidiaries and associates (collectively referred to as the "Group") operate in a wide range of activities such as manufacturing of automotive vehicles, automotive components, spare parts & accessories thereof and housing development.

### b) Basis of preparation

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) read with Companies (Indian Accounting Standards) Rules, 2015 and other relevant provisions of the Act.

Disclosures under Ind AS are made only in respect of material items and in respect of items that will be useful to the users of financial statements in making economic decision.

The financial statements have been prepared on historical cost basis under accrual basis of accounting except for certain financial assets and liabilities (as per the accounting policy below), which have been measured at fair value.

The financial statements upto year ended March 31, 2016 were prepared in accordance with the accounting standards notified under Companies (Accounting Standard) Rules, 2006 (as amended) and other relevant provisions of the Act.

These financial statements are the first Consolidated financial statements of the Group under Ind AS. Refer Note 31 and 32 for an explanation of how the transition from previous GAAP to Ind AS has affected the Group's financial position and financial performance.

#### Principles of consolidation

##### Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests (if any) in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and balance sheet, respectively.

##### Associates

Associates are all entities over which the group has significant influence but not control or joint control. (This is generally the case where the group holds between 20% and 50% of the voting rights). Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit and loss, and the group's share of other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

### c) Use of estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. The management believes that these estimates and assumptions are reasonable and prudent. However, actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future period.

## Consolidated Financial Statements of Sundaram-Clayton Limited

This note provides an overview of the areas that involved a higher degree of judgment or complexity. It also provides an overview of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgments is included in the relevant notes together with information about the basis of calculation for each affected line item in the financial statements

### d) Significant estimates and judgments

The areas involving significant estimates or judgments are:

- i) Estimation of fair value of unlisted securities- (Refer Note 28 (iv))
- ii) Estimation of defined benefit obligation - (Refer Note 35)
- iii) Estimation of useful life of Property, Plant and Equipment (Refer Note 1(f) and 1(g))
- iv) Estimation of impairment of goodwill.

### e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and net of returns, trade allowances and rebates and amounts collected on behalf of third parties. It includes excise duty but excludes Value Added Tax, Sales Tax and Service Tax.

#### i) Sale of products:

Revenue from sale of products is recognised when significant risk and rewards of ownership pass to the customers, as per the terms of the contract and it is probable that the economic benefits associated with the transaction will flow to the Group.

#### ii) Revenue from Services:

Revenue from Services is recognised in the accounting period in which the services are rendered and when invoices are raised.

#### iii) Revenue from Real Estate:

The revenue from sale of land is recognised on transferring all significant risk and rewards of ownership on land to the buyers and the Group does not retain any effective control over the same.

### f) Property, Plant and Equipment

Freehold Land is stated at historical cost. All other items of Property, Plant and Equipment are stated at cost of acquisition/construction less accumulated depreciation / amortization and impairment, if any. Cost includes:

- (i) purchase price,
- (ii) taxes and duties,
- (iii) labour cost, and
- (iv) directly attributable overheads incurred upto the date the asset is ready for its intended use.

However, cost excludes excise duty, value added tax and service tax, to the extent credit of the duty or tax is availed of.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as separate asset is derecognised when replaced. All other repairs and maintenance are charged to the Statement of Profit and Loss during the reporting period in which they are incurred.

Gains or losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Statement of Profit and Loss within Other gains/(losses).

### g) Depreciation

- i) Depreciation on tangible fixed assets is charged over the estimated useful life of the asset or part of the asset (after considering double/triple shifts) as evaluated by a Chartered Engineer, on straight line method, in accordance with Part A of Schedule II to the Companies Act, 2013.
- ii) The estimated useful life of the tangible fixed assets as assessed by the Chartered Engineer and followed by the Group is furnished below:

Description	Years
Factory building and other buildings	5 to 64
Plant and Equipment	4 to 21
Electrical Equipment	15
Furniture and Fixtures	4 to 10
Computers	3 to 4
Mobile phones	1 to 2
Vehicles	5 to 6

## Consolidated Financial Statements of Sundaram-Clayton Limited

- iii) Tools and dies used for two wheelers are depreciated based on quantity of components manufactured and the life of tools and dies, subject to a maximum of 5 years. Tools and dies used for three wheeler operations are depreciated at 11.31 per cent.
- iv) The residual value for all the above assets are retained at 5% of the cost except for Mobile phones for which Nil residual value is considered. Residual values and useful lives are reviewed, and adjusted, if appropriate, for each reporting period.
- v) On tangible fixed assets added / disposed off during the year, depreciation is charged on pro-rata basis for the period for which the asset was purchased and used.
- vi) Depreciation in respect of tangible assets costing individually less than Rs.5,000/- is provided at 100%.

### h) Investment properties

Property that is held for long term rental yields or for capital appreciation or both, and that is not occupied by the group is classified as investment property. Investment Property is measured initially at its cost and including related transaction cost where applicable, borrowing cost. Subsequent expenditure is capitalised to the assets carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the group and the cost of the item is measured reliably.

### i) Intangible assets

#### Goodwill

Goodwill on acquisition of business is included in intangible assets. Goodwill is not amortised but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to the cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or group of cash generating units that are expected to benefit from the business combination in which the goodwill arose. The units or group of units are identified at the lowest level at which goodwill is monitored for internal management purposes, which in our case are the cash generating units.

#### Other intangible assets

Intangible assets acquired are accounted at their acquisition cost and are amortised over its useful life, viz., 2 years in the case of software and 6-10 years in case of Design, Development and Technical knowhow.

### j) Impairment

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### k) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). i.e in Indian rupees (INR) and all values are rounded off to nearest crores except where otherwise indicated.

#### (ii) Transactions and balances

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction.

- (a) Foreign currency monetary assets and liabilities such as cash, receivables, payables, etc., are translated at year end exchange rates.
- (b) Non-monetary items denominated in foreign currency such as investments, fixed assets, etc., are valued at the exchange rate prevailing on the date of transaction.
- (c) Exchange differences arising on settlement of transactions and translation of monetary items are recognised as income or expense in the year in which they arise.

#### (iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- a) assets and liabilities are translated at the closing rate at the date of that balance sheet,
- b) income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the

## Consolidated Financial Statements of Sundaram-Clayton Limited

transactions), and

c) all resulting exchange differences are recognised in other comprehensive income.

### l) Hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 28. Movements in the hedging reserve in shareholders' equity are shown in Note 29 (D). The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the other comprehensive income in cash flow hedging reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Profit and Loss, within other gains/(losses).

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in other comprehensive income in cash flow hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains and losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedging reserve within equity.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects the Statement of Profit and Loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to the Statement of Profit and Loss within other gains/(losses).

### m) Inventories

Inventories are valued at the lower of cost and net realisable value.

- i. Cost of raw materials, components, stores, spares, work-in-process and finished goods are determined on a moving average basis.
- ii. Cost of finished goods and work-in-process comprises of Direct materials, Direct labour and an applicable proportion of variable and fixed overhead expenditure. Fixed Overhead Expenditure absorbed on the basis of normal operating capacity.
- iii. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.
- iv. Materials and supplies held for use in production of inventories are not written down if the finished products in which they will be used are expected to be sold at or above cost. Slow and non-moving material, obsolescence, defective inventories are duly provided for.

Land held for development/sale by the real estate subsidiary is valued at the lower of cost and net realisable value. Cost includes cost of acquisition and all related costs.

### n) Employee benefits

i) Short term obligations:

Short term obligations are those that are expected to be settled fully within 12 months after the end of the reporting period. They are recognised up to the end of the reporting period at the amounts expected to be paid at the time of settlement.

## Consolidated Financial Statements of Sundaram-Clayton Limited

ii) Other long term employee benefit obligations:

The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are, therefore, recognised and provided for at the present value of the expected future payments to be made in respect of services provided by employee upto the end of reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in the Statement of Profit and Loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

iii) Post-employment obligation:

The Group operates the following post-employment schemes:

- a) Defined benefit plans such as gratuity for its eligible employees, pension plan for eligible senior managers; and
- b) Defined contribution plan such as provident fund.

a) **Pension and gratuity obligation:**

The liability or asset recognised in the balance sheet in respect of defined benefit pension and gratuity plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by Actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on the government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Statement of Profit and Loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income (net of deferred tax). They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the Statement of Profit or Loss as past service cost.

b) **Provident fund:**

The eligible employees of the Group are entitled to receive benefits in respect of provident fund, a defined contribution plan, in which both employees and the Group make monthly contributions at a specified percentage of the covered employees' salary. The provident fund contributions are made to an irrevocable trust set up by the Group. The Group is generally liable for annual contributions and any shortfall in the fund assets based on the Government specified minimum rates of return and recognises such contributions and shortfall, if any, as an expense in the year in which it is incurred.

iv) Bonus plans:

The Group recognises a liability and an expense for bonus. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

o) **Taxes on income**

Tax expense comprises of (i) current tax and (ii) deferred tax.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.



## Consolidated Financial Statements of Sundaram-Clayton Limited

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Where the Group is entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (the Research and Development or other investment allowances), the Group accounts for such allowances as tax credits, which means that the allowance reduce income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

### p) Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants receivable as compensation for expenses or financial support are recognized in profit or loss of the period in which it becomes available.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and presented within other income.

### q) Provisions and contingent liabilities

#### i) Provision:

A provision is recorded when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated. The estimated liability for product warranties is accounted based on technical evaluation, when the products are sold.

Provisions are evaluated at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expenses.

#### ii) Contingent liabilities:

Wherever there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from past events but is not recognised because (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (b) the amount of the obligation cannot be measured with sufficient reliability are considered as contingent liability. Show cause notices are not considered as Contingent Liabilities unless converted into demand.

### r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The group has identified the following business segments as reportable segments, (on the basis of products and production process) viz., (1) Automotive vehicles and parts, (2) Automotive components and (3) Others.

### s) Leases

Leases of property, plant and equipment where the Group, as a lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of lease at fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term, if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating lease.

### t) Cash and Cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

## Consolidated Financial Statements of *Sundaram-Clayton Limited*

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### u) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### v) Investments and Other financial assets

#### i) Classification

The Group classifies its financial assets in the following categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through statement of profit and loss), and
- Those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flow.

#### ii) Measurement

At Initial recognition, the Group measures a financial asset at its fair value plus (in the case of a financial asset not a fair value through profit or loss) transaction cost that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of Profit and Loss.

#### A) Debt Instruments:

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments.

##### i) Amortised Cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the Statement of Profit and Loss when the asset is de-recognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

##### ii) Fair Value through statement of profit and loss:

Assets that do not meet the criteria for amortised cost or Fair Value through Other Comprehensive Income (FVOCI) are measured at Fair Value through Statement of Profit and Loss (FVTPL). A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the statement of profit and loss within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in other income.

#### B) Equity instruments:

Subsequent to initial recognition, the Group measures all investments in equity (except of the subsidiaries/associates) at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there will be no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments are recognised in the Statement of Profit and Loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately. Where the Group elects to measure fair value through statement of profit and loss, changes in the fair value of such financial assets are recognised in the statement of profit and loss.

#### iii) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been significant increase in credit risk. Note 29 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected credit losses to be recognised from initial recognition of the receivables.

## Consolidated Financial Statements of Sundaram-Clayton Limited

### iv) Derecognition of financial assets

A financial asset is derecognised only when:

- a) the Group has transferred the rights to receive cash flows from the financial asset or
- b) the Group retains the contractual rights to receive the cash flows of the financial asset, but expects a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the Group evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised, if the Group has not retained control of the financial asset. Where the Group retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

### v) Income recognition

#### Interest income:

Interest income from debt instruments is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying value of a financial asset. While calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options), but does not consider the expected credit losses.

#### Dividend income:

Dividends are recognised in statement of profit and loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of dividend can be reliably measured.

### w) Borrowings

Borrowings are initially recognised at fair value, net of transaction cost incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction cost) and the redemption amount is recognised in the Statement of Profit and Loss over the period of the borrowings, using the effective interest method. Fees paid on the established loan facilities are recognised as transaction cost of the loan, to the extent that it is probable that some or all the facility will be drawn down.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the Statement of Profit and Loss as other gain/(loss).

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for over or at least 12 months after the reporting period.

### x) Current and Non-current classification

The Group presents assets and liabilities in the balance sheet based on current / non-current classification.

Cash or cash equivalent is treated as current, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. In respect of other assets, it is treated as current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle
- held primarily for the purpose of trading
- expected to be realised within twelve months after the reporting period.

All other assets are classified as non-current.

A liability is treated as current when:

- it is expected to be settled in the normal operating cycle
- it is held primarily for the purpose of trading
- it is due to be settled within twelve months after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realization in cash and cash equivalents. In Group's considered view, twelve months is its operating cycle for all entities within the group other than real estate.

The normal operating cycle in respect of operation relating to real estate project depends on signing of agreement, size of the project, phasing of the project, type of development, project complexities, approvals needed and realisation of project into cash and cash equivalents and range from 3 to 7 years. Accordingly, assets and liabilities have been classified into current and non-current based on operating cycle.

