



Sundram Fasteners Limited



ANNUAL REPORT

**for the year ended
31st March 2007**

Sundram Fasteners Limited

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Forty Fourth Annual General Meeting of the Shareholders of the Company will be held at the Music Academy, New No. 168, T T K Road (Mowbrays Road), Chennai 600 014 on Monday the 10th September 2007 at 10.00 a.m. to transact the following business:

Ordinary Business

- 1) To consider and, if thought fit, to pass, with or without modification the following Resolution as an Ordinary Resolution:

“RESOLVED that the Audited Balance Sheet as at 31st March 2007, the Profit and Loss Account for the year ended 31st March 2007 and the Reports of the Directors and the Auditors of the Company, be and are hereby approved and adopted.”

- 2) To consider and, if thought fit, to pass, with or without modification the following Resolution as an Ordinary Resolution:

“RESOLVED that pursuant to the approval of the Board of Directors, an interim dividend of Re 0.85 per share, absorbing a sum of Rs 893.05 lakhs (excluding dividend tax) paid by the Company on 11th December 2006 on 10,50,64,185 equity shares of Re 1 each fully paid up (pre-bonus) and a second interim dividend of Re 0.45 per share, absorbing a sum of Rs 945.58 lakhs (excluding dividend tax) paid by the Company on 23rd March 2007 on 21,01,28,370 equity shares of Re 1 each fully paid up (post-bonus), declared for the year ended 31st March 2007 and paid to those members whose names appeared in the Register of Members of the Company on Record Dates fixed for this purpose, be and are hereby approved and ratified.”

- 3) To consider and, if thought fit, to pass, with or without modification the following Resolution as an Ordinary Resolution:

“RESOLVED that Sri V Narayanan, who retires by rotation and being eligible for re-appointment, be and is hereby appointed as a Director of the Company.”

- 4) To consider and, if thought fit, to pass, with or without modification the following Resolution as an Ordinary Resolution:

“RESOLVED that Sri R Ramakrishnan, who retires by rotation and being eligible for re-appointment, be and is hereby appointed as a Director of the Company.”

- 5) To consider and, if thought fit, to pass, with or without modification the following Resolution as an Ordinary Resolution:

“RESOLVED that M/s Sundaram & Srinivasan, Chartered Accountants, Chennai, Auditors of the Company, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company on such remuneration as may be determined by the Board of Directors of the Company, in addition to reimbursement of travelling and other out-of-pocket expenses actually incurred by them in connection with the audit.”

By Order of the Board

V G Jaganathan
President (Finance) & Secretary

Chennai
June 29, 2007

Sundram Fasteners Limited

Notes:

- 1) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on poll instead of himself and such proxy need not be a member.
- 2) The instrument appointing proxy should be deposited at the office of the Company's Share Transfer Agents viz. Integrated Enterprises (India) Limited, Kences Towers, 2nd Floor, No. 1 Ramakrishna Street, North Usman Road, T Nagar, Chennai 600 017 at least 48 hours before the commencement of the meeting.
- 3) The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday the 1st September 2007 to Monday the 10th September 2007 (both days inclusive).
- 4) Members desiring any information as regards accounts are requested to write to the Company at least 7 days before the meeting so as to enable the Management to keep the information ready.
- 5) Members, holding shares in physical form, are requested to notify/send the following to the Registrar and Share Transfer Agent of the Company:
 - a) any change in their address/mandate/bank details
 - b) particulars of their bank account, in case they have not been sent earlier
 - c) nomination in Form 2B, in duplicate, as provided under Section 109A of the Companies Act, 1956, in case they have not been sent earlier
 - d) share certificate(s) held in multiple accounts in identical names or joint accounts in the same order of names, for consolidation of such shareholdings into one account.
- 6) Members, holding shares in electronic form, may please note that, as per the applicable regulations of the Depositories, the bank details as furnished by the respective Depositories to the Company will be printed on the dividend warrants issued from time to time. The Company will not entertain any direct request from such members for deletion of/change in such bank details. Further, instructions if any, already given by members in respect of shares in physical form will not be automatically applicable to the dividend paid on shares in electronic form. Members may, therefore, give instructions regarding bank accounts in which they wish to receive dividend, directly to their Depository Participants.
- 7) As required under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government)(Amendment) Rules, 1988, the unpaid/unclaimed dividend for the financial year ended upto 31st March 1995 was transferred to the General Revenue Account of the Central Government. Members who have not encashed the dividend warrants for the said periods are requested to claim the amount from the Registrar of Companies (Tamil Nadu), Shastri Bhavan, Block No.6, II Floor, 26, Haddows Road, Chennai 600 006. In case any assistance is required, members may write to the Registrar and Share Transfer Agent of the Company.

