



Sundram Fasteners Limited

ANNUAL REPORT

**for the year ended
31st March 2010**

Sundram Fasteners Limited

BOARD OF DIRECTORS

Sri SURESH KRISHNA, *Chairman & Managing Director*
Ms ARATHI KRISHNA, *Joint Managing Director*
Ms ARUNDATHI KRISHNA, *Whole-Time-Director*
Sri K RAMESH
Sri VENU SRINIVASAN
Sri V NARAYANAN
Sri R SRINIVASAN
Sri R RAMAKRISHNAN
Sri C V KARTHIK NARAYANAN
Sri M RAGHUPATHY IAS (Retd.)

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, New No. 4, (Old No. 23)
C P Ramaswamy Road, Alwarpet, Chennai 600 018

REGISTERED OFFICE

98A, Dr Radhakrishnan Salai, Mylapore, Chennai 600 004

FACTORIES (In India)

Tamil Nadu : Padi, Hosur, Aviyur, Mittamandagapet, Velappanchavadi,
Gummidipoondi, SEZ - Mahindra World City
Puducherry : Korkadu
Andhra Pradesh : Bonthapally
Uttarakhand : Rudrapur

FACTORIES

(In India through subsidiaries)

Tamil Nadu : Ambattur, Hosur

FACTORIES

(Outside India -
through subsidiaries)

Sundram Fasteners (Zhejiang) Limited, China
Cramlington Precision Forge Limited, United Kingdom
Sundram RBI Sdn. Bhd., Malaysia
Peiner Umformtechnik GmbH, Germany

CONTENTS

Financial Highlights	2
Directors' Report	3 - 7
Management Discussion and Analysis	8 - 16
Report on Corporate Governance	17 - 27
Auditors' Report	28 - 31
Balance Sheet	32
Profit & Loss Account	33
Cash Flow Statement	34 - 35
Schedules	36 - 64
Statement pursuant to Section 212	65 - 66
Auditors' Report on Consolidated Financial Statements	69
Consolidated Financial Statements	70 - 84

Sundram Fasteners Limited

FINANCIAL HIGHLIGHTS

Particulars	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Operating results - Rs lakhs										
Sales - Net	133,386	126,219	120,592	119,944	106,199	92,955	68,912	45,883	38,302	37,356
EBIDT	17,033	16,378	15,256	17,178	15,312	13,197	10,223	8,536	6,712	6,565
Interest	1,500	9,920	1,387	2,625	2,958	586	(552)	610	1,297	1,672
EBDT	15,533	6,458	13,869	14,205	12,354	12,611	10,776	7,926	5,415	4,893
Depreciation	4,748	4,223	3,423	3,012	2,739	2,333	1,977	1,299	1,322	1,195
EBIT	12,284	12,155	11,833	13,819	12,573	10,864	8,246	7,237	5,390	5,370
Profit before tax	10,785	2,235	10,446	11,194	9,615	10,279	8,798	6,627	4,093	3,698
Tax	3,283	494	3,499	4,008	3,422	3,339	3,008	2,088	1,172	820
Profit after tax	7,502	1,741	6,947	7,186	6,193	6,940	5,790	4,539	2,921	2,878
Financial status - Rs lakhs										
Net fixed assets	57,978	56,798	51,944	40,476	35,235	31,786	25,867	19,535	18,424	17,442
Investments	14,239	14,245	13,325	7,276	7,215	2,160	2,021	3,369	3,341	3,292
Net current assets	40,726	45,888	39,365	39,955	39,670	31,665	22,039	12,443	11,887	12,556
Share capital	2,101	2,101	2,101	2,101	1,051	1,051	1,051	1,021	1,021	1,021
Reserves and surplus	45,914	40,621	40,110	35,375	31,337	27,148	22,241	20,309	17,153#	18,935
Net worth	48,015	42,723	42,211	37,476	32,387	28,199	23,292	21,330	18,174	19,956
Loan funds	56,791	66,738	55,507	43,969	43,860	32,056	21,754	9,504	11,734	13,334
Deferred Tax Liability	8,137	7,470	6,915	6,261	5,873	5,356	4,881	3,906	3,744	-
Total capital employed	112,943	116,931	104,633	87,707	82,120	65,611	49,927	34,740	33,652	33,290
Performance parameters - %										
EBIDT to Sales	12.8	13.0	12.7	14.3	14.4	14.2	14.8	18.6	17.5	17.6
EBIT to Sales	9.2	9.6	9.8	11.5	11.8	11.7	12.0	15.8	14.1	14.4
PBT to Sales	8.1	1.8	8.7	9.3	9.1	11.1	12.8	14.4	10.7	9.9
EBIDT/Average capital employed [ROCE]	14.8	14.8	15.9	20.2	20.7	22.8	24.1	25.0	20.1	20.1
EBIT / Average capital employed	10.7	11.0	12.3	16.3	17.0	18.8	19.5	21.2	16.1	16.5
PAT/Average net worth	16.6	4.1	17.4	20.6	20.4	27.0	26.0	23.0	15.3	15.2
Bonus issue	-	-	-	1:1	-	-	-	-	-	-
EPS before extra ordinary items - Rs	3.57*	0.83*	3.21*	3.59*	5.92*	6.61*	5.51*	44.43	28.59	28.17
EPS after extra ordinary items - Rs	3.57*	0.83*	3.31*	3.42*	5.92*	6.61*	5.51*	44.43	28.59	28.17
Dividend per share - Rs	0.9@*	0.5@*	0.9@*	1.75*	1.70*	1.70*	1.40*	12.00	10.00	7.00
Dividend payout ratio	25.21	60.36	27.26	25.59	28.81	25.76	25.41	27.01	34.98	24.85
Book value per share - Rs	22.85*	20.33*	20.09*	17.84*	30.83*	26.83*	22.16*	208.91	177.92	195.38
Market value per share - Rs	51.6@	14.85@	32.35@	63.75@	169.30*	109.45*	87.05*	362	236	215