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements

#### 2. PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS

(Rupees in crores)

Description	Property, Plant & Equipment							Intangible			Total (tangible and intangible)
	Free hold land	Buildings	Plant & equipment	Furniture & fixtures	Office equipment	Vehicles	Total	Software	Design Development	Total	
	1	2	3	4	5	6	7	8	9	10	11
Cost of assets											
Deemed cost as at 01-04-2015	251.49	423.39	1,331.36	22.17	22.83	16.39	2,067.63	4.17	28.06	32.23	2,099.86
Additions	5.13	96.00	557.00	4.72	14.54	3.51	680.90	25.17	8.16	33.33	714.23
Foreign exchange translation reserve adjustments	(2.53)	1.93	11.96	0.22	-	0.02	11.60	0.01	-	0.01	11.61
Sub-total	254.09	521.32	1,900.32	27.11	37.37	19.92	2,760.13	29.35	36.22	65.57	2,825.70
Sales / deletion	(43.64)	(1.70)	(0.74)	(0.40)	(0.23)	(0.05)	(46.76)	-	-	-	(46.76)
Total	210.45	519.62	1,899.58	26.71	37.14	19.87	2,713.37	29.35	36.22	65.57	2,778.94
Depreciation / Amortisation											
For the year	-	22.71	257.22	5.71	11.29	3.84	300.77	8.76	7.61	16.37	317.14
Transfer to reserve	-	-	0.30	-	-	-	0.30	-	-	-	0.30
Foreign exchange translation reserve adjustments	-	0.75	(1.94)	0.21	-	0.01	(0.97)	-	-	-	(0.97)
Sub-total	-	23.46	255.58	5.92	11.29	3.85	300.10	8.76	7.61	16.37	316.47
Withdrawn on assets sold / deleted	-	-	(0.08)	(0.05)	(0.02)	(0.01)	(0.16)	-	-	-	(0.16)
Total	-	23.46	255.50	5.87	11.27	3.84	299.94	8.76	7.61	16.37	316.31
Net Carrying amount											
As at 31-03-2016	210.45	496.16	1,644.08	20.84	25.87	16.03	2,413.43	20.59	28.61	49.20	2,462.63

Goodwill										2015-16	2014-15
(i) Goodwill arising on business Combination										2.20	-
(ii) Goodwill arising on consolidation										3.28	3.28
Total										5.48	3.28
Capital work-in-progress (at cost)											
(i) Building										12.73	0.76
(ii) Plant & equipment										56.20	101.49
(iii) Others										0.09	-
Total										69.02	102.25

Description	Property, Plant & Equipment							Intangible			Total (tangible and intangible)
	Free hold land	Buildings	Plant & equipment	Furniture & fixtures	Office equipment	Vehicles	Total	Software	Design Development	Total	
	1	2	3	4	5	6	7	8	9	10	11
Cost of assets											
As at 01-04-2016	210.45	519.62	1,899.58	26.71	37.14	19.87	2,713.37	29.35	36.22	65.57	2,778.94
Additions	27.32	92.33	531.23	26.22	16.58	8.21	701.89	9.39	24.97	34.36	736.25
Foreign Currency translation reserve difference	1.62	(0.99)	(1.50)	(4.99)	4.86	(0.01)	(1.01)	-	-	-	(1.01)
Sub-total	239.39	610.96	2,429.31	47.94	58.58	28.07	3,414.25	38.74	61.19	99.93	3,514.18
Sales / deletion	(0.54)	(4.73)	(87.54)	(1.35)	(8.43)	(0.84)	(103.43)	(0.08)	(0.04)	(0.12)	(103.55)
Total	238.85	606.23	2,341.77	46.59	50.15	27.23	3,310.82	38.66	61.15	99.81	3,410.63
Depreciation / Amortisation											
Upto 31-03-2016	-	23.46	255.50	5.87	11.27	3.84	299.94	8.76	7.61	16.37	316.31
For the year	-	25.61	302.25	4.61	12.61	4.29	349.37	16.31	11.77	28.08	377.45
Foreign Currency translation reserve difference	-	(0.46)	3.51	(4.59)	4.43	(0.01)	2.88	-	-	-	2.88
Sub-total	-	48.61	561.26	5.89	28.31	8.12	652.19	25.07	19.38	44.45	696.64
Withdrawn on assets sold / deleted	-	(3.87)	(75.40)	(1.28)	(8.20)	(0.38)	(89.13)	(0.04)	-	(0.04)	(89.17)
Total	-	44.74	485.86	4.61	20.11	7.74	563.06	25.03	19.38	44.41	607.47
Net Carrying amount											
As at 31-03-2017	238.85	561.49	1,855.91	41.98	30.04	19.49	2,747.76	13.63	41.77	55.40	2,803.16

Goodwill										2016-17	2015-16
(i) Goodwill arising on business Combination										2.20	2.20
(ii) Goodwill arising on consolidation										3.28	3.28
Total										5.48	5.48
Capital work-in-progress (at cost)											
(i) Building										7.66	12.73
(ii) Plant & equipment										92.79	56.20
(iii) Others										0.23	0.09
Total										100.68	69.02

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

#### 3. INVESTMENTS

Sl. No.	Particulars	No. of shares / units			Face Value	Currency	Rupees in crores		
		As at 31.03.2017	As at 31.03.2016	As at 01.04.2015			As at 31.03.2017	As at 31.03.2016	As at 01.04.2015
1	2	3	4	5	6	7	8	9	10
<b>(a)</b>	<b>Investment in Equity Instruments fair valued through OCI</b>								
	Quoted :								
(i)	Suprajit Engineering Limited, Bengaluru	28,92,000	28,92,000	28,92,000	1.00	INR	69.54	37.89	37.54
(ii)	Ucal Fuel Systems Limited, Chennai	91,760	91,760	91,760	10.00	INR	1.99	0.96	1.01
(iii)	Suprajit Engineering Limited, Bengaluru	57,72,000	57,72,000	57,72,000	1.00	INR	138.79	75.61	74.92
(iv)	Harita Seating Systems Limited, Chennai	7,280	7,280	7,280	10.00	INR	0.51	0.32	0.12
	Unquoted :								
(v)	Green Infra BTV Limited, New Delhi (formerly known as TVS Energy Limited)	32,50,000	32,50,000	32,50,000	10.00	INR	1.10	1.02	0.94
(vi)	Green Infra BTV Limited, New Delhi (formerly known as TVS Energy Limited)	45,00,000	45,00,000	45,00,000	10.00	INR	4.50	4.50	4.50
(vii)	TVS Lanka (Private) Limited, Colombo	50,00,000	50,00,000	50,00,000	10.00	LKR	9.48	9.22	8.14
(viii)	TVS Motor Services Limited, Chennai	3,80,000	3,80,000	3,80,000	10.00	INR	0.38	0.38	0.38
(ix)	Green Infra Wind Power Projects Limited, New Delhi	1,11,600	63,600	-	10.00	INR	0.03	0.03	-
(x)	Green Infra Wind Energy Theni Limited, New Delhi (formerly known as TVS Wind Energy Limited)	30,00,000	30,00,000	30,00,000	10.00	INR	3.00	3.00	3.00
(xi)	Sundaram Engineering Products Services Limited, Chennai	-	-	7,746	10.00	INR	-	-	0.01
(xii)	TVS Credit Services Limited, Chennai	1,06,55,700	-	-	10.00	INR	76.70	-	-
(xiii)	Green Infra Wind Power Generation Limited, New Delhi	216,000	-	-	10.00	INR	0.11	-	-
(xiv)	Suryadev Alloys & Power Private Limited, Chennai	2,500	-	-	10.00	INR	0.02	-	-
(xv)	Sai Regency Power Corporation Private Limited, Chennai	3,75,000	3,75,000	375,000	10.00	INR	0.38	0.38	0.38
(xvi)	Adyar Property Holding Company Private Limited, Chennai (Cost Rs.6,825)	105	105	105		INR	-	-	-
	Private equity instruments:								
(xvii)	TVS Shriram Growth fund Scheme 1A of TVS Capital Funds Limited, Chennai	66,522.16	80,387.55	85,516.22	1,000.00	INR	5.64	8.77	10.60
(xviii)	TVS Shriram Growth fund Scheme 1B of TVS Capital Funds Limited, Chennai	58,409.33	75,000	30,000	1,000.00	INR	6.43	7.51	3.17
	<b>Total value of Equity Instruments (a)</b>						<b>318.60</b>	<b>149.59</b>	<b>144.71</b>
<b>(b)</b>	<b>Investments in Preference Shares: (Unquoted)</b>								
(i)	TVS Motor Services Limited, Chennai	55,10,10,000	54,60,10,000	44,60,10,000	10.00	INR	871.78	788.76	636.64
(ii)	TVS Motor Services Limited, Chennai	1,00,00,000	1,00,00,000	1,00,00,000	10.00	INR	15.77	14.53	14.27
(iii)	Pinnacle Engines Inc., USA (face value 0.01 cent)	24,09,638	24,09,638	24,09,638	0.0001	USD	11.70	11.70	11.70
(iv)	Axiom Research Labs Private Limited, New Delhi	82	-	-	10.00	INR	1.00	-	-
	<b>Total value of Preference shares (b)</b>						<b>900.25</b>	<b>814.99</b>	<b>662.61</b>
<b>(c)</b>	<b>Other non-current Investments:</b>								
	Pension Funds / Government Securities (Unquoted)								
(i)	ICICI Prudential Life Insurance Company Limited, Mumbai					INR	6.14	4.06	2.40
(ii)	Life Insurance Corporation of India, Chennai					INR	7.02	4.04	3.10
(iii)	ICICI Prudential Life Insurance Company Limited, Mumbai					INR	3.00	1.16	1.07
(iv)	Life Insurance Corporation of India, Chennai					INR	5.51	2.13	1.97
(v)	5 Years National Savings Certificates VIII Issue (in the name of nominee) - Face Value - Rs. 10,000					INR	-	-	-
(vi)	Tulsyan NEC Limited, Chennai	97,500	-	-	10.00	INR	0.29	-	-
(vii)	Investment in Mutual Funds					INR	0.01	-	-
(viii)	National Savings Certificates (Rs.37,100/- deposited with Sales Tax authorities)					INR	-	-	-
	<b>Total value of other investments (c)</b>						<b>21.97</b>	<b>11.39</b>	<b>8.54</b>
	<b>Total (a) + (b) + (c)</b>						<b>1,240.82</b>	<b>975.97</b>	<b>815.86</b>
	Aggregate amount of quoted investments and market value thereof						210.83	114.78	113.59
	Aggregate amount of unquoted investments						1,029.99	861.19	702.27
	<b>Total</b>						<b>1,240.82</b>	<b>975.97</b>	<b>815.86</b>

1. Refer Note No. 31(Note 1) for *inter alia* valuation relating to first time adoption.

2. All investments are fully paid up except investment in Adyar Property Holding Company Private Limited, Chennai.

## Consolidated Financial Statements of *Sundaram-Clayton Limited*

### Notes to Financial Statements – (continued)

	(Rupees in crores)		
	As at 31.03.2017	As at 31.03.2016	As at 01.04.2015
<b>4 INVESTMENTS ACCOUNTED USING EQUITY METHOD</b>			
Cost of investment in Associates (Emerald Haven Realty Limited, Chennai, Sundram Non-conventional Energy Systems Limited, Chennai and TVS Training and Services Limited, Chennai)	82.88	42.88	42.12
Add: Share of Other Equity	8.89	7.96	5.06
<b>Total</b>	<u>91.77</u>	<u>50.84</u>	<u>47.18</u>
<b>5 OTHER NON-CURRENT ASSETS</b>			
Capital advances	39.63	14.10	19.13
Advances other than capital advances:			
Prepaid lease rent	22.52	22.84	23.16
Prepaid expenses	3.16	3.94	4.64
Deposits with statutory authorities	46.01	35.26	30.77
<b>Total</b>	<u>111.32</u>	<u>76.14</u>	<u>77.70</u>
<b>6 INVENTORIES</b>			
Raw materials and components	590.97	389.00	363.83
Goods-in-transit - Raw materials and components	115.62	108.11	97.41
Work-in-process	121.18	89.01	71.24
Finished goods	229.28	224.82	330.43
Stock-in-trade	152.97	154.73	121.24
Goods-in-transit - Stock in trade	49.79	33.05	63.23
Stores and spares	136.90	119.84	103.40
<b>Total</b>	<u>1,396.71</u>	<u>1,118.56</u>	<u>1,150.78</u>
Tools & dies earlier included under Inventory are now included under Plant & Equipment as per Ind AS.			
<b>7 TRADE RECEIVABLES</b>			
Secured, considered good	14.80	13.21	11.46
Unsecured, considered good	830.64	632.56	555.92
Doubtful	5.87	7.85	8.15
<b>Total</b>	<u>851.31</u>	<u>653.62</u>	<u>575.53</u>
Less: Allowance for doubtful receivables	5.87	7.85	8.15
<b>Total</b>	<u>845.44</u>	<u>645.77</u>	<u>567.38</u>
<b>8 CASH AND CASH EQUIVALENTS</b>			
Balances with banks in current accounts	35.42	18.64	14.01
Deposits with maturity of less than three months	12.06	31.10	11.15
Cheques / drafts on hand	0.02	0.14	0.17
Cash on hand	0.44	0.81	0.88
<b>Total</b>	<u>47.94</u>	<u>50.69</u>	<u>26.21</u>

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

	(Rupees in crores)		
	As at 31.03.2017	As at 31.03.2016	As at 01.04.2015
<b>9 OTHER BANK BALANCES</b>			
Earmarked balances with banks (for unpaid dividend)	5.03	5.86	3.20
Balance with banks (with more than 3 months and less than 12 months maturity)	–	–	0.50
<b>Total</b>	5.03	5.86	3.70
<b>10 FINANCIAL ASSETS - OTHERS</b>			
<b>Non-Current</b>			
Deposits	8.41	8.38	7.74
Derivatives	0.68	0.29	0.30
Bank deposits	–	0.21	0.12
Sub-total	9.09	8.88	8.16
<b>Current</b>			
Unsecured, Considered Good :			
Employee Advances	13.06	13.90	12.88
Security Deposits	4.23	3.85	3.52
Inter corporate Deposits	–	3.00	3.00
Claims receivable	1.27	5.26	1.00
Interest accrued on deposits / investments	–	–	0.02
Derivative financial instruments - receivable	2.51	13.83	7.08
Hedge asset - receivable	–	3.62	3.96
Sub-total	21.07	43.46	31.46
<b>Total</b>	30.16	52.34	39.62
<b>11 OTHER CURRENT ASSETS</b>			
VAT/IT receivable	284.10	347.96	222.99
Balance with Excise	144.58	147.96	333.35
Prepaid expense	24.28	19.72	14.75
Prepaid lease	0.12	0.12	0.22
Vendor advance	58.56	50.25	73.94
Trade Deposits	0.83	0.66	0.28
Export Incentive receivable	49.81	48.59	63.11
Taxes and other recoveries	3.02	4.72	4.52
Others	2.02	2.06	2.43
<b>Total</b>	567.32	622.04	715.59

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

(Rupees in crores)

#### 12 SHARE CAPITAL

##### (a) Details of authorised, issued and subscribed share capital

Particulars	As at 31-03-2017		As at 31-03-2016		As at 01-04-2015	
	Number	Rupees in crores	Number	Rupees in crores	Number	Rupees in crores
Authorised Capital Equity Shares of Rs.5/- each	5,00,00,000	25.00	5,00,00,000	25.00	5,00,00,000	25.00
Issued,Subscribed & Paid up Capital Equity Shares of Rs.5/- each fully paid	2,02,32,085	10.12	2,02,32,085	10.12	2,02,32,085	10.12
	2,02,32,085	10.12	2,02,32,085	10.12	2,02,32,085	10.12

##### (b) Reconciliation of equity shares outstanding at the beginning and at the end of the year

Particulars	As at 31-03-2017		As at 31-03-2016		As at 01-04-2015	
	Number	Rupees in crores	Number	Rupees in crores	Number	Rupees in crores
Shares outstanding at the beginning of the year	2,02,32,085	10.12	2,02,32,085	10.12	2,02,32,085	10.12
Shares issued during the year	–	–	–	–	–	–
Shares outstanding at the end of the year	2,02,32,085	10.12	2,02,32,085	10.12	2,02,32,085	10.12

##### (c) Rights and preferences attached to equity share:

- (i) Every shareholder is entitled to such rights as to attend the meeting of the shareholders, to receive dividends distributed and also has a right in the residual interest of the assets of the Company. Every shareholder is also entitled to right of inspection of documents as provided in the Companies Act, 2013.
- (ii) There are no restrictions attached to equity shares.