Consequent upon amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend remaining unclaimed and/or unpaid for a period of seven years is to be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government.

Accordingly, unclaimed dividend for the financial years ended 31st March 1996, 31st March 1997, 31st March 1998, 31st March 1999 and 31st March 2000, including unclaimed dividend of erstwhile TVS Autolec Limited (TVSA) (since amalgamated with the Company) was transferred to IEPF. In respect of dividend declared by the Company which remains unclaimed for the financial year ended 31st March 2001 is due for transfer to the said Fund in September 2008. In terms of the provisions of Section 205C of the Companies Act, 1956, no claim shall lie against the Company or the said Fund after the said transfer.

Details of dividend declared by the Company for the financial year 2000-2001 and onwards are given below:

Financial Year	Declared on	Dividend %	Amount per share Rs.
2000-2001	27-09-2001	70	7.00
2001-2002	15-06-2002 (Interim)	100	10.00
2002-2003	25-09-2003	120	12.00
2003-2004	26-11-2003 (Interim)	60	6.00
2003-2004	28-05-2004 (Interim) in respect of shares of face value of Re 1 each fully paid-up allotted consequent to Amalgamation of TVS Autolec Ltd with the Company	60	0.60
2003-2004	16-08-2004 (Final)	80	0.80
2004-2005	30-10-2004 (Interim)	70	0.70
2004-2005	30-06-2005 (2 nd Interim)	100	1.00
2005-2006	29-10-2005 (Interim)	85	0.85
2005-2006	17-06-2006 (2 nd Interim)	85	0.85
2006-2007	26-11-2006 (Interim) (pre-bonus)	85	0.85
2006-2007	12-03-2007 (2 nd Interim) (post-bonus)	45	0.45

Details of dividend declared by erstwhile TVSA for the financial year 2002-2003 is given below:

Financial Year	Declared on	Dividend %	Amount per share-Rs
2002-2003	25-09-2003	10	1.00

Members who have not encashed the dividend warrant(s) so far for the financial year ended 31st March 2001 and/or any subsequent financial years are requested to make their claim to the Registrar and Share Transfer Agents of the Company. Members who have not encashed the dividend warrant(s) issued by TVSA for the financial year ended 31st March 2003 are requested to make their claim to Sundram Fasteners Limited, Autolec Division, 47/2-A, Poonamallee High Road, Velappanchavadi, Chennai 600 077.

- 8) The equity shares of the Company are listed with the following Stock Exchanges:
 Madras Stock Exchange Limited, Exchange Building, 11, Second Line Beach, Chennai 600 001.
 Bombay Stock Exchange Limited, Rotunda Building, P J Towers, Dalal Street, Fort, Mumbai 400 001.
 National Stock Exchange of India Limited, Exchange Plaza, 5th Floor, Plot No.C/1 G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051.
 The Listing Fees for the year 2007-2008 have been paid to the above Stock Exchanges.
- 9) Members who hold shares in the dematerialised form are requested to bring their Client_id and DP_id to the meeting for easier identification.
- 10) At this annual general meeting Sri V Narayanan, Director and Sri R Ramakrishnan, Director, retire by rotation and being eligible, offer themselves for re-appointment.