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

EBDT for 2006-07 is 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 Seventh Annual Report together with the audited accounts for the year ended 31st March 2010.

FINANCIAL RESULTS

			Rs lakhs
	2009-10		2008-09
Sales – Domestic (including excise duty)	108,977.92		94,664.98
Less : Excise Duty	8,807.15		11,358.07
	100,170.77		83,306.91
Exports	33,215.29		42,912.53
Net Sales	133,386.06		126,219.44
Gross Profit before interest, depreciation, extra-ordinary items and taxes	17,032.74		16,378.30
Less : Interest	2,548.25	3,849.74	
Exchange Losses/(Gains)	(1,048.62)	6,070.14	
Depreciation	4,748.40	6,248.03	4,223.28
			14,143.16
Profit before extra-ordinary items and tax	10,784.71		2,235.14
Less : Provision for taxation including earlier years	3,283.38		494.44
Profit after tax	7,501.33		1,740.70
Add : Balance brought forward	2,646.38		2,309.82
Add : Transfer from Investment Allowance (Utilised) Account	–		25.06
	10,147.71		4,075.58
Appropriations			
Interim Dividend	1,891.15		1,050.64
Tax on Interim Dividend	317.35		178.56
Transfer to General Reserve	5,000.00		200.00
Balance carried forward	2,939.21		2,646.38
	10,147.71		4,075.58

SALES & PROFITS

The Company recorded total Net Sales and other income of Rs.1336.60 Crores for the year ended March 31, 2010 as against Rs.1265.63 Crores achieved during the previous year. The export sale was at Rs.332.15 Crores as against Rs.429.13 Crores in the previous year. The Profit after tax was higher at Rs.75.01 Crores as against Rs.17.41 Crores in the previous year.

The Company continues to be a net foreign exchange earner for the thirteenth year in succession.

DIVIDEND

The Directors have decided to pay as Second Interim Dividend of Rs.0.50 per Share of face value of Re.1 each, which together with the Interim Dividend of Rs.0.40 declared and paid earlier would amount to a total dividend for the year of Rs.0.90 per share of Re 1 each. Dividend disbursed amounted to Rs. 840.51 lakhs. Second Interim Dividend will absorb a total amount of Rs.1050.64 lakhs. The Directors do not recommend any final dividend.

Sundram Fasteners Limited

STATUTORY STATEMENTS

There were 2 deposits amounting to 0.15 lakh which remained unclaimed as at the end of the year.

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, PUT Grundstücks GmbH and Peiner Logistik 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, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 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, the audited Consolidated Financial Statements of the Company and its Subsidiaries are attached.

In the context of mandatory requirement to present consolidated accounts, which provides members with a consolidated position of the Company including its subsidiaries and associates, members are being provided with the accounts and reports of the Company treating this as abridged accounts as contemplated under Section 219 of the Companies Act, 1956. The Company has received the 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 from them. 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 judgments 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, Pondicherry, Andhra Pradesh and Uttarakhand, customers and vendors, for all the assistance rendered by them from time to time.

On behalf of the Board

Chennai
May 29, 2010

SURESH KRISHNA
Chairman & Managing Director

ANNEXURE TO DIRECTORS' REPORT

INFORMATION AS REQUIRED UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956

A. Conservation of Energy

a. Measures taken:

1. Optimising compressed air consumption and elimination of leaks
2. Insulation of Heat Treatment furnace
3. Replacement of CFLs in place of tube lights.
4. Operation of Methanol based system in place of Endo Generation
5. Optimisation of air conditioning loads.

b. Additional Investments and proposals being implemented:

The Company continues to adopt energy efficient practices in its operations and implement proposals arising out of regular energy audits.

c. Impact of the above measures:

The above measures have resulted in energy saving in consumption of fuel and power besides improving operational efficiency.