##### (d) Details of shares held by holding / ultimate holding / subsidiaries / associates of holding company at the end of 31<sup>st</sup> March 2017

Name of shareholder	Relationship	Class of share	As at 31-03-2017		As at 31-03-2016		As at 01-04-2015	
			Number of shares held	% of holding	Number of shares held	% of holding	Number of shares held	% of holding
T V Sundram Iyengar & Sons Pvt Ltd- Madurai	Holding company	Equity	38,07,330	18.82	38,07,330	18.82	38,07,330	18.82
Sundaram Industries Pvt Ltd - Madurai	Fellow Subsidiary	Equity	60,62,522	29.96	60,62,522	29.96	60,62,522	29.96
Southern Roadways Limited - Madurai	Fellow Subsidiary	Equity	30,31,127	14.98	30,31,127	14.98	30,31,127	14.98

##### (e) Details of shareholders holding more than five percent at the end of 31<sup>st</sup> March 2017 (other than 12(d) above)

Name of shareholder	Class of shares	As at 31-03-2017		As at 31-03-2016		As at 01-04-2015	
		No. of shares held	% of holding	No. of shares held	% of holding	No. of shares held	% of holding
Sundaram Finance Limited- Chennai	Equity	22,73,081	11.24	22,73,081	11.24	22,73,081	11.24
Reliance Capital Trustee Company Limited, Thane*	Equity	–	–	10,32,338	5.10	–	–

\* Shareholding as at 31/03/2015 & 31/03/2017 by Reliance Capital Trustee Company Limited, Thane is less than 5%.



## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

(Rupees in crores)

#### 13 OTHER EQUITY

	As at 31-03-2017	As at 31-03-2016	As at 01-04-2015
General reserve	658.10	658.10	658.27
Capital reserve	99.11	99.11	99.11
Securities premium reserve	36.42	36.42	36.42
Retained earnings	894.89	622.96	465.74
Other reserves	168.37	96.08	85.07
<b>Total</b>	<b>1,856.89</b>	<b>1,512.67</b>	<b>1,344.61</b>

#### 14 NON CURRENT LIABILITIES - FINANCIAL LIABILITIES - BORROWINGS

Description	Frequency	No. of instalments due	Maturity	As at 31-03-2017	As at 31-03-2016	As at 01-04-2015
<b>Secured:</b>						
Term Loan from Bank	Quarterly	-	Apr 2016	-	11.35	56.75
Term Loan from Bank - II	Quarterly	-	Mar 2017	-	8.98	16.96
FCNRB Term Loan - I	End of Tenure	-	Jul 2016	-	66.26	62.50
FCNRB Term Loan - II	End of Tenure	-	Nov 2016	-	66.26	-
FCNRB Term Loan - III	End of Tenure	-	Mar-18	64.85	66.26	62.50
ECB Loan from Bank - I	End of Tenure	4	Dec 2018	129.09	132.51	-
ECB Loan from Bank - II	End of Tenure	-	Oct-18, Nov-18 & Mar-19	79.51	78.86	-
ECB Loan from Bank - III	Half yearly	6	Mar-22	36.13	-	-
Financial Institution	Half- yearly	2	Mar 2018	14.19	28.96	52.15
Term Loan from Bank - III	Monthly	-	Feb 2017	-	2.79	14.44
Term Loan from Bank - IV	Quarterly	6	Jan 2019	64.94	-	-
Rupee Term loan I	Quarterly	-	Feb-16	-	-	14.26
Rupee Term loan II	Half yearly	-	Mar-16	-	-	12.50
Rupee Term loan III	Quarterly	3	Dec-17	17.52	40.80	64.08
State owned corporation	Yearly	4	2022-27	157.08	157.08	157.08
<b>Unsecured:</b>						
Term Loan from NBFC				-	-	62.20
Buyer's Credit	Bullet payment	-	Jul-19	4.00	-	1.21
Soft loan from DSIR	Yearly			1.96	2.61	3.27
Sales Tax Deferral						
Phase-1	Yearly	5	2020-21	31.65	37.97	44.30
Phase-2	Yearly	11	2027-28	173.00	188.73	188.73
<b>Total Borrowings :</b>				<b>773.92</b>	<b>889.42</b>	<b>812.93</b>
Less : Current maturities of long-term borrowings (Refer Note No. 19)				151.09	281.79	145.34
<b>Total</b>				<b>622.83</b>	<b>607.63</b>	<b>667.59</b>

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

(Rupees in crores)

Details of securities created:

- (i) Term loan from Banks - First and exclusive charge on specific plant and equipment.
- (ii) ECB Loan from Bank - Exclusive charge over assets procured out of proceeds of the loan.
- (iii) Soft loan - State owned corporation viz., SIPCOT - First charge on the specific plant and equipment and also secured by equitable mortgage created by way of deposit of title deeds of land.
- (iv) Term loans from Financial Institution is secured by collateral on property, plant and equipment of the subsidiary situated outside India.
- (v) Term loan from Bank - IV is secured by a lien on collection account.

Amount payable in each instalments:

Description	Currency	Amount	Rate of Interest
ECB Loan from Bank	USD	20 Million USD in 4 equal instalments between Jul 2018 and Dec 2018.	3 Month USD LIBOR plus Margin
Loan from Financial Institution	USD	1.1 Million	5.52%
Term loan from Bank - IV	USD	1.66 Million	3 Month USD LIBOR plus Margin
Rupee Term loan III	INR	5.84 Crores	SBI MCLR plus Margin
ECB II	USD	-	3 Month USD LIBOR plus Margin
ECB III	USD	1 Million	6 Month USD LIBOR plus Margin
Sales tax deferral Phase-1	INR	6.33 crores per annum	Nil
Sales tax deferral Phase-2	INR	15.73 crores per annum	Nil
State owned corporation	INR	10.00, 67.23, 75.40 and 4.45 crores (four instalments between 2022 and 2027)	0.10%

### 15 PROVISIONS

Particulars	As at 31-03-2017		As at 31-03-2016		As at 01-04-2015	
	Current	Non-current	Current	Non-current	Current	Non-current
Provision for Employee Benefits						
(a) Pension	34.48	61.85	47.46	44.15	24.97	53.89
(b) Leave salary	2.42	22.39	2.72	17.62	2.86	14.52
(c) Gratuity	13.36	0.49	-	-	-	-
Others						
(a) Warranty	27.52	-	31.21	-	27.01	-
(b) Sales tax	-	1.95	-	1.95	-	1.95
<b>Total</b>	<b>77.78</b>	<b>86.68</b>	<b>81.39</b>	<b>63.72</b>	<b>54.84</b>	<b>70.36</b>

As at 31.03.2017      As at 31.03.2016      As at 01.04.2015

### 16 DEFERRED TAX LIABILITIES / (ASSETS)

The balance comprises temporary differences attributable to:

Depreciation	312.90	269.13	231.07
Others	18.33	6.23	5.67
<b>Total deferred tax liability</b>	<u>331.23</u>	<u>275.36</u>	<u>236.74</u>
Deferred tax asset consists of :			
- tax on employee benefit expenses	40.89	42.06	33.80
- tax on warranty provision	10.55	9.33	7.94
- tax on others	15.14	11.78	12.41
- Unused tax credits (MAT credit entitlement)	101.69	37.44	28.38
<b>Total deferred tax assets</b>	<u>168.27</u>	<u>100.61</u>	<u>82.53</u>
Net deferred tax liability	<u>162.96</u>	<u>174.75</u>	<u>154.21</u>

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

(Rupees in crores)

Movement in deferred tax :

	Depreciation	Others	Total
As at 01-04-2015	231.07	(76.86)	154.21
Charged/(credited):			
- to profit or loss	38.06	(5.25)	32.81
- to other comprehensive income	–	(3.50)	(3.50)
- to items recognised in reserves	–	0.29	0.29
- Unused tax credits (MAT credit entitlement)	–	(9.06)	(9.06)
<b>As at 31-03-2016</b>	<b>269.13</b>	<b>(94.38)</b>	<b>174.75</b>
Charged/(credited):			
- to profit or loss	43.77	7.04	50.81
- to other comprehensive income	–	(0.10)	(0.10)
- to items recognised in reserves	–	1.75	1.75
- Unused tax credits (MAT credit entitlement)	–	(64.25)	(64.25)
<b>As at 31-03-2017</b>	<b>312.90</b>	<b>(149.94)</b>	<b>162.96</b>
	As at 31.03.2017	As at 31.03.2016	As at 01.04.2015

### 17 FINANCIAL LIABILITIES - BORROWINGS (Current)

Borrowings repayable on demand from banks

Secured*	348.01	310.62	272.85
Unsecured	274.93	156.59	208.95
Short term loans from banks (Unsecured)	268.17	103.94	203.29
<b>Total Borrowings under Current Liabilities</b>	<b>891.11</b>	<b>571.15</b>	<b>685.09</b>

\* Details of securities created for loans repayable on demand:

First charge by way of hypothecation and / or pledge of current assets viz., stocks of raw materials, semi finished and finished goods, stores and spares not relating to plant and machinery, bills receivable, book debts and all other movable assets located in all plants.

Short term borrowings from banks of a subsidiary include :

- a) A loan of Rs.81.30 Crores in USD obtained from a bank, secured by a letter of credit issued by a bank in India and
- b) A loan of Rs.9.11 Crores in IDR and Rs. 4.99 Crores USD obtained from another Bank secured by subsidiary inventories and trade account receivable.

### 18 TRADE PAYABLES

Current

Dues to Micro and Small Enterprises **	38.20	51.06	38.12
Dues to enterprises other than Micro and Small Enterprises	2,068.66	1,696.37	1,580.89
<b>Total</b>	<b>2,106.86</b>	<b>1,747.43</b>	<b>1,619.01</b>

\*\* Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information received by the management. The entire closing balance represents the principal amount payable to these enterprises. There are no interests due or outstanding on the same.

## Consolidated Financial Statements of *Sundaram-Clayton Limited*

### Notes to Financial Statements – (continued)

(Rupees in crores)

	As at 31.03.2017	As at 31.03.2016	As at 01.04.2015
<b>19 OTHER FINANCIAL LIABILITIES</b>			
<b>Non-Current</b>			
Derivative Instruments - Payable	4.03	0.66	0.18
<b>Current</b>			
Current Maturities of long term borrowings			
(i) Term loans from bank - I	–	11.35	59.66
(ii) Term loans from bank - II	–	8.98	20.50
(iii) Term loans from bank - III	17.52	26.15	32.66
(iv) Term loans - FCNRB loan - I	–	132.52	–
(v) Term loans - FCNRB loan - II	64.85	66.26	–
(vi) Financial Institution	14.19	14.47	24.98
(vii) Term loan from bank - IV	32.47	–	–
(viii) Buyers credit	–	–	1.21
(ix) Sales tax deferral loan from Karnataka Government - Phase I	6.33	6.33	6.33
(x) Sales tax deferral loan from Karnataka Government - Phase II	15.73	15.73	–
	151.09	281.79	145.34
Interest accrued but not due on loans	4.78	4.63	4.77
Trade deposits received	23.62	21.94	37.76
Unclaimed Dividends (Not due for transfer to Investor Education and Protection Fund)	5.03	5.86	3.20
Payables against capital goods	28.27	20.74	8.58
Employee related liabilities	21.25	21.03	17.57
Liabilities for expenses	3.57	4.70	17.49
Derivative Instruments - Payable	5.56	0.81	0.40
Other payable - towards investment property	32.56	28.12	24.83
<b>Total</b>	275.73	389.62	259.94
<b>20 OTHER CURRENT LIABILITIES</b>			
Statutory dues	162.21	128.44	100.83
Employee related	47.67	37.51	29.21
Advance received from customers	79.77	110.76	97.87
Money held under trust	2.00	7.84	8.11
<b>Total</b>	291.65	284.55	236.02

## Consolidated Financial Statements of *Sundaram-Clayton Limited*

### Notes to Financial Statements – (continued)

(Rupees in crores)

	Year ended 31.03.2017	Year ended 31.03.2016
<b>21 REVENUE FROM OPERATIONS (INCLUDING EXCISE DUTY)</b>		
Sale of products	14,404.18	13,357.75
Sale of raw materials	107.17	68.94
Sale of services	21.92	8.19
Other operating revenue	197.00	186.39
<b>Total</b>	<b>14,730.27</b>	<b>13,621.27</b>
<b>22 OTHER INCOME</b>		
Dividend income	1.42	1.17
Interest income	49.69	36.94
Profit on sale of Investments	0.05	–
Profit on sale of property, plant and equipment	0.70	0.65
Gain on foreign currency transactions and translation	–	2.52
Increase in Fair value of Investments*	84.99	53.05
Provision for debtors no longer required	0.82	0.21
Government Grant#	31.56	–
Other non-operating income	2.03	2.49
<b>Total other income</b>	<b>171.26</b>	<b>97.03</b>
* Increase in Fair value of Investments represents changes in Fair Value of preference shares held in TVS Motor Services Limited and their non-current investments.		
# Relatable to operations of the Company.		
<b>23 COST OF MATERIALS CONSUMED</b>		
Opening stock of raw materials and components	389.00	363.83
Add: Purchases	9,214.63	8,132.76
	9,603.63	8,496.59
Less: Closing stock of raw materials and components	590.97	389.00
Consumption of raw materials and components	9,012.66	8,107.59
<b>Purchases of stock-in-trade</b>	<b>292.70</b>	<b>266.13</b>
<b>Changes in inventories of finished goods, work-in-process and stock-in-trade:</b>		
Opening stock:		
Work-in-process	89.01	71.24
Stock-in-trade	154.73	121.24
Finished goods	224.82	330.43
<b>Total (A)</b>	<b>468.56</b>	<b>522.91</b>
Closing stock:		
Work-in-process	121.18	89.01
Stock-in-trade	152.97	154.73
Finished goods	229.28	224.82
<b>Total (B)</b>	<b>503.43</b>	<b>468.56</b>
<b>Changes in inventories (A) - (B)</b>	<b>(34.87)</b>	<b>54.35</b>
<b>24 EMPLOYEE BENEFITS EXPENSE</b>		
Salaries, wages and bonus	888.54	795.08
Contribution to provident and other funds	53.95	52.77
Welfare expenses	99.24	90.08
<b>Total</b>	<b>1,041.73</b>	<b>937.93</b>

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

(Rupees in crores)

	Year ended 31.03.2017	Year ended 31.03.2016
<b>25 FINANCE COSTS</b>		
Interest	86.43	88.88
Other borrowing cost	0.31	0.35
Exchange differences	1.42	13.04
<b>Total</b>	<b>88.16</b>	<b>102.27</b>
<b>26 OTHER EXPENSES</b>		
Consumption of stores, spares and tools	142.91	129.76
Power and fuel	197.20	192.09
Rent	56.96	51.93
Repairs - buildings	35.41	32.51
Repairs - plant and equipment	106.22	94.02
Insurance	14.53	9.53
Rates and taxes (excluding taxes on income)	14.33	9.17
Audit fees	1.99	1.78
Packing and freight charges	571.96	522.32
Advertisement and publicity	295.90	326.99
Other marketing expenses	280.74	317.88
Loss on sale of property, plant and equipment	3.41	4.17
Foreign exchange loss	10.72	18.73
Corporate social responsibility expenditure	10.75	8.04
Contributions to electoral trust	6.58	—
Miscellaneous expenses (under this head there is no expenditure which is in excess of 1% of revenue from operations or Rs.10 lakh, whichever is higher)	435.39	424.93
<b>Total</b>	<b>2,185.00</b>	<b>2,143.85</b>
<b>27 TAX EXPENSE</b>		
(a) Tax expense		
i) Current tax		
Current tax on profits for the year	175.96	143.78
Adjustments for current tax of prior periods	0.21	1.23
<b>Total (A)</b>	<b>176.17</b>	<b>145.01</b>
ii) Deferred tax		
Decrease / (increase) in deferred tax assets	1.96	5.65
(Decrease) / increase in deferred tax liabilities	48.85	27.16
Unused tax (credit) (MAT credit entitlement)	(57.94)	(12.46)
Unused tax (credit) / reversal (MAT credit entitlement) of prior periods	(6.31)	3.40
<b>Total (B)</b>	<b>(13.44)</b>	<b>23.75</b>
<b>Tax expense (A) + (B)</b>	<b>162.73</b>	<b>168.76</b>
(b) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:		
Profit before tax expense	706.63	641.16
Tax at the Indian tax rate of 34.61% (2015-2016 – 34.61%)	244.56	221.91
Ind AS transition adjustments, [1/5 <sup>th</sup> of the Opening adjustments are considered for calculation]	9.48	—
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Capital Receipt	—	(2.21)
Other items	2.79	(19.24)
Tax differences due to subsidiary adjustments	(70.89)	(53.85)
Tax credits not availed in books	(10.00)	(9.68)
Tax Relating to Earlier Years	0.21	(0.34)
Deferred Tax Liability	50.83	41.23
MAT Credit Entitlement	(64.25)	(9.06)
<b>Tax expense</b>	<b>162.73</b>	<b>168.76</b>