The particulars of the above Directors as required to be furnished under the Listing Agreement are provided hereunder:

Sri V Narayanan

Sri V Narayanan, aged about 69 years, is an M Sc (Chem) from Madras University and has managerial experience spanning over 45 years. He was the Chairman and Managing Director of erstwhile Pond's (India) Limited. He has been associated with the Company as Director since September 1994.

Sundram Fasteners Limited

The details of other Directorships/Committee Memberships held by Sri V Narayanan are as follows:

Directorship	Committee Membership
Chairman Pond's Exports Limited MM Forgings Limited	Audit Committee (Chairman)
Director in Public Limited Companies Tamil Nadu Newsprint and Papers Limited Samcor Glass Limited GlaxoSmithKline Pharmaceuticals Limited Rane (Madras) Limited Rane Holdings Limited Samtel Color Limited Bata India Limited Hindustan Unilever Limited Ucal Fuel Systems Limited	Audit Committee (Chairman) Audit Committee Audit Committee Audit Committee (Chairman) Audit Committee (Chairman)
Director in Private Limited Companies Lafarge India Private Limited	

As on date, he is holding 1,200 equity shares of Re 1 each.

Sri R Ramakrishnan

Born on 15th May 1937, Sri R Ramakrishnan is a Bachelor of Science from Madras University. He underwent training in Tata Steel Limited (formerly Tata Iron & Steel Company Limited), Jamshedpur. He is a lifetime Member of Wire Association International, USA. He started Indian Reinforcing Co (Welded Mesh) Pvt Ltd in 1958 and Concord Arai Pvt Ltd in 1965. He was a Director of IndusInd Bank Limited, Mumbai, for 8 years from 1996 to 2004. He was a Director of SRP Tools Limited, Chennai, from 1990 to 2005. Sri R Ramakrishnan has more than 50 years of managerial experience in manufacturing and marketing, as an entrepreneur. He has 16 years experience in Finance and Banking. He has been associated with the Company since June 2003.

The details of other Directorships/Committee Memberships held by Sri R Ramakrishnan are as follows:

Directorship	Committee Membership
Chairman Indian Reinforcing Co (Welded Mesh) Pvt Ltd	
Managing Director Concord Arai Pvt Limited	
Director in Private Limited Companies Yekediar Holdings & Properties Pvt Limited Yekediar Farms Pvt Limited Yekediar Estates Pvt Limited Yekediar Coconuts Pvt Limited	
Director in Public Limited Companies Upasana Finance Limited	Audit Committee (Chairman) Investor/Shareholder Grievance Committee (Chairman)

As on date, he is holding 6,400 equity shares of Re 1 each.

Sundram Fasteners Limited

BOARD OF DIRECTORS

Sri SURESH KRISHNA
Chairman & Managing Director

Ms ARATHI KRISHNA
Executive Director

Sri K RAMESH

Sri VENU SRINIVASAN

Sri V NARAYANAN

Sri R SRINIVASAN

Sri R RAMAKRISHNAN

Sri C V KARTHIK NARAYANAN

SECRETARY

Sri V G JAGANATHAN

BANKERS

UNITED BANK OF INDIA
STATE BANK OF MYSORE
STANDARD CHARTERED BANK
HDFC BANK LTD
ICICI BANK LTD
CANARA BANK

AUDITORS

M/s SUNDARAM & SRINIVASAN
Chartered Accountants, 23 C P Ramaswamy Road
Alwarpet, Chennai 600 018

REGISTERED OFFICE

98A, Dr Radhakrishnan Salai, Mylapore, Chennai 600 004
Telephone : 044 - 28478500 Fax : 044 - 28478510
Website : www.sundram.com

FACTORIES

(In India)