B. Technology Absorption

Research and Development (R & D):

1. Specific areas in which R & D is carried out by the Company and the benefits derived therefrom:

- a) Development of Turbo chargers shafts with special materials.
- b) Development of tappet adjusting screws.
- c) Development of induction hardening on knurls on wheel bolts.
- d) Development of low cost high hardenable pre-alloyed iron powder.

2. Future plan of action:

- a) Development of Magni coating.
- b) Development of high temperature vacuum sintering of powder metals parts.
- c) Development of pre-alloyed steel powder.

3. The Company had entered into a technical collaboration agreement with Hitachi, Japan for the manufacture of tappets. The Company is in the process of absorbing the technology and has commenced manufacture of tappets at its factory at Hosur.

4. Expenditure on Research & Development:

The Company has incurred expenditure amounting to Rs.784.69 lakhs (Revenue expenditure) towards Research and Development. The Expenditure on Research & Development as a percentage of turnover - 0.59%.

5. Technology absorption, adaptation and innovation:

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:

- a) The Company has been continuing its efforts towards ongoing implementation and stabilisation of the methodologies of Total Productive Maintenance (TPM).
- b) The Company has retained the accreditation of its quality systems being in line with ISO 9001-2000. All the major factories of the Company have obtained accreditation to the latest ISO/TS 16949-2002 standards.

2. Benefits derived as a result of the above efforts:

- a) TPM is expected to improve productivity and result in considerable reduction in machine downtime, improvement in productivity and cost saving, enabling the Company to gain and retain the competitive edge in the global arena.
- b) Constant updation of the Quality Management Systems has equipped the Company to meet the stringent standards stipulated by customers.

C. Foreign Exchange Earnings and Outgo:

- 1. Exports Sales during the year under review were Rs.33,215 Lakhs. All exports of the Company are directed towards the hard currency areas.
- 2. Total Foreign Exchange used and earned:
 - a) Foreign Exchange used Rs.23,147 Lakhs
 - b) Foreign Exchange earned Rs.33,734 Lakhs

The Company continues to be a net foreign exchange earner for the thirteenth year in succession.

On behalf of the Board

Chennai
May 29, 2010

SURESH KRISHNA
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Indian Gross Domestic Product and the Index of Industrial Production registered a growth of 7.2% (6.7%) and 10.4% (2.4%) respectively, inching their way back from the global economic shock, thanks to the strong fundamentals of Indian economy.

The global economic slowdown during 2008-09 impacted the performance of the automotive sector with sales falling to levels not seen since early 1990s, consumer sentiments touched an all time low and accessibility to finance was a major constraint.

During 2009-10, the global slowdown eased. The emerging economics grew at a faster pace; however the growth in the developed economies has been minimal or static despite massive governmental intervention. In India, the manufacturing sector including the automotive sector recovered from the slowdown witnessed during the second half of 2008-09. The following table shows the sales trend of the industry.

Automobile Sales Trends

(In Nos)

Category	Total Sales during			Variance over previous year %
	2007-2008	2008-2009	2009-2010	
Medium & Heavy Commercial Vehicles	293,094	200,406	250,171	24.83
Light Commercial Vehicles	252,722	226,389	316,437	39.78
Total CVs	545,816	426,795	566,608	32.76
Passenger Cars	1,413,395	1,551,012	1,926,484	24.21
Utility Vehicles	249,863	228,840	272,848	19.23
MPVs	101,781	107,767	151,908	40.96
Total Passenger Vehicles	1,765,039	1,887,619	2,351,240	24.56
Scooters	1,075,591	1,171,663	1,494,409	27.55
Motorcycles	6,544,482	6,806,114	8,444,852	24.08
Mopeds	431,983	438,514	571,070	30.23
Electric two wheelers	16,391	25,553	2,558	(89.99)
Total Two Wheelers	8,068,447	8,441,844	10,512,889	24.53
Three Wheelers	505,938	497,793	619,093	24.37
Tractors	346,501	342,836	440,230	28.41
Grand Total	11,231,741	11,596,887	14,490,060	24.95

(Sources: SIAM/TMA)

The domestic market maintained steady improvement over the year and grew significantly in the second half. Sales of cars, utility vehicles, MPVs, LCVs and two-wheelers grew throughout the year thanks to the stimulus offered by the Government in the form of excise duty cuts. The tractor segment enjoyed a higher growth rate supported by farm mechanization and subsidized interest rates. The M&HCV segment remained sluggish in the