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

(Rupees in crores)

#### 28 FAIR VALUE MEASUREMENTS

Financial instruments by category	March 31, 2017			March 31, 2016			April 1, 2015		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
<b>Financial assets</b>									
Investments									
- Equity instruments	-	318.60	-	-	149.59	-	-	144.71	-
- Preference shares	887.55	-	12.70	803.29	-	11.70	650.91	-	11.70
- Others	-	-	21.97	-	-	11.39	-	-	8.54
Trade receivables	-	-	845.44	-	-	645.77	-	-	567.38
Cash and cash equivalents	-	-	47.48	-	-	49.74	-	-	25.16
Derivative financial assets	2.24	0.95	-	13.95	3.79	-	11.34	-	-
Other Financial assets	-	-	26.97	-	-	34.39	-	-	28.28
<b>Total</b>	<b>889.79</b>	<b>319.55</b>	<b>954.56</b>	<b>817.24</b>	<b>153.38</b>	<b>752.99</b>	<b>662.25</b>	<b>144.71</b>	<b>641.06</b>
<b>Financial liabilities</b>									
Borrowings	-	-	1,665.03	-	-	1,460.55	-	-	1,498.02
Trade Payables	-	-	2,106.86	-	-	1,747.43	-	-	1,619.01
Derivative Financial Liability	9.06	0.53	-	0.70	0.77	-	0.58	-	-
Other Financial Liability	-	-	86.52	-	-	78.90	-	-	89.37
<b>Total</b>	<b>9.06</b>	<b>0.53</b>	<b>3,858.41</b>	<b>0.70</b>	<b>0.77</b>	<b>3,286.88</b>	<b>0.58</b>	<b>-</b>	<b>3,206.40</b>

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

Financial assets and liabilities measured at fair value - recurring fair value measurements

At 31 March 2017	Notes	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Financial Investments at FVTPL	3	-	-	887.55	887.55
Financial Investments at FVOCI	3	210.83	12.07	95.70	318.60
Derivatives designated as hedges	10	-	3.19	-	3.19
<b>Total</b>		<b>210.83</b>	<b>15.26</b>	<b>983.25</b>	<b>1,209.34</b>
<b>Financial liabilities</b>					
Derivatives	19	-	9.59	-	9.59
<b>Total</b>		<b>-</b>	<b>9.59</b>	<b>-</b>	<b>9.59</b>

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

At 31 March 2017	Notes	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Investments					
Preference shares	3	-	-	12.70	12.70
Others	3	-	-	21.97	21.97
<b>Total</b>		<b>-</b>	<b>-</b>	<b>34.67</b>	<b>34.67</b>
<b>Financial liabilities</b>					
Borrowings	14, 17, 19	-	-	1,665.03	1,665.03
<b>Total</b>		<b>-</b>	<b>-</b>	<b>1,665.03</b>	<b>1,665.03</b>

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

(Rupees in crores)

#### 28 FAIR VALUE MEASUREMENTS – (continued)

Financial assets and liabilities measured at fair value - recurring fair value measurements

At 31 March 2016	Notes	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Financial Investments at FVTPL	3	–	–	803.29	803.29
Financial Investments at FVOCI	3	114.78	16.28	18.53	149.59
Derivatives designated as hedges	10	–	8.62	–	8.62
Derivatives not designated as hedges	10	–	9.12	–	9.12
<b>Total</b>		114.78	34.02	821.82	970.62

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

At 31 March 2016	Notes	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Investments					
Preference shares	3	–	–	11.70	11.70
Others	3	–	–	11.39	11.39
<b>Total</b>		–	–	23.09	23.09
<b>Financial liabilities</b>					
Borrowings	14, 17, 19	–	–	1,460.55	1,460.55
<b>Total</b>		–	–	1,460.55	1,460.55

Financial assets and liabilities measured at fair value – recurring fair value measurements

At April 1, 2015	Notes	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Financial Investments at FVTPL	3	–	–	650.91	650.91
Financial Investments at FVOCI	3	113.59	13.77	17.35	144.71
Derivatives designated as hedges	10	–	11.21	–	11.21
Derivatives not designated as hedges	10	–	0.13	–	0.13
<b>Total</b>		113.59	25.11	668.26	806.96

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

At April 1, 2015	Notes	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Investments					
Preference shares	3	–	–	11.70	11.70
Others	3	–	–	8.54	8.54
<b>Total</b>		–	–	20.24	20.24
<b>Financial liabilities</b>					
Borrowings	14, 17, 19	–	–	1,498.02	1,498.02
<b>Total</b>		–	–	1,498.02	1,498.02

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments that have quoted price. The fair value of all equity instruments (including bonds) which are traded in the stock exchanges is valued using the closing price as at the reporting period. The mutual funds are valued using the closing NAV.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities, preference shares and other non current investments included in level 3.

There are no transfers between levels 1 and 2 during the year.

The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.



## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

(Rupees in crores)

#### 28 FAIR VALUE MEASUREMENTS – (continued)

(ii) Valuation technique used to determine fair value (Level 2)

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of interest rate swaps is calculated as the present value of estimated cash flows based on observable yield curves.
- the fair value of forward exchange contract and principal only swap is determined using forward exchange rate at the balance sheet date.
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

(iii) Fair value measurements using significant unobservable inputs (level 3)

	Unlisted Preference Shares	Unlisted equity Shares	Total
<b>As at 1<sup>st</sup> Apr 2015</b>	650.91	17.35	668.26
Additions	100.00	0.06	100.06
Gains / (losses) recognised in profit or loss	52.38	–	52.38
Gains / (losses) recognised in other comprehensive income	–	1.12	1.12
<b>As at 31<sup>st</sup> March 2016</b>	803.29	18.53	821.82
Additions	5.00	65.30	70.30
Gains / (losses) recognised in profit or loss	79.26	–	79.26
Gains / (losses) recognised in other comprehensive income	–	11.87	11.87
<b>As at 31<sup>st</sup> March 2017</b>	887.55	95.70	983.25

(iv) Valuation inputs and relationships to fair value

Particulars	Fair value as at			Significant unobservable input	Probability weighted range for the year ended			Sensitivity
	31-03-2017	31-03-2016	01-04-2015		31-03-2017	31-03-2016	01-04-2015	
Preference shares	887.55	803.29	650.91	a) Earnings growth rate b) Risk adjusted discount rate	20-30% 18.32%	20-30% 17.80%	20-30% 17.80%	If the growth rate increases by 5% and reduction in discount rate by 50bps, the value of preference shares will increase by 2% and vice versa.
Unquoted Equity shares	90.82	13.65	12.47	a) Earnings growth rate b) Risk adjusted discount rate	1-3% 8%	1-3% 8%	1-3% 8%	Not significant

(v) Valuation processes

Discount rates are determined using a capital asset pricing model to calculate a pretax rate that reflects current market assessments of the time value of money and the risk specific to the asset earnings growth factor -

Risk adjustments have been derived based on the market risk premium adjusted for groups levered financial data

(vi) Fair value of financial assets and liabilities measured at amortised cost

	31-Mar-17		31-Mar-16		01-Apr-15	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>						
Investments						
Preference shares	12.70	12.70	11.70	11.70	11.70	11.70
Debt Instruments	21.97	21.97	11.39	11.39	8.54	8.54
<b>Total</b>	34.67	34.67	23.09	23.09	20.24	20.24
<b>Financial Liabilities</b>						
Borrowings	1,665.03	1,665.03	1,460.55	1,460.55	1,498.02	1,498.02
<b>Total</b>	1,665.03	1,665.03	1,460.55	1,460.55	1,498.02	1,498.02

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

(Rupees in crores)

The carrying amounts of trade receivables, trade payables, cash and cash equivalents and other current financial assets and liabilities are considered to be the same as their fair values, due to their short-term nature.

The fair values for Preference shares and other debt instruments were calculated based on cash flows discounted using a current lending rate, which approximates the carrying value. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs, including counterparty credit risk.

The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate, which approximates the carrying value. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including own credit risk.

For financial assets and liabilities that are measured at fair value, the carrying amounts are equal to the fair values.

### 29 FINANCE RISK MANAGEMENT

The group's activities expose it to market risk, liquidity risk and credit risk. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the impact of hedge accounting in the financial statements

Risk	Exposure arising from	Risk Parameters and Mitigation
Market Risk - Foreign exchange		i) The group operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions. ii) Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the group's functional currency (INR). iii) The risk is measured through a forecast of highly probable foreign currency cash flows. The group has a forex management policy which is duly approved by the Board. iv) The objective of the hedges when taken is to minimise the volatility of the INR cash flows of highly probable forecast transactions.
Market Risk - Interest rate	Foreign currency denominated borrowings	i) The group's main interest rate risk arises from long-term borrowings with variable rates, which expose the group to cash flow interest rate risk. ii) Group's policy is to maintain most of its borrowings at fixed rate using interest rate swaps to achieve this when necessary. iii) The group's fixed rate borrowings are carried at amortised cost. They are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.
Liquidity Risk	INR denominated borrowings [Other than soft loans given by Govt. Authorities)	i) The group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans. ii) The group prepares a detailed annual operating plans to assess the fund requirements - both short term and long term. iii) Detailed monthwise cash flow forecast is also carried out along with required sensitivities. Based on these factors adequate working capital credit limits are organised in advance. iv) Group has pre-approved credit lines with various banks and these are constantly reviewed and approved by the Board. v) For long term fund requirements, group targets various options such as rupee term loan, external commercial borrowing, debentures etc. vi) The group obtains a credit rating for the various borrowing facilities on annual basis. Group constantly monitors the free cashflow from operations to ensure that the borrowing is minimized.
Credit Risk		i) Credit risk primarily arises from cash and cash equivalents, trade receivables and investments carried at amortised cost. ii) The group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. iii) To assess whether there is a significant increase in credit risk, the group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. iv) It considers available reasonable and supportive forwarding-looking information (more specifically described below). v) A default on a financial asset is when the counterparty fails to make contractual payments within 180 days of when they fall due. This definition of default is determined by considering the business environment in which entity operates and other macro-economic factors.
	a. Cash and Cash Equivalents	Surplus cash is deposited only with banks / financial institutions with a high external credit rating.
	b. Domestic Trade Receivables	i) The group extends credit to the customers and such extension of credit is based on customers' credit worthiness, ability to repay and past track record. iii) The group has extensive reporting systems and review to constantly monitor the receivables.
	c. Export Trade Receivables	The group's export customers are Original Equipment Manufacturers with high credit rating. Export receivables are also covered through Insurance with Export Credit Guarantee Corporation of India Limited.

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

(Rupees in crores)

### 29 FINANCE RISK MANAGEMENT – (continued)

Risk	Exposure arising from	Risk Parameters and Mitigation
Export trade receivables and Import Payables		i) The group has a forex management policy duly approved by the Board. The group's policy is to hedge most of its net currency exposure. ii) Group reviews the forex exposure on a regular basis and also reports its adherence to the Board on a quarterly basis. The recording and reporting requirements under are strictly adhered.
Foreign currency denominated borrowings		The group has hedged its borrowings by covering the principal repayments.

#### (A) Credit risk

Basis of recognition of expected credit loss provision

Rating	Category	Description of category	Investments	Loans and deposits	Trade receivables
1	High Quality assets, negligible credit risk	Assets where the counter-party has strong capacity to meet the obligations and where the risk of default is negligible or nil.	12 month expected credit losses		Life time expected credit losses (simplified approach)
2	Quality assets, low credit risk	Assets where there is low risk of default and where the counter-party has sufficient capacity to meet the obligations and where there has been low frequency of defaults in the past.			
3	Standard Assets, moderate credit risk	Assets where the probability of default is considered moderate and where the counter-party's capacity to meet the obligations is not strong.			
4	Substandard Assets, relatively high credit risk	Assets where there has been a significant increase in credit risk since initial recognition.	Life time expected credit losses		
5	Low quality assets, very high credit risk	Assets where there is a high probability of default. Also includes assets where the credit risk of counter-party has increased significantly though payments may not be more than 180 days past due.			
6	Doubtful assets, credit impaired	Assets are written off when there is no reasonable expectation of recovery, such as a debtor declaring bankruptcy or failing to engage in a repayment plan with the group. Where loans or receivables have been written off, the group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in statement of profit and loss.		Asset is written off	

31-Mar-17

#### a) Expected credit loss for investments, loans and other financial assets

Particulars	internal rating	Asset/Asset group	Gross carrying amount	Expected probability of default	Expected credit loss	Carrying amount net of impairment provision
Loss allowance measured at 12 month expected credit loss	2	Investments at amortised cost	34.67	0%	–	34.67
	1	Other financial assets	18.56	0%	–	18.56

#### b) Expected credit loss for trade receivables under simplified approach

	0 to 180 days past due	More than 180 days past due	Total
Gross carrying amount	844.45	6.86	851.31
Expected loss rate	–	86%	–
Expected credit losses	–	5.87	5.87
Carrying amount of trade receivables	844.45	0.99	845.44

31-Mar-16

#### a) Expected credit loss for investments, loans and other financial assets

Particulars	internal rating	Asset/Asset group	Gross carrying amount	Expected probability of default	Expected credit loss	Carrying amount net of impairment provision
Loss allowance measured at 12 month expected credit loss	2	Investments at amortised cost	23.09	0%	–	23.09
	1	Other financial assets	26.01	0%	–	26.01

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

(Rupees in crores)

#### 29 FINANCE RISK MANAGEMENT – (continued)

31-Mar-16 - (continued)

b) Expected credit loss for trade receivables under simplified approach

	0 to 180 days past due	More than 180 days past due	Total
Gross carrying amount	644.25	9.37	653.62
Expected loss rate	–	84%	–
Expected credit losses	–	7.85	7.85
Carrying amount of trade receivables	644.25	1.52	645.77

01-Apr-15

a) Expected credit loss for investments, loans and other financial assets

Particulars	Internal rating	Asset/Asset group	Gross carrying amount	Expected probability of default	Expected credit loss	Carrying amount net of impairment provision
Loss allowance measured at 12 month expected credit loss	2	Investments at amortised cost	20.24	0%	–	20.24
	1	Other financial assets	20.42	0%	–	20.42

b) Expected credit loss for trade receivables under simplified approach

	0 to 180 days past due	More than 180 days past due	Total
Gross carrying amount	567.10	8.43	575.53
Expected loss rate	–	97%	–
Expected credit losses	–	8.15	8.15
Carrying amount of trade receivables	567.10	0.28	567.38

Reconciliation of loss allowance provision - Trade receivables

Loss allowance April 1, 2015	8.15
changes in loss allowance	(0.30)
Loss allowance March 31, 2016	7.85
changes in loss allowance	(1.98)
Loss allowance March 31, 2017	5.87

#### (B) Liquidity risk

(i) Financing arrangements

The group had access to the following undrawn borrowing facilities at the end of the reporting period:

	31 March, 2017	31 March, 2016	1 April, 2015
Floating rate			
- Expiring within one year (bank overdraft and other facilities)	1,189.57	1,093.98	704.91
- Expiring beyond one year (bank loans)	–	–	–

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time in INR and have an average maturity ranging from 30 to 180 days.