Padi, Chingleput District, Chennai 600 050, Tamil Nadu
Harita, Krishnagiri District, Hosur 635 109, Tamil Nadu
Krishnapuram, Virudhunagar District, Aviyur 626 160, Tamil Nadu
Mittamandagapet Village 605 106, Villupuram District, Tamil Nadu
47/2A Poonamalle High Road, Velappanchavadi 600 077, Tamil Nadu
SIPCOT Industrial Estate, Gummidipoondi 601 201, Tamil Nadu
Korkadu Village, Nettapakkam Commune, Bahur Taluk 605 110, Puducherry
Bonthapally Village, Medak District, Andhra Pradesh 502 313
Auto Ancillary SEZ, Mahindra World City, Chingleput-Kanchipuram
District 603 002, Tamil Nadu
Pantnagar, Integrated Industrial Estate, Rudrapur,
Dist. Udham Singh Nagar, Uttarakhand 263 153

FACTORIES

(In India through subsidiaries)

222, 266, 298 and 428 SIDCO Industrial Estate
Ambattur, Chennai - 600 098, Tamil Nadu
C9, Industrial Estate, Ambattur, Chennai - 600 058, Tamil Nadu
Harita, Krishnagiri District, Hosur 635 109, Tamil Nadu

FACTORIES

(Outside India - through subsidiaries)

Sundram Fasteners (Zhejiang) Limited
No 1 Sundram Road, Wuyuan Town
Haiyan county, Jiaxing city, Zhejiang Province, China 314 300
Cramlington Precision Forge Limited,
Unit 8, Atley Way, North Nelson Ind. Estate
Cramlington, United Kingdom NE23 9WA
Sundram RBI Sdn. Bhd.
No 7, Jalan Teras 2, Kawasan Industri Teras, 43300 Balakong
Selangor, Malaysia
Peiner Umformtechnik GmbH, Wolterfer Str.20-24, D-31224
Postfach 1649, D-31221, Peine, Germany

Sundram Fasteners Limited

FINANCIAL HIGHLIGHTS

Particulars	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98
Operating results - Rs lakhs										
Sales	134,215	118,185	103,724	77,429	51,943	43,317	42,421	43,191	34,396	32,618
EBIDT	17,178	15,312	13,197	10,223	8,536	6,712	6,565	7,654	5,777	5,707
Interest and Exchange loss / (gains)	2,625	2,958	586	(552)	610	1,297	1,672	1,408	1,467	1,892
EBDT**	14,205	12,354	12,611	10,776	7,926	5,415	4,893	6,246	4,310	3,815
Depreciation	3,012	2,739	2,333	1,977	1,299	1,322	1,195	1,115	1,026	952
EBIT	13,819	12,573	10,864	8,246	7,237	5,390	5,370	6,539	4,751	4,755
Profit before tax	11,194	9,615	10,279	8,798	6,627	4,093	3,698	5,131	3,284	2,863
Tax	4,008	3,422	3,339	3,008	2,088	1,172	820	869	330	310
Profit after tax	7,186	6,193	6,940	5,790	4,539	2,921	2,878	4,262	2,954	2,553
Financial status - Rs lakhs										
Net fixed assets	40,476	35,235	31,786	25,867	19,535	18,424	17,442	17,600	16,094	14,661
Investments	7,276	7,215	2,160	2,021	3,369	3,341	3,292	3,288	301	258
Net current assets	39,955	39,670	31,665	22,039	12,443	11,887	12,556	11,091	9,360	9,278
Share capital	2,101	1,051	1,051	1,051	1,021	1,021	1,021	1,021	1,021	1,021
Reserves and surplus	35,375	31,337	27,148	22,241	20,309	17,153#	18,935	16,848	13,833	11,675
Net worth	37,476	32,387	28,199	23,292	21,330	18,174	19,956	17,870	14,855	12,696
Loan funds	43,969	43,860	32,056	21,754	9,504	11,734	13,334	14,110	10,901	11,501
Deferred Tax Liability	6,261	5,873	5,356	4,881	3,906	3,744	-	-	-	-
Total capital employed	87,707	82,120	65,611	49,927	34,740	33,652	33,290	31,980	25,756	24,197
Performance parameters - %										
EBIDT to Sales	12.8	13.0	12.7	13.2	16.4	15.5	15.5	17.7	16.8	17.5
EBIT to Sales	10.3	10.6	10.5	10.6	13.9	12.4	12.7	15.1	13.8	14.6
PBT to Sales	8.3	8.1	9.9	11.4	12.8	9.4	8.7	11.9	9.5	8.8
EBIDT/Average capital employed [ROCE]	20.2	20.7	22.8	24.1	25.0	20.1	20.1	26.5	23.1	23.7
EBIT / Average capital employed	16.3	17.0	18.8	19.5	21.2	16.1	16.5	22.7	19.0	19.8
PAT/Average net worth	20.6	20.4	27.0	26.0	23.0	15.3	15.2	26.0	21.4	21.8
Bonus issue	1:1	-	-	-	-	-	-	-	-	-
EPS before extra ordinary items - Rs	3.59*	5.92*	6.61*	5.51*	44.43	28.59	28.17	41.73	28.92	25.00
EPS after extra ordinary items - Rs	3.42*	5.92*	6.61*	5.51*	44.43	28.59	28.17	41.73	28.92	25.00
Dividend per share - Rs	1.75*	1.70*	1.70*	1.40*	12.00	10.00	7.00	11.00	7.00	5.00
Dividend payout ratio	25.59*†	28.81	25.76	25.41	27.01	34.98	24.85	26.36	24.20	20.00
Book value per share-Rs	17.84*	30.83*	26.83*	22.16*	208.91	177.92	195.38	174.94	145.41	124.28
Market value per share-Rs	63.75*@	169.30*	109.45*	87.05*	362	236	215	550	350	346