(ii) Maturities of financial liabilities

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- a) all non-derivative financial liabilities, and
- b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

31-Mar-17

Contractual Maturities of Financial Liabilities	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
Borrowings	909.94	12.82	87.07	425.83	229.37	1,665.03
Trade payables	2,106.86	–	–	–	–	2,106.86
Other financial liabilities	73.54	4.33	8.65	–	–	86.52
Derivatives	3.40	–	–	6.19	–	9.59

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

(Rupees in crores)

### 29 FINANCE RISK MANAGEMENT – (continued)

31-Mar-16

Contractual Maturities of Financial Liabilities	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
Borrowings	595.30	161.06	77.94	296.18	330.08	1,460.56
Trade payables	1,747.43	–	–	–	–	1,747.43
Other financial liabilities	65.84	4.35	8.71	–	–	78.90
Derivatives	0.65	–	–	0.66	–	1.31

01-Apr-15

Contractual Maturities of Financial Liabilities	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
Borrowings	719.89	34.00	42.72	317.63	383.78	1,498.02
Trade payables	1,619.01	–	–	–	–	1,619.01
Other financial liabilities	76.21	4.39	8.77	–	–	89.37
Derivatives	0.08	–	–	0.18	–	0.26

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

#### (C) Market risk

##### i) Foreign exchange risk

The group's exposure to foreign currency risk at the end of the reporting period expressed in INR, are as follows

	31-03-2017		31-03-2016		01-04-2015	
	USD	EUR	USD	EUR	USD	EUR
Financial assets						
Trade receivables	232.45	40.65	174.77	37.20	202.92	21.94
Derivatives	1.95	1.25	17.37	0.20	4.42	6.60
<b>Net exposure to foreign currency risk (assets)</b>	<b>234.40</b>	<b>41.90</b>	<b>192.14</b>	<b>37.40</b>	<b>207.34</b>	<b>28.54</b>
Financial liabilities						
Foreign currency loan	309.58	70.55	444.09	–	304.49	–
Trade payables	256.73	16.81	259.33	1.56	151.99	2.47
Derivatives	9.59	–	0.71	0.60	0.18	0.08
<b>Net exposure to foreign currency risk (liabilities)</b>	<b>341.50</b>	<b>45.46</b>	<b>511.99</b>	<b>(35.24)</b>	<b>249.32</b>	<b>(25.99)</b>

#### Sensitivity

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments

Particulars	Impact on profit after tax*		Impact on other components of equity*	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
USD sensitivity				
INR/USD Increases by 10%	26.25	37.93	0.04	(0.05)
INR/USD Decreases by 10%	(26.25)	(37.93)	(0.04)	0.05
EURO sensitivity				
INR/EURO Increases by 10%	3.50	(2.60)	0.01	(0.01)
INR/EURO Decreases by 10%	(3.50)	2.60	(0.01)	0.01

\* Holding all other variables constant

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

(Rupees in crores)

### 29 FINANCE RISK MANAGEMENT – (continued)

#### ii) Interest Rate risk

Normally for short term borrowings the marginal cost of lending rate of the bank is followed. Whenever, group resorts to short term borrowing through Commercial Paper the rate of interest is fixed in advance. In respect of foreign currency borrowings for longer period the interest rates are covered through interest rate swaps (IRS).

	31 March 2017	31 March 2016	01 April 2015
Variable rate borrowings	987.76	664.03	979.64
Fixed rate borrowings	677.27	796.54	518.38

Sensitivity	Impact on profit after tax	
	31 March 2017	31 March 2016
Increase in interest rates by 100 bps	(7.61)	(4.91)
Decrease in interest rates by 100 bps	7.61	4.91

#### iii) Price risk

The group's exposure to equity securities price risk arises from investments held by the group and classified in the balance sheet either as fair value through OCI or at fair value through statement of profit and loss. To manage its price risk from investments in equity securities, the group diversifies its portfolio. The impact of the changes in price risk is not material.

#### (D) Impact of hedging activities

i) Disclosure of effects of hedge accounting on financial position

a) Disclosure of effects of hedge accounting on financial position as at 31-03-2017

Type of hedge and risks	Nominal value		Carrying amount hedging instrument		Maturity Date	Changes in fair value of hedging instrument	Changes in the value of hedged item used as the basis for recognising hedge effectiveness
	Assets	Liabilities	Assets	Liabilities			
Cash flow hedge							
(i) Foreign exchange forward contracts, PCFC	245.52	38.64	174.95	0.71	Apr'17 to Aug'17	(1.95)	1.95
(ii) Principal only swaps & Interest rate swaps	–	184.63	0.87	6.57	Apr'17 to Mar'22	(9.39)	9.39

b) Disclosure of effects of hedge accounting on financial position as at 31-03-2016

Type of hedge and risks	Nominal value		Carrying amount hedging instrument		Maturity Date	Changes in fair value of hedging instrument	Changes in the value of hedged item used as the basis for recognising hedge effectiveness
	Assets	Liabilities	Assets	Liabilities			
Cash flow hedge							
(i) Foreign exchange forward contracts, PCFC	650.39	17.93	567.08	0.65	Apr'16 - Mar'17	(6.19)	6.19
(ii) Principal only swaps & Interest rate swaps	–	140.77	4.35	0.66	Apr'16 - Mar'19	3.57	(3.57)

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

(Rupees in crores)

### 29 FINANCE RISK MANAGEMENT – (continued)

c) Disclosure of effects of hedge accounting on financial position as at 01-04-2015

Type of hedge and risks	Nominal value		Carrying amount hedging instrument		Maturity Date	Changes in fair value of hedging instrument	Changes in the value of hedged item used as the basis for recognising hedge effectiveness
	Assets	Liabilities	Assets	Liabilities			
Cash flow hedge							
(i) Foreign exchange forward contracts, PCFC	1,055.51	1.42	962.22	0.08	Apr'15 - Mar'16	(3.42)	3.42
(ii) Principal only swaps & Interest rate swaps	–	61.87	0.30	0.18	Apr'16 - Aug'16	–	–

ii) Disclosure of effects of hedge accounting on financial performance :

a) for the year ended 31-03-2017

Type of hedge	Change in the value of hedging instrument recognised in other comprehensive income	Hedge ineffectiveness recognised in statement of profit and loss	Amount reclassified from cash flow hedging reserve to statement of profit and loss	Line item affected in statement of profit and loss because of the reclassification
Cash flow hedge : Foreign exchange forward contracts, PCFC & Interest Rate Swap	1.03	–	(3.62)	Revenue

b) for the year ended 31-03-2016

Type of hedge	Change in the value of hedging instrument recognised in other comprehensive income	Hedge ineffectiveness recognised in statement of profit and loss	Amount reclassified from cash flow hedging reserve to statement of profit and loss	Line item affected in statement of profit and loss because of the reclassification
Cash flow hedge : Foreign exchange forward contracts, PCFC & Interest Rate Swap	3.01	–	(3.10)	Revenue

### 30 CAPITAL MANAGEMENT

(a) Risk management

The group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the following gearing ratio:

Net debt (total borrowings net of cash and cash equivalents) divided by Total 'equity' (as shown in the balance sheet).

The group's strategy is to maintain an optimum gearing ratio. The gearing ratios were as follows:

	March 31, 2017	March 31, 2016	April 1, 2015
Net debt	1,617.09	1,409.88	1,471.81
Total equity	2,795.22	2,292.04	2,036.16
<b>Net debt to equity ratio</b>	<b>57.85%</b>	<b>61.51%</b>	<b>72.28%</b>

The group also monitors Interest coverage ratio :

Group's earnings before interest and taxes (EBIT) divided by Interest

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

(Rupees in crores)

### 30 CAPITAL RISK MANAGEMENT – (continued)

The group's strategy is to maintain a optimum interest coverage ratio. The Interest coverage ratio were as follows:

	As at 31-03-2017	As at 31-03-2016
EBIT	797.96	743.43
Interest	88.16	102.27
Interest coverage ratio	9.05	7.27

#### (b) Dividends

	As at 31-03-2017	As at 31-03-2016
(i) Equity shares		
Last Interim dividend for the year ended 31 March 2015 of Rs.6.00 per fully paid share during 2015-16	–	36.65
First Interim dividend for the year ended 31 March 2016 of Rs.21.00 per fully paid share during 2015-16	–	64.70
Second Interim dividend for the year ended 31 March 2016 of Rs.20.00 per fully paid share during 2015-16	–	72.29
First Interim dividend for the year ended 31 March 2017 of Rs.15.00 per fully paid share during 2016-17	58.22	–
Second Interim dividend for the year ended 31 March 2017 of Rs.16.50 per fully paid share during 2016-17	59.61	–
(ii) Dividends not recognised at the end of the reporting period	–	–

### 31 FIRST-TIME ADOPTION OF IND AS

#### Transition to Ind AS

These are the group's first financial statements prepared in accordance with Ind AS.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31<sup>st</sup> March 2017, the comparative information presented in these financial statements for the year ended 31<sup>st</sup> March 2016 and in the preparation of an opening Ind AS balance sheet at 1<sup>st</sup> April 2015 (The group's date of transition).

An explanation of how the transition from GAAP to Ind AS has affected the group's financial position, financial performance and cash flows is set out in the following tables and notes.

#### A. Exemptions and exceptions availed

Set out below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from GAAP to Ind AS.

##### 1. Deemed cost - Property, Plant, Equipment, Intangible Assets & Investment Properties

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the GAAP and use that as its deemed cost as at the date of transition. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets.

Accordingly, group has chosen to retain the cost of the Property, Plant & Equipment, intangible assets at their GAAP value.

##### 2. Designation of previously recognised financial instruments

Ind AS 101 allows an entity to designate investments in equity instruments either through FVOCI or FVPL on the basis of the facts and circumstances at the date of transition to Ind AS. The group has elected to route the fair value gains / (losses) through FVOCI for its investment in equity instruments.

##### 3. Leases

Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. Ind AS 101 provides an option to make this assessment on the basis of facts and circumstances existing at the date of transition to Ind AS, except where the effect is expected to be not material. The group has elected to apply this exemption for such contracts/arrangements.



# Consolidated Financial Statements of Sundaram-Clayton Limited

## Notes to Financial Statements – (continued)

(Rupees in crores)

### 4. Business Combinations

Ind AS 101 provides the option to apply Ind AS 103 prospectively from the transition date or from a specific date prior to the transition date.

The group elected to apply Ind AS 103 prospectively to business combinations occurring after its transition date. Business combinations occurring prior to the transition date have not been restated.

## B. Mandatory Exemptions

### 1. Estimates

An entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. Ind AS estimates as at 1<sup>st</sup> April 2015 are consistent with the estimates as at the same date made in conformity with GAAP. The group made estimates for following items in accordance with Ind AS at the date of transition as these were not required under GAAP:

- (i) Investments in equity instruments carried at FVOCI.
- (ii) Investments in debt instruments carried at FVTPL / Amortised Cost.
- (iii) Impairment of financial assets based on Expected Credit Loss Model.
- (iv) Fair valuation of other financial assets and liabilities in accordance with IND AS 109.

### 2. Hedge Accounting

Hedge accounting can only be applied prospectively from the transition date to transactions that satisfy the hedge accounting criteria in Ind AS 109, at that date. Hedging relationships cannot be designated retrospectively, and the supporting documentation cannot be created retrospectively. As a result, only hedging relationships that satisfied the hedge accounting criteria as of 1<sup>st</sup> April 2015 are reflected as hedges in the group's results under Ind AS.

On date of transition to Ind AS, the entity had assessed that all the designated hedging relationship qualifies for hedge accounting as per Ind AS 109. Consequently, the group continues to apply hedge accounting on and after the date of transition to Ind AS.

### 3. Classification and measurement of financial assets :

Ind AS 101 requires an entity to assess classification and measurement of financial assets (investment in debt instruments) on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

## C. Notes to first-time adoption

### 1. Remeasurements of post-employment benefit obligations

Under Ind AS, remeasurements i.e. actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in Other Comprehensive Income. Under the GAAP, these remeasurements were forming part of the profit or loss for the year. As a result of this change, the profit for the year ended March 31, 2016 increased by Rs.16.10 Crores. There is no impact on the total equity as at 31<sup>st</sup> March 2016.

### 2. Security Deposits

Under GAAP, interest free lease security deposits (that are refundable in cash on completion of the lease term) are recorded at their transaction value. Under Ind AS, all financial assets are required to be recognised at fair value. Accordingly, the group has fair valued these security deposits under Ind AS. Difference between the fair value and transaction value of the security deposit has been recognised as prepaid rent.

### 3. Lease hold land

Under GAAP, leasehold land was disclosed as part of Fixed asset and amortization was claimed. Under Ind AS, the lease of land is treated as an operating lease and consequently the unamortised portion of upfront payment for lease of land has been treated as a prepayment.

### 4. Borrowings

Under GAAP, transaction fees on borrowings were charged-off to expense during availment of loan. Under Ind AS, the transaction cost is required to be deducted from the carrying amount of the borrowings on the initial recognition. These costs are recognised in the profit or loss over the tenor of the borrowing as part of the interest expense by applying the Effective Interest Rate method.

### 5. Proposed dividend

Under GAAP, dividends proposed by the board of directors after the balance sheet date but before the approval of the financial statements were considered as adjusting events. Accordingly, provision for proposed dividend was recognised as a liability. Under Ind AS, such dividends are recognised when the same is approved by the shareholders in the general meeting. Accordingly, the

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

(Rupees in crores)

liability for the interim dividend of 1 April 2015 – Rs.12.14 Crs included under provisions has been reversed correspondingly increasing retained earnings. Consequently, the total equity increased by an equivalent amount.

#### 6. Excise duty

Under GAAP, revenue from sale of products was presented exclusive of excise duty. Under Ind AS, revenue from sale of goods is presented inclusive of excise duty. The excise duty paid is presented on the face of the statement of profit and loss as part of expenses. This change has resulted in an increase in total revenue and total expenses for the year ended 31 March 2016 by Rs.1157.07 Crs. There is no impact on the total equity and profit.

#### 7. Other Comprehensive Income

Under Ind AS, all items of income and expense recognised in a period should be included in the Statement of Profit and Loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in Statement of Profit and Loss but are shown in the statement of profit and loss as 'Other Comprehensive Income' includes remeasurements of defined benefit plans, effective portion of gains and losses on cash flow hedging instruments and fair value gains or (losses) on FVOCI equity instruments. The concept of other comprehensive income did not exist under GAAP.

#### 8. Investments

Under GAAP, investments in equity instruments and mutual funds were classified as long term investments and carried at cost less provision for other than temporary decline in value of such investments. Under Ind AS these instruments are required to be measured at fair value. Equity instruments are fair valued through "Other Comprehensive Income". Preference shares are fair valued through profit and loss.

#### 9. Hedging

Under GAAP, discount / premium on forward contracts were amortised over the tenor of forward contract. Under Ind AS, the group is required to designate hedge as fair value hedge or cash flow hedge. Accordingly, resulting gain or loss on an effective cash flow hedge has been adjusted in Other Comprehensive Income and in case of fair value hedge or an ineffective cash flow hedge the gain or loss has been taken to statement of profit and loss.

#### 10. Deferred Tax

Deferred tax have been recognised on the adjustments made on transition to Ind AS.

FVTPL - Fair value through Statement of Profit and Loss; FVOCI - Fair value through Other Comprehensive Income

### 32 RECONCILIATION BETWEEN GAAP AND IND AS

#### I) Reconciliation of total equity as at March 31, 2016 and April 1, 2015

	March 31, 2016	April 01, 2015
Total equity (shareholder's funds) as per GAAP	1,979.56	1,727.13
Adjustments:		
Valuation of Investments at Fair Value (Refer Note 1 below)	338.14	286.20
Proposed Dividend	–	12.14
Measurement of Financial Liabilities at Amortised Cost and impact of Derivative Contracts	2.35	(1.17)
Reversal of revaluation gains	(28.96)	–
Fair valuation of Security Deposits	(0.10)	(0.04)
Lease hold land amortisation	(0.19)	(0.14)
Other adjustments	6.01	13.48
Reversal of amortisation of goodwill	0.28	–
Transition differences of an Associate	(0.83)	(0.79)
Tax adjustments	(4.22)	(0.65)
<b>Total</b>	<b>312.48</b>	<b>309.03</b>
<b>Total equity as per Ind AS</b>	<b>2,292.04</b>	<b>2,036.16</b>

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

(Rupees in crores)

II) Reconciliation of total comprehensive income for the year ended March 31, 2016

Profit after tax as per GAAP	408.24
Adjustments:	
Actuarial Loss / (Gain ) on Employee defined benefit plans recognised in Other Comprehensive Income	16.10
Increase in fair value of investments	51.11
Measurement of Financial Assets /Liabilities at Amortised Cost and impact of Derivative Contracts	4.62
Transition difference of associate	(0.04)
Other adjustments	(4.06)
Tax on above	(3.57)
<b>Total adjustments</b>	<b>64.16</b>
Profit after tax as per Ind AS	472.40
Other comprehensive income (net of tax)	
(i) Items that will not be reclassified to statement of profit and loss	(10.89)
(ii) Items that will be reclassified to statement of profit and loss	18.46
<b>Total</b>	<b>7.57</b>
<b>Total comprehensive income as per Ind AS</b>	<b>479.97</b>

III) Impact of Ind AS adoption on cashflow statement

	GAAP	Adjustments	Ind AS
Net cashflow from operating activities	959.89	114.99	1074.88
Net cashflow from investing activities	(646.29)	(68.76)	(715.05)
Net cashflow from financing activities	(324.71)	(48.41)	(373.12)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(11.11)</b>	<b>(2.18)</b>	<b>(13.29)</b>
<b>Cash and cash equivalents as at April 1, 2015</b>	<b>(242.85)</b>	<b>(3.79)</b>	<b>(246.64)</b>
<b>Cash and cash equivalents as at March 31, 2016</b>	<b>(253.96)</b>	<b>(5.97)</b>	<b>(259.93)</b>

Note 1 :

- i) AS per Ind AS 101 , the company has elected to measure equity investments in subsidiaries and associates at GAAP carrying cost which is considered as Deemed Cost.
- ii) The terms of issue of Preference shares held by the Company in TVS Motor Services Limited contain an option to receive appropriate number of equity shares of TVSCS [subsidiary of TVSMS] in lieu of redemption. Accordingly, the preference shares are treated as Debt and fair valued.
- iii) In respect of other listed equity investments, these are fair valued and remeasured at each Balance sheet date and the changes in Fair value are reflected in Other Comprehensive Income.

Company name	Cost as per GAAP	Fair value as at 01.04.2015
<b>Preference shares:</b>		
TVS Motor Services Limited, Chennai	456.01	650.91
<b>Other Equity instruments:</b>		
Suprajit Engineering Limited, Bengaluru	0.51	112.46
UCAL Fuel Systems Limited, Chennai	0.25	1.01
Harita Seating Systems Limited, Chennai	0.04	0.12
Green Infra BTV Limited, New Delhi	7.75	5.44
TVS Lanka (Private) Limited, Colombo	2.08	8.14
Green Infra Wind Energy Theni Limited, New Delhi	3.00	3.00
Sai Regency Power Corporation Private Limited, Chennai	0.38	0.38
<b>Other investments:</b>		
TVS Shriram Growth fund Scheme 1A of TVS Capital Funds Limited, Chennai	8.55	10.60
TVS Shriram Growth fund Scheme 1B of TVS Capital Funds Limited, Chennai	3.00	3.17
ICICI Prudential Life Insurance Company Limited, Mumbai	13.24	3.47
Life Insurance Corporation of India, Chennai	22.76	5.07
<b>Total</b>	<b>517.57</b>	<b>803.77</b>
Fair value gain / (loss) through Other Comprehensive Income		118.76
Fair value gain / (loss) through statement of profit and loss		167.44
<b>Total</b>		<b>286.20</b>

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

(Rupees in crores)

#### 33 OTHER DISCLOSURES

##### (i) Contingent liabilities

Details	31 <sup>st</sup> March 2017	31 <sup>st</sup> March 2016	01 <sup>st</sup> April 2015
(i) Claims against the company not acknowledged as debt			
- Direct taxes	28.48	21.62	26.90
- Indirect taxes	46.50	84.52	121.85
(ii) Guarantees excluding Financial Guarantees	6.62	6.65	105.65
(iii) Other money for which the company is contingently liable (includes uncalled money of Rs.3,675 on partly paid shares of Adyar Property Holding Company Limited, Chennai)	207.02	241.86	462.60
<b>Total</b>	<b>288.62</b>	<b>354.65</b>	<b>717.00</b>

##### (ii) Capital commitments

Details	31 <sup>st</sup> March 2017	31 <sup>st</sup> March 2016	01 <sup>st</sup> April 2015
(i) Estimated amount of contracts remaining to be executed on capital accounts and not provided for	497.15	170.67	154.64
(ii) Investments	-	-	4.50

##### (iii) Audit fees

Details	31 <sup>st</sup> March 2017	31 <sup>st</sup> March 2016
As statutory auditors	1.51	1.35
Taxation matters	0.19	0.19
Certification matters	0.09	0.06
Other services	0.29	0.36
<b>Total</b>	<b>2.08</b>	<b>1.96</b>

##### (iv) Expenditure incurred on Corporate Social Responsibility activities:

Details	31 <sup>st</sup> March 2017	31 <sup>st</sup> March 2016
(a) Gross amount required to be spent by the company during the year	10.70	8.03
(b) Amount spent during the year in cash:		
(i) Construction / acquisition of any asset	-	-
(ii) On purposes other than (i) above	10.75	8.05
<b>Total</b>	<b>10.75</b>	<b>8.05</b>

(iv) Exceptional income represents profit from sale of land.

#### 34 EARNING PER EQUITY SHARE

Details	31 <sup>st</sup> March 2017	31 <sup>st</sup> March 2016
(a) Basic and diluted earnings per share		
Basic and diluted earnings per share attributable to the equity holders of the Company	163.21	144.25
(b) Earnings used in calculating earnings per share		
<i>Basic and diluted earnings per share</i>		
Profit attributable to equity holders of the company used in calculating basis earnings per share	330.20	291.86
(c) Weighted average number of equity shares used as the denominator in calculating basic earnings per share	2,02,32,085	2,02,32,085

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

#### 35 Amount recognised in the balance sheet and the movements in the net defined benefit obligation / other employee benefits (Rupees in crores)

Particulars	Defined benefit obligation						Other employee benefits		
	Gratuity			Pension			Leave salary		
	Present value of obligation	Fair value of plan assets	Net amount	Present value of obligation	Fair value of plan assets	Net amount	Present value of obligation	Fair value of plan assets	Net amount
<b>April 1, 2015</b>	63.12	69.01	(5.89)	70.32	–	70.32	17.38	–	17.38
Current service cost	4.65	–	4.65	4.06	–	4.06	3.38	–	3.38
Interest expense / (income)	5.05	5.50	(0.45)	5.63	–	5.63	0.27	–	0.27
Experience (gains) / losses							1.26		1.26
<b>Total amount recognised in statement of profit and loss</b>	<b>9.70</b>	<b>5.50</b>	<b>4.20</b>	<b>9.69</b>	<b>–</b>	<b>9.69</b>	<b>4.91</b>	<b>–</b>	<b>4.91</b>
<i>Remeasurements:</i>									
Return on plan assets, excluding amounts included in interest expense/(income)	–	0.91	(0.91)	–	–	–	–	–	–
(Gain) / loss from change in demographic assumptions	–	–	–	–	–	–	–	–	–
(Gain) / loss from change in financial assumptions	–	–	–	–	–	–	0.08	–	0.08
Experience (gains)/losses	11.71	–	11.71	4.39	–	4.39	1.26	–	1.26
<b>Total amount recognised in other comprehensive income</b>	<b>11.71</b>	<b>0.91</b>	<b>10.80</b>	<b>4.39</b>	<b>–</b>	<b>4.39</b>	<b>1.34</b>	<b>–</b>	<b>1.34</b>
Employer contribution	–	10.82	(10.82)	–	–	–	–	–	–
Benefit payments	(5.18)	(4.88)	(0.30)	–	–	–	(3.29)	–	(3.29)
<b>March 31, 2016</b>	<b>79.35</b>	<b>81.36</b>	<b>(2.01)</b>	<b>84.40</b>	<b>–</b>	<b>84.40</b>	<b>20.34</b>	<b>–</b>	<b>20.34</b>

Particulars	Defined benefit obligation						Other employee benefits		
	Gratuity			Pension			Leave salary		
	Present value of obligation	Fair value of plan assets	Net amount	Present value of obligation	Fair value of plan assets	Net amount	Present value of obligation	Fair value of plan assets	Net amount
<b>April 1, 2016</b>	79.35	81.36	(2.01)	84.40	–	84.40	20.34	–	20.34
Current service cost	6.15	–	6.15	4.23	–	4.23	3.42	–	3.42
Interest expense / (income)	6.36	6.56	(0.20)	6.07	–	6.07	1.53	–	1.53
Experience (gains) / losses	–	–	–	–	–	–	0.17	–	0.17
(Gain) / loss from change in financial assumptions	–	–	–	–	–	–	0.23	–	0.23
<b>Total amount recognised in statement of profit and loss</b>	<b>12.51</b>	<b>6.56</b>	<b>5.95</b>	<b>10.30</b>	<b>–</b>	<b>10.30</b>	<b>5.35</b>	<b>–</b>	<b>5.35</b>
<i>Remeasurements</i>									
Return on plan assets, excluding amounts included in interest expense / (income)	–	(3.19)	3.19	–	–	–	–	–	–
(Gain) / loss from change in demographic assumptions	–	–	–	–	–	–	–	–	–
(Gain) / loss from change in financial assumptions	6.17	–	6.17	1.49	–	1.49	0.11	–	0.11
Experience (gains) / losses	13.72	–	13.72	(10.92)	–	(10.92)	(0.99)	–	(0.99)
<b>Total amount recognised in other comprehensive income</b>	<b>19.89</b>	<b>(3.19)</b>	<b>23.08</b>	<b>(9.43)</b>	<b>–</b>	<b>(9.43)</b>	<b>(0.88)</b>	<b>–</b>	<b>(0.88)</b>
Employer contribution	–	6.68	(6.68)	–	–	–	–	–	–
Benefit payments	(5.25)	(5.25)	–	–	–	–	–	–	–
<b>March 31, 2017</b>	<b>106.50</b>	<b>86.16</b>	<b>20.34</b>	<b>85.27</b>	<b>–</b>	<b>85.27</b>	<b>24.81</b>	<b>–</b>	<b>24.81</b>

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

(Rupees in crores)

#### (iv) Post-Employment benefits

Significant estimates: actuarial assumptions and sensitivity

The significant actuarial assumptions were as follows:

Details	Gratuity		Pension		Leave salary	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Discount rate	7%	8%	7%	8%	7%	8%
Salary growth rate	6%	6%	6%	6%	6%	6%
Mortality rate	IALM (2006-08) Ultimate					

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience. These assumptions translate into an average life expectancy in years for a pensioner retiring at 58 years.

#### (v) Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Gratuity	Change in assumption		Impact on defined benefit obligation			
			Increase in assumption		Decrease in assumption	
Details	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Discount rate	0.50%	0.50%	98.55	73.78	107.36	80.37
Salary growth rate	0.50%	0.50%	107.38	80.40	98.49	73.73
Mortality rate	5.00%	5.00%	102.78	76.95	102.76	76.93

Pension	Change in assumption		Impact on defined benefit obligation			
			Increase in assumption		Decrease in assumption	
Details	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Discount rate	0.50%	0.50%	79.33	79.01	88.99	88.58
Salary growth rate	0.50%	0.50%	85.33	84.97	82.58	82.23
Mortality rate	5.00%	5.00%	83.94	83.59	83.92	83.56

Leave salary	Change in assumption		Impact on defined benefit obligation			
			Increase in assumption		Decrease in assumption	
Details	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Discount rate	0.50%	0.50%	22.71	18.67	25.11	20.65
Salary growth rate	0.50%	0.50%	25.11	20.65	22.70	18.66
Mortality rate	5.00%	5.00%	23.86	19.62	23.86	19.62

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the defined benefit liability recognised in the balance sheet.

#### (vii) Risk exposure

Through its defined benefit plans, The group is exposed to a number of risks, the most significant of which are detailed below:

**Asset volatility:** The plan liabilities are calculated using a discount rate set with reference to bond yields; if plan assets underperform this yield, this will create a deficit. Most of the plan asset investments is in fixed income securities with high grades and in government securities. These are subject to interest rate risk and the fund manages interest rate risk with derivatives to minimise risk to an acceptable level. A portion of the funds are invested in equity securities and in alternative investments which have low correlation with equity securities. The equity securities are expected to earn a return in excess of the discount rate and contribute to the plan deficit. The group has a risk management strategy where the aggregate amount of risk exposure on a portfolio level is maintained at a fixed range. Any deviations from the range are corrected by rebalancing the portfolio. The group intends to maintain the above investment mix in the continuing years.

**Changes in bond yield:** A decrease in bond yields will increase plan liabilities, although this will be partially offset by an yields increase in the value of the plans' bond holdings.

## Consolidated Financial Statements of *Sundaram-Clayton Limited*

### Notes to Financial Statements – (continued)

#### 35 Amount recognised in the balance sheet and the movements in the net defined benefit obligation / other employee benefits - (continued)

**Inflation risks:** In the pension plans, the pensions in payment are not linked to inflation, so this is a less material risk.