After considering transfer of Rs 3,681 Lakhs on account of initial adoption of Deferred Tax Liability.

* On face value of shares - Re 1 each

Note: 1 Lakh = Rs.100,000

Ten Lakhs = One Million

Ten Millions = One Crore

@ Post Bonus Issue

† First Interim Dividend of Re 0.85/share and Second Interim Dividend of Re 0.45/share (post bonus issue).

** After considering provision for diminution in value of investments and losses of subsidiaries.

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

The Directors are pleased to present the Forty Fourth Annual Report together with the audited accounts for the year ended 31st March 2007.

FINANCIAL RESULTS

			Rs lakhs
	2006-2007		2005-2006
Sales – Domestic (including excise duty)	98,389.83		85,852.71
– Exports	35,825.27		32,332.57
	<u>134,215.10</u>		<u>118,185.28</u>
Gross Profit before interest, depreciation, extra-ordinary items and taxes	17,178.02		15,311.99
Less : Interest	2,446.13	1,701.07	
Exchange Losses/(Gains)	178.77	1,257.01	
Depreciation	<u>3,011.60</u>	<u>2,738.55</u>	<u>5,696.63</u>
Profit before extra-ordinary items and tax	11,541.52		9,615.36
Less : Extra-ordinary items - Provision for diminution in value of investments and losses of subsidiaries	347.96		–
	<u>11,193.56</u>		<u>9,615.36</u>
Less : Provision for taxation including earlier years	4,007.86		3,390.51
Profit after tax	7,185.70		6,224.85
Add : Balance brought forward	2,974.50		2,786.25
Add : Transfer from Investment Allowance (Utilised) Account	7.12		–
	<u>10,167.32</u>		<u>9,011.10</u>
Appropriations			
Interim Dividend	1,838.62		1,786.10
Tax on Interim Dividend	257.87		250.50
Transfer to General Reserve	5,500.00		4,000.00
Balance carried forward	<u>2,570.83</u>		<u>2,974.50</u>
	<u>10,167.32</u>		<u>9,011.10</u>

PROFITS

Export Sales of the Company, during the year ended 31st March 2007 were higher at Rs 35,825.27 lakhs. Exports have contributed significantly to the profits.