**Life expectancy:** The pension plan obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan liabilities. This is particularly significant where inflationary increases result in higher sensitivity to changes in life expectancy.

#### 36 RELATED PARTY DISCLOSURES

##### LIST OF RELATED PARTIES

a)	Reporting entity	Sundaram-Clayton Limited, Chennai (SCL)
b)	Holding Company	T V Sundram Iyengar & Sons Private Limited, Madurai
c)	Subsidiary companies	<ul style="list-style-type: none"> <li>(i) TVS Motor Company Limited, Chennai (TVSM)</li> <li>(ii) Sundaram Auto Components Limited, Chennai - Subsidiary of TVSM</li> <li>(iii) TVS Housing Limited, Chennai - Subsidiary of TVSM</li> <li>(iv) Sundaram-Clayton (USA) Limited, Illinois, USA</li> <li>(v) TVS Motor (Singapore) Pte. Limited, Singapore - (TVSM Singapore) - Subsidiary of TVSM</li> <li>(vi) PT TVS Motor Company Indonesia, Jakarta - Subsidiary of TVSM Singapore</li> <li>(vii) TVS Motor Company (Europe) B.V. Amsterdam - (TVSM Europe) - Subsidiary of TVSM</li> <li>(viii) Sundaram Holding USA.Inc., Delaware USA.,</li> </ul> <p>Other related parties and their relationship where transaction exists</p>
d)	Fellow Subsidiaries	<ul style="list-style-type: none"> <li>(i) TVS Electronics Limited, Chennai</li> <li>(ii) TVS Capital Funds Limited, Chennai</li> <li>(iii) TVS Investments Limited, Chennai</li> <li>(iv) Southern Roadways Limited, Madurai</li> <li>(v) Sundaram Industries Private Limited, Madurai</li> <li>(vi) Lucas TVS Limited, Chennai</li> <li>(vii) Lucas Indian Services Limited, Chennai</li> <li>(viii) TVS Auto Assist (India) Limited, Chennai</li> </ul>
e)	Group member	<ul style="list-style-type: none"> <li>(i) Sundram Fasteners Limited, Chennai</li> <li>(ii) Delphi TVS Diesel Systems Limited,</li> <li>(iii) India Nippon Electricals Limited, Chennai</li> <li>(iv) TVS Logistics Services Limited, Chennai</li> <li>(v) Harita Techserv Limited, Chennai</li> <li>(vi) Sundaram Brake Linings Limited, Chennai</li> <li>(vii) TVS Autoserv GmbH, Germany</li> <li>(viii) TVS Dynamic Global Freight Services Limited, Chennai</li> <li>(ix) Green Infra Wind Energy Theni Limited, New Delhi</li> <li>(x) Brakes India Private Limited, Chennai</li> <li>(xi) TVS Srichakra Limited, Madurai</li> <li>(xii) Wheels India Limited, Chennai</li> <li>(xiii) TVS Auto Bangladesh Limited, Dhaka</li> <li>(xiv) TVS Lanka Private Limited, Colombo</li> <li>(xv) Upasana Engineering Limited, Chennai</li> </ul>

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

#### 36 RELATED PARTY DISCLOSURES - (continued)

- (xvi) TVS Commutation Solutions Limited, Chennai
- f) Associate companies
- (i) Sundram Non-Conventional Energy Systems Limited, Chennai  
(ii) Emerald Haven Realty Limited , Chennai (Formerly known as Green Earth Homes Limited)  
(iii) TVS Training and Services Limited, Chennai
- g) Key management personnel(KMP)
- (i) Mr Venu Srinivasan, Chairman and Managing director  
(ii) Dr . Lakshmi Venu, Joint Managing Director  
(iii) Mr Sudarshan Venu, Joint Managing Director
- h) Relative of KMP
- Mrs. Mallika Srinivasan
- i) Enterprise over which KMP have significant influence
- Harita-NTI Limited, Chennai

#### Related party transactions

(Rupees in crores)

Sl. No	Nature of transactions	Name of the Company	Holding Company	Fellow Subsidiaries	Associates	Group member	KMP– Significant influence	KMP	Relative of KMP	Total	
1	Purchase of goods	Harita-NTI Limited, Chennai	–	–	–	–	3.67	–	–	3.67	
		TVS Electronics Limited, Chennai	–	0.13	–	–	–	–	–	0.13	
		Sundaram Industries Private Limited, Madurai	–	0.07	–	–	–	–	–	0.07	
		Lucas TVS Limited, Chennai	–	79.01	–	–	–	–	–	79.01	
		Lucas Indian Services Limited, Chennai	–	6.45	–	–	–	–	–	6.45	
		Brakes India Private Limited, Chennai	–	–	–	13.24	–	–	–	13.24	
		TVS Srichakra Limited, Madurai	–	–	–	272.47	–	–	–	272.47	
		Wheels India Limited, Chennai	–	–	–	4.42	–	–	–	4.42	
		Sundaram Fasteners Limited, Chennai	–	–	–	51.95	–	–	–	51.95	
		India Nippon Electricals Limited, Chennai	–	–	–	209.00	–	–	–	209.00	
		Sundaram Brake Linings Limited, Chennai	–	–	–	9.60	–	–	–	9.60	
		Upasana Engineering Limited, Chennai	–	–	–	14.94	–	–	–	14.94	
		T V Sundram Iyengar & Sons Pvt Ltd., Madurai	0.88	–	–	–	–	–	–	–	0.88
			0.88	85.66	–	575.62	3.67	–	–	–	665.83
	(0.51)	(85.20)	–	(597.65)	(4.40)	–	–	–	(687.76)		
2	Sale of goods (including sub contract charges)	Lucas TVS Limited, Chennai	–	0.08	–	–	–	–	–	0.08	
		Sundram Fasteners Limited, Chennai	–	–	–	4.17	–	–	–	4.17	
		TVS Auto Bangladesh Limited, Dhaka	–	–	–	262.46	–	–	–	262.46	
		TVS Lanka Private Limited	–	–	–	224.08	–	–	–	224.08	
		Delphi TVS Diesel Systems Limited, Chennai	–	–	–	11.56	–	–	–	11.56	
			–	0.08	–	502.27	–	–	–	–	502.35
	–	(0.41)	–	(399.45)	–	–	–	–	(399.86)		
3	Purchase of power	Sundram Non Conventional Energy Systems Limited, Chennai	–	–	0.86	–	–	–	–	0.86	
			–	–	0.86	–	–	–	–	0.86	
			–	–	(0.62)	–	–	–	–	(0.62)	
4	Rendering of services	Southern Railways Limited, Madurai	–	–	–	0.01	–	–	–	0.01	
		TVS Logistics Services Limited, Chennai	–	–	–	0.53	–	–	–	0.53	
		TVS Electronics Limited, Chennai	–	0.10	–	–	–	–	–	0.10	
		India Nippon Electricals Limited, Chennai	–	–	–	0.03	–	–	–	0.03	
		Emerald Haven Realty Limited, Chennai	–	–	–	0.11	–	–	–	0.11	
		Harita-NTI Limited, Chennai	–	–	–	–	0.21	–	–	–	0.21
			–	0.10	–	0.68	0.21	–	–	–	0.99
	–	(0.07)	–	(0.61)	(0.21)	–	–	–	(0.89)		



## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

#### 36 RELATED PARTY DISCLOSURES - (continued)

##### Related party transactions

(Rupees in crores)

Sl. No	Nature of transactions	Name of the Company	Holding Company	Fellow Subsidiaries	Associates	Group member	KMP– Significant influence	KMP	Relative of KMP	Total
5	Receiving of services	T V Sundram Iyengar & Sons Private Limited, Madurai	0.53	-	-	-	-	-	-	0.53
		TVS Training and Services Limited, Chennai	-	-	0.47	-	-	-	-	0.47
		TVS Electronics Limited, Chennai	-	2.18	-	-	-	-	-	2.18
		Southern Roadways Limited, Chennai	-	2.23	-	-	-	-	-	2.23
		Lucas TVS Limited, Chennai	-	0.12	-	-	-	-	-	0.12
		TVS Auto Assist (India) Limited, Chennai	-	1.81	-	-	-	-	-	1.81
		TVS Logistics Services Limited, Chennai	-	-	-	77.31	-	-	-	77.31
		Harita Techserv Limited, Chennai	-	-	-	2.55	-	-	-	2.55
		TVS Commutation Solutions Limited, Chennai	-	-	-	0.03	-	-	-	0.03
		Sundaram Brake Linings Limited, Chennai	-	-	-	0.02	-	-	-	0.02
		TVS Dynamic Global Freight Services Limited, Chennai	-	-	-	34.97	-	-	-	34.97
		TVS Autoserv GmbH, Germany	-	-	-	4.97	-	-	-	4.97
		Sundram Fasteners Limited, Chennai	-	-	-	0.80	-	-	-	0.80
					0.53 (0.05)	6.34 (4.94)	0.47 (2.34)	120.65 (144.90)	- -	- -
6	Lease rent paid Lease rent received	Sundram Non Conventional Energy Systems Limited, Chennai -Rs.48,000	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-
7	Remuneration paid	Key Management Personnel	-	-	-	-	-	31.95 (29.90)	0.36 (0.57)	32.31 (30.47)
			-	-	-	-	-	-	-	-
8	Investments made	Emerald Haven Reality Limited	-	-	40.00 (0.76)	-	-	-	-	40.00 (0.76)
			-	-	-	-	-	-	-	-
9	Dividend received	Sundram Non-Conventional Energy Systems Limited, Chennai	-	-	0.35	-	-	-	-	0.35
		TVS Lanka Private Limited, Colombo	-	-	-	0.37	-	-	-	0.37
		TVS Capital Funds Limited, Chennai	-	0.10	-	-	-	-	-	0.10
			-	0.10	0.35	0.37	-	-	-	0.82
			-	-	(0.24)	(0.19)	-	-	-	(0.43)
10	Outstanding as on 31st March 2017 Receivables	T V Sundram Iyengar & Sons Private Limited, Madurai	0.03	-	-	-	-	-	-	0.03
		Sundaram Fasteners Limited, Chennai	-	-	-	0.14	-	-	-	0.14
		Delphi TVS Diesel Systems Limited, Chennai	-	-	-	2.59	-	-	-	2.59
		Harita-NTI Limited, Chennai	-	-	-	-	0.05	-	-	0.05
		TVS Auto Bangladesh Limited, Dhaka	-	-	-	36.78	-	-	-	36.78
		TVS Lanka Private Limited, Colombo	-	-	-	37.44	-	-	-	37.44
		Lucas TVS Limited, Chennai	-	0.08	-	-	-	-	-	0.08
		India Nippon Electricals Limited, Chennai	-	-	-	0.01	-	-	-	0.01
		TVS Electronics Limited, Chennai	-	0.05	-	-	-	-	-	0.05
					0.03 (0.03)	0.13 (0.13)	- (0.13)	76.96 (26.66)	0.05 -	- -

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

#### 36 RELATED PARTY DISCLOSURES - (continued)

##### Related party transactions

(Rupees in crores)											
Sl. No	Nature of transactions	Name of the Company	Holding Company	Fellow Subsidiaries	Associates	Group member	KMP– Significant influence	KMP	Relative of KMP	Total	
11	Payables	TVS Electronics Limited , Chennai	–	0.15	–	–	–	–	–	0.15	
		Lucas-TVS Limited, Chennai	–	12.40	–	–	–	–	–	12.40	
		Lucas Indian Service Limited, Chennai	–	0.91	–	–	–	–	–	–	0.91
		Sundaram Industries Private Limited, Madurai	–	0.01	–	–	–	–	–	–	0.01
		TVS Auto Assist (India) Limited, Chennai	–	0.28	–	–	–	–	–	–	0.28
		TVS Electronics Limited , Chennai	–	0.06	–	–	–	–	–	–	0.06
		T V Sundram Iyengar & Sons Private Limited, Madurai	0.01	–	–	–	–	–	–	–	0.01
		TVS Training and Services Limited, Chennai	–	–	0.04	–	–	–	–	–	0.04
		Sundram Non-Conventional Energy Systems Limited, Chennai	–	–	0.05	–	–	–	–	–	0.05
		Emerald Haven Realty Limited, Chennai	–	–	5.14	–	–	–	–	–	5.14
		TVS Logistics Services Limited, Chennai	–	–	–	2.56	–	–	–	–	2.56
		Brakes India Private Limited, Chennai	–	–	–	2.06	–	–	–	–	2.06
		TVS Srichakra Limited, Madurai	–	–	–	31.99	–	–	–	–	31.99
		Wheels India Limited, Chennai	–	–	–	0.86	–	–	–	–	0.86
		Harita Techserv Limited, Chennai	–	–	–	0.21	–	–	–	–	0.21
		India Nippon Electricals Limited, Chennai	–	–	–	31.57	–	–	–	–	31.57
		Sundaram Brake Linings Limited, Chennai	–	–	–	1.73	–	–	–	–	1.73
		Upasana Engineering Limited, Chennai	–	–	–	1.71	–	–	–	–	1.71
		Sundram Fasteners Limited, Chennai	–	–	–	7.34	–	–	–	–	7.34
		TVS Commutation Solutions Limited, Chennai	–	–	–	0.02	–	–	–	–	0.02
		TVS Autoserv GmbH, Germany	–	–	–	1.19	–	–	–	–	1.19
		Sundaram Fasteners Limited, Chennai	–	–	–	0.10	–	–	–	–	0.10
		TVS Dynamic Global Freight Services Limited, Chennai	–	–	–	4.29	–	–	–	–	4.29
		Harita Techserv Limited, Chennai	–	–	–	0.03	–	–	–	–	0.03
		Harita-NTI Limited, Chennai	–	–	–	–	0.28	–	–	–	0.28
		Key Management Personnel	–	–	–	–	–	–	3.78	0.22	4.00
					0.01	13.81	5.23	85.66	0.28	3.78	0.22
			(0.01)	(11.52)	(5.65)	(85.00)	(0.25)	(3.78)	(0.17)	(106.38)	

Previous year's figures are furnished in brackets

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

#### 37 BUSINESS COMBINATION

During 2015-16, an automobile seat manufacturing business at Nalagarh, Himachal Pradesh. On the purchase of this business, assets and liabilities were recorded at fair values based on a chartered engineer's technical valuation. Consideration paid in excess of net assets acquired has been treated as Goodwill.

Details	Amount in Crores
Land & Building	4.33
Plant & Equipments	4.79
Current Assets	1.28
<b>Sub total</b>	<b>10.40</b>
Current Liabilities	(3.60)
<b>Sub total</b>	<b>6.80</b>
Consideration Paid	9.00
<b>Goodwill</b>	<b>2.20</b>

Note:

- (i) Goodwill is monitored by the management taking in to account the cash generated by the acquired business. As per the management's assessment no impairment is warranted as the current level of operations and cash inflows acquired from the business is sufficient to cover the carrying value goodwill and net assets.
- (ii) Following are the assumptions used by the management for the said assessment:

Annual Cash Inflow	Rs.Crs	5.00
Remaining useful life of the assets	No.of Yrs	10
Pre-tax Discount rate	%	8%

- (iii) Group has assessed a constant net cash inflow of Rs.5 Crores over the next 5 years for the purpose of impairment testing

#### 38 SEGMENT REVENUES, RESULTS AND OTHER INFORMATION

##### Information about primary business segments

(Rupees in crores)

Particulars	Business Segments							
	Automotive components		Motor vehicles		Others		Total	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
External sales - domestic	942.93	892.34	11,014.20	9,580.47	7.00	17.20	11,964.13	10,490.01
- exports	502.20	580.76	2,263.94	2,550.50	-	-	2,766.14	3,131.26
Inter segment sales	655.72	633.32	-	-	-	-	655.72	633.32
Total sales	2,100.85	2,106.42	13,278.14	12,130.97	7.00	17.20	15,385.99	14,254.59
Less: Inter segment sales	655.72	633.32	-	-	-	-	655.72	633.32
Net Revenue	1,445.13	1,473.10	13,278.14	12,130.97	7.00	17.20	14,730.27	13,621.27
Segment results before interest and tax	98.07	126.09	696.35	607.41	0.37	0.74	794.79	734.24
Add: Inter segment revenue							0.89	3.08
Less: Interest							88.16	102.27
Add : Exceptional items							2.28	6.11
Add : Extraordinary income							-	-
Profit before tax							709.80	641.16
Taxes							162.73	168.76
Profit after tax							547.07	472.40
Segment Assets	1,696.27	1,477.89	5,615.53	4,729.78	5.26	8.71	7,317.06	6,216.38
Segment Liabilities	823.43	729.63	3,693.95	3,186.54	4.46	8.17	4,521.84	3,924.34
Segment Depreciation	76.21	68.02	301.24	249.12	-	-	377.45	317.14

Notes : Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

## Consolidated Financial Statements of *Sundaram-Clayton Limited*

### Notes to Financial Statements – (continued)

(Rupees in crores)

#### 39 INTERESTS IN OTHER ENTITIES

##### a) Subsidiaries

The group's subsidiaries at 31 March 2017 are set out below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business / country of incorporation	Ownership interest held by the group			Ownership interest held by non-controlling interests			Principal activities
		31-Mar-17	31-Mar-16	01-Apr-15	31-Mar-17	31-Mar-16	01-Apr-15	
TVS Motor Company Limited	India	57%	57%	57%	43%	43%	43%	Motor vehicles manufacturing
Sundaram Holding USA Inc., Delaware, USA	USA	71%	68%	NA	29%	32%	NA	Automotive components
TVS Housing Limited	India	57%	57%	57%	43%	43%	43%	Housing
Sundaram Auto Components Limited (SACL)	India	57%	57%	57%	43%	43%	43%	Automotive components
TVS Motor Company (Europe) B.V., Amsterdam	Netherlands	57%	57%	57%	43%	43%	43%	Others
TVS Motor (Singapore) Pte. Limited, Singapore	Singapore	57%	57%	57%	43%	43%	43%	Others
PT.TVS Motor Company Indonesia, Jakarta	Indonesia	57%	57%	57%	43%	43%	43%	Motor vehicles manufacturing
Sundaram Business Development Consulting(Shanghai) Co. Ltd., Shanghai	China	NA	57%	57%	NA	43%	43%	Others

##### b) Non-Controlling Interest

Set out below is summarised financial information for each subsidiary that has non controlling interest that are material to the group. The amount disclosed for each subsidiary are before inter company eliminations.

Summarised balance sheet	TVS Motor Company Limited			Sundaram Auto Components Limited		
	31-Mar-17	31-Mar-16	01-Apr-15	31-Mar-17	31-Mar-16	01-Apr-15
Current assets	2,186.89	1,886.37	1,943.29	287.42	234.37	243.50
Current liabilities	2,851.08	2,315.88	2,178.27	331.85	274.43	252.84
Net current assets / (liabilities)	(664.19)	(429.51)	(234.98)	(44.43)	(40.06)	(9.34)
Non-current assets	3,717.78	3,065.81	2,610.36	226.62	180.21	140.41
Non-current liabilities	645.26	677.96	691.94	13.92	10.41	17.02
Net non-current assets	3,072.52	2,387.85	1,918.42	212.70	169.80	123.39
Net assets	2,408.33	1,958.34	1,683.44	168.27	129.74	114.05
Accumulated NCI	1,025.95	834.25	717.15	71.68	55.27	48.59

## Consolidated Financial Statements of *Sundaram-Clayton Limited*

### Notes to Financial Statements – (continued)

(Rupees in crores)

#### 39 INTERESTS IN OTHER ENTITIES - (continued)

Summarised Statement of profit and loss	TVS Motor Company Limited		Sundaram Auto Components Limited	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
Revenue	13,363.43	12,194.77	2,915.93	2,798.17
Profit for the year	558.08	489.28	25.06	29.38
Other comprehensive income	33.20	(7.70)	(0.65)	(0.47)
Total comprehensive income	591.28	481.58	24.41	28.91
Profit allocated to NCI	251.89	205.15	10.40	12.32
Dividends paid to NCI	50.60	73.87	3.50	4.68

Summarised Cash Flow Statement	TVS Motor Company Limited		Sundaram Auto Components Limited	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
Cash flow from operating activities	697.45	942.62	32.21	57.03
Cash flow from investing activities	(721.64)	(609.69)	(47.17)	(47.26)
Cash flow from financing activities	(72.70)	(306.05)	11.81	(24.95)
Net increase/ (decrease) in cash and cash equivalents	(96.89 )	26.88	(3.15)	(15.18)

#### c) Interests in associates and joint ventures

The group has interests in 3 individually immaterial associates that are accounted using equity method.

Particulars	31-Mar-17	31-Mar-16	01-Apr-15
Aggregate carrying amount of individually immaterial associates	91.77	50.84	47.18

Particulars	31-Mar-17	31-Mar-16
Share of profits from associates	0.89	3.08
Other Comprehensive Income	(0.03)	(0.02)
Total Comprehensive Income	0.86	3.06

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Notes to Financial Statements – (continued)

#### 40 ADDITIONAL INFORMATION ON NET ASSETS AND SHARE OF PROFITS AS AT 31<sup>ST</sup> MARCH 2017

Name of the entity	Net Assets (Total Assets - Total Liabilities)		Share in profit or (loss)		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount Rs. in crores	As % of consolidated profit or loss	Amount Rs. in crores	As % of other comprehensive income	Amount Rs. in crores	As % of total comprehensive income	Amount Rs. in crores
1	2	3	4	5	6	7	8	9
<b>Parent</b>								
Sundaram-Clayton Limited, Chennai	32.76%	611.62	31.98%	105.59	93.22%	67.21	42.95%	172.80
<b>Subsidiaries - Indian</b>								
TVS Motor Company Limited, Chennai	128.99%	2,408.33	169.01%	558.08	12.82%	9.24	141.02%	567.32
Sundaram Auto Components Limited, Chennai	9.29%	168.28	7.59%	25.06	(0.90%)	(0.65)	6.07%	24.41
TVS Housing Limited, Chennai	0.04%	0.80	0.08%	0.26	0.00%	-	0.06%	0.26
<b>Subsidiaries - Foreign</b>								
Sundaram-Clayton (USA) Limited, USA	0.00%	0.01	0.00%	0.01	0.00%	-	0.00%	0.01
TVS Motor (Singapore) Pte Limited, Singapore	13.33%	248.86	(0.28%)	(0.92)	0.00%	-	(0.23%)	(0.92)
TVS Motor Company Europe B.V., Amsterdam	0.15%	2.74	(0.15%)	(0.50)	0.00%	-	(0.12%)	(0.50)
PT. TVS Motor Company Indonesia, Jakarta	5.82%	108.65	(13.66%)	(45.10)	0.00%	-	(11.21%)	(45.10)
Sundaram Holding USA Inc., Delaware, USA	1.41%	26.24	(1.90%)	(6.29)	0.00%	-	(1.56%)	(6.29)
Sub-total		3,575.53		636.19		75.80		711.99
Minority Interest in all subsidiaries	49.72%	928.21	65.68%	216.87	5.08%	3.66	54.82%	220.53
Sub-total		2,647.32		419.32		72.14		491.46
<b>Add: Associates - Indian</b> (Investment as per the equity method)								
Sundram Non-Conventional Energy Systems Limited, Chennai	0.07%	1.28	0.14%	0.47	0.00%	0	0.12%	0.47
TVS Training and Services Limited, Chennai	0.12%	2.20	(0.05%)	(0.16)	(0.03%)	(0.02)	(0.04%)	(0.18)
Emerald Haven Realty Limited, Chennai	4.72%	88.21	0.18%	0.58	(0.01%)	(0.01)	0.14%	0.57
Sub-total	146.71%	2,739.01	127.26%	420.21	100.01%	72.11	122.38%	492.32
Less: Effect of intercompany eliminations	46.71%	872.02	27.26%	90.01	0.01%	0.01	22.38%	90.02
<b>Total</b>	<b>100%</b>	<b>1,866.99</b>	<b>100%</b>	<b>330.20</b>	<b>100%</b>	<b>72.10</b>	<b>100%</b>	<b>402.30</b>

Note

Net Assets and Share in Profit or Loss of Parent Company and its subsidiaries are as per the Standalone Financial Statements of the respective entities.

## Consolidated Financial Statements of *Sundaram-Clayton Limited*

### Notes to Financial Statements – (continued)

#### 41 DETAILS OF SPECIFIED BANK NOTES

(Amount in Rupees)

Particulars	Specified Bank Notes	Other Denomination Notes	Total
Closing cash in hand as on 08.11.2016	66,83,000	43,00,530	1,09,83,530
(+) Permitted receipts*	3,55,000	64,17,927	67,72,927
(-) Permitted payments	–	52,16,208	52,16,208
(-) Amount deposited in Banks	70,38,000	6,78,729	77,16,729
Closing cash in hand as on 30.12.2016	–	48,23,520	48,23,520

\* Permitted receipts of specified bank notes represents amount of advances given to employees prior to 8<sup>th</sup> November 2016 which were returned

42 Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.

	<b>venu srinivasan</b> <i>Chairman &amp; Managing Director</i>	<b>Dr. LAKSHMI VENU</b> <i>Joint Managing Director</i>	As per our report annexed For SUNDARAM & SRINIVASAN <i>Chartered Accountants</i> Firm Regn. No. 004207S
Chennai 3 <sup>rd</sup> May 2017	<b>V N VENKATANATHAN</b> <i>Chief Financial Officer</i>	<b>R RAJA PRAKASH</b> <i>Company Secretary</i>	<b>M BALASUBRAMANIAM</b> <i>Partner</i> Membership No. F7945

## Consolidated Financial Statements of Sundaram-Clayton Limited

### Annexure Form AOC-I

(Pursuant to first proviso to sub-section (3) of Section 129 of the Companies Act, 2013 read with Rule 5 of Companies (Accounts) Rules, 2014)

#### Statement containing salient features of the financial statement of subsidiaries / associate companies / joint ventures

#### Part "A": Subsidiaries

(Rupees in crores)

S. No	Particulars	Indian Subsidiaries				Foreign Subsidiaries			
		TVS Motor Company Limited	Sundaram Auto Components Limited	TVS Housing Limited	Sundaram-Clayton (USA) Limited	TVS Motor (Singapore) Pte. Limited	TVS Motor Company (Europe) B.V.	PT. TVS Motor Company Indonesia	Sundaram Holding USA Inc.#
1.	The date since when subsidiary was acquired	15.11.2001	01.04.2003	21.06.2010	15.06.2012	21.10.2005	21.07.2005	05.09.2005	09.09.2015
2.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	INR	INR	INR	USD INR 64.85/ USD	SGD INR 46.4125/ SGD	USD INR 64.85/ USD	IDR INR 0.4875/ IDR100	USD INR 64.85/ USD
3.	Share capital	47.51	14.55	0.05	–	260.12	126.52	727.17	35.60
4.	Reserves & Surplus	2360.82	153.72	0.74	0.01	(11.26)	(123.78)	(618.52)	(9.36)
5.	Total assets	5904.67	514.04	5.25	0.10	248.89	2.90	328.11	26.58
6.	Total Liabilities	5904.67	514.04	5.25	0.10	248.89	2.90	328.11	26.58
7.	Investments	1587.90	27.61	–	–	245.93	–	–	–
8.	Turnover	13363.43	2,915.95	7.02	0.07	1.23	0.00	149.22	0.00
9.	Profit before taxation	698.68	34.93	0.37	0.01	(0.92)	(0.60)	(45.10)	(6.29)
10.	Provision for taxation	140.60	9.87	0.11	0.00	0.00	0.10	0.00	0.00
11.	Profit after taxation	558.08	25.06	0.26	0.01	(0.92)	(0.50)	(45.10)	(6.29)
12.	Proposed Dividend	–	–	–	–	–	–	–	–
13.	% of shareholding	57.40	57.40	57.40	100	57.40	57.40	57.40	71.03

# The figures of Sundaram Holding USA Inc includes the consolidation of its subsidiaries viz, Green Hills Land Holding LLC, Component Equipment Leasing LLC, Workspace Project LLC and Premier Land Holding LLC, all located at South Carolina, USA.

Notes: 1. Subsidiaries which are yet to commence operations - Premier Land Holding LLC, USA.

2. Subsidiaries which have been liquidated or sold during the year - NIL.



## Consolidated Financial Statements of *Sundaram-Clayton Limited*

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

### Part "B": Associates and Joint Ventures

(Rupees in crores)

S. No	Name of Associates	TVS Training and Services Limited	Sundram Non-Conventional Energy Systems Limited	Emerald Haven Realty Limited
1.	Latest audited Balance Sheet Date	31 <sup>st</sup> March 2017	31 <sup>st</sup> March 2017	31 <sup>st</sup> March 2017
2.	Date and which the Associate or Joint Venture was associated or acquired	20.02.2013	24.03.1995	26.03.2012
3.	Shares of Associate / Joint Ventures held by the Company on the year end			
	(i) No. of shares	27,63,359	1,17,650	8,00,00,000 (by TVSM)
	(ii) Amount of Investment in Associates / Joint Venture	2.76	0.12	80.00
	(iii) Extend of Holding %	30.53	23.53	28
4.	Description of how there is significant influence	Holding More than 20% of share capital.	Holding More than 20% of share capital.	Holding More than 20% of share capital.
5.	Reason why the associate/joint venture is not consolidated	Not applicable		
6.	Networth attributable to Shareholding as per latest audited Balance Sheet	2.20	0.85	61.40
7.	Profit / Loss for the year			
	(i) Considered in Consolidation	(0.16)	0.47	0.58
	(ii) Not Considered in Consolidation	(0.36)	1.52	1.49

1. Associates or joint ventures which are yet to commence Operations - Nil.
2. Associates or joint ventures which have been liquidated or sold during the year - Nil.

VENU SRINIVASAN  
*Chairman & Managing Director*

Dr. LAKSHMI VENU  
*Joint Managing Director*

As per our report annexed  
For SUNDARAM & SRINIVASAN  
*Chartered Accountants*  
Firm Regn. No. 004207S

Chennai  
3<sup>rd</sup> May 2017

V N VENKATANATHAN  
*Chief Financial Officer*

R RAJA PRAKASH  
*Company Secretary*

M BALASUBRAMANIAM  
*Partner*  
Membership No. F7945