DIVIDEND

The Directors had declared first interim dividend of Re 0.85 per share (of face value of Re 1 each), prior to issue of bonus shares in the ratio of 1:1. The Directors had declared a second interim dividend of Re 0.45 per share (of face value of Re 1 each), after bonus issue. The interim dividends disbursed amounted to Rs 1,838.62 lakhs. The directors do not recommend any final dividend.

Sundram Fasteners Limited

AWARDS

ACMA Award

During the year, the Company received Certificate of Honour for excellence in export from Automotive Component Manufacturers Association (ACMA) for 2005-06. The Pondicherry unit received ACMA Silver Trophy for Excellence in Manufacturing from ACMA for 2005-06.

SUBSIDIARY COMPANIES

TVS International Inc., Michigan, USA ceased to be a subsidiary of the Company.

STATUTORY STATEMENTS

The amount of deposits held by the Company as at 31st March 2007 was Rs 1.00 lakh. Deposits which matured during the year were repaid on due dates. There were 11 deposits amounting to Rs. 1.00 lakh which remained unclaimed.

Statement relating to the subsidiary companies viz. Sundram Fasteners Investments Limited, Upasana Engineering Limited, Sundram Non-Conventional Energy Systems Limited, Sundram Bleistahl Limited, Sundram International Inc., Sundram Fasteners (Zhejiang) Limited, Cramlington Precision Forge Limited, Sundram RBI Sdn. Bhd, Peiner Umformtechnik GmbH is attached pursuant to Section 212 of the Companies Act, 1956.

The information required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure to this report.

The information required under the provisions of Section 217(2A) of the Companies Act, 1956 and the rules made thereunder, is given in the annexure appended hereto and forms part of this report. In terms of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the Members excluding the aforesaid annexure. Interested Members may write to the Company Secretary, at the Registered Office of the Company, for obtaining a copy of the said annexure.

CONSOLIDATED FINANCIAL STATEMENTS

As required by Accounting Standard - AS 21 on Consolidated Financial Statements issued by The Institute of Chartered Accountants of India, the audited Consolidated Financial Statements of the Company and its subsidiaries are attached.

SUBSIDIARY ACCOUNTS

The Company has obtained permission from Central Government under Section 212(8) of the Companies Act, 1956 exempting the Company from attaching a copy of the Balance sheet, Profit and Loss account and other documents of the subsidiary companies. The accounts, reports and other documents of the subsidiary companies will be made available to the members upon receipt of a written request. These documents will also be made available to the members through SEBI-EDIFAR website (www.sebiedifar.nic.in). This will help the Company save considerable costs in connection with printing and mailing.

CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate report on Corporate Governance and Management Discussion and Analysis together with a certificate from the Company's Auditors confirming the compliance of conditions of Corporate Governance is attached to this report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that :

1. in the preparation of annual accounts, the applicable accounting standards have been followed.
2. appropriate accounting policies have been selected and applied consistently, and judgements and estimates that have been made are 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 that period.
3. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. the annual accounts have been prepared on a going concern basis.

DIRECTORS

Sri V Narayanan and Sri R Ramakrishnan retire from the Board by rotation and being eligible, offer themselves for re-appointment.

AUDITORS

The Auditors, M/s Sundaram & Srinivasan, Chartered Accountants, Chennai, retire and are eligible for re-appointment.

INDUSTRIAL RELATIONS

The industrial relations continued to remain congenial during the current year. The Directors thank the employees for their contribution to the progress of the Company.

GENERAL

The Directors wish to thank the Chinese Authorities, Officers of Haiyan County, Jiaxin City, Zhejiang province, Chinese tax and other administrative authorities for the support extended to Sundram Fasteners (Zhejiang) Limited.

The Directors wish to thank One North East, the Regional Development Authority for Cramlington, United Kingdom for the continued support extended to the Subsidiary.

The Directors wish to thank the Company's bankers, State Electricity Boards in Tamil Nadu, Puducherry and Andhra Pradesh, customers and vendors, for all the assistance rendered by them from time to time.

On behalf of the Board

Chennai
June 29, 2007

SURESH KRISHNA
Chairman & Managing Director