



Sundram Fasteners Limited



Sundram Fasteners

ANNUAL REPORT

for the year ended
31st March 2017



Dear Shareholders,

It is with immense pleasure, I am writing to you on the occasion of the 50th Anniversary of Sundram Fasteners.

In a long standing family business, inheritance of companies is more a norm. One rarely gets a chance to start something new from ground up. I consider myself lucky to have been provided an opportunity to start Sundram Fasteners (SFL) from scratch. It has been all the more challenging because my area of education was in literature, a far cry from engineering. But, as they say, the young have no fear. So, in 1966 when we started SFL, I felt like a new parent full of expectations, but lacking in skill. Like being a parent for the first time, I could seek guidance, but the experience was uniquely mine.

Having started SFL as a small scale company with just eight people, the passion and commitment to make it grow healthily was the unfailing driving force. There were already well established competitors in the market. There were trials and tribulations and it was a constant struggle to make it profitable. SFL has always been and still is a people oriented company. It is the employees who nurtured it and were dedicated to make it thrive. It is this commitment which has made it the company it is today.

While SFL started as a company manufacturing high tensile fasteners, a chance meeting with Professor C.K. Prahalad made us realise that our core competency was tool making; the product was only an end result. This opened up new avenues such as cold extrusion, powder metallurgy, hot forging etc. Even in the 1980s we were keenly aware that competition would become a way of life and quality would be the pillars on which it would rest. SFL's whole hearted pursuit of quality has won many accolades, being the first company in India to get ISO 9000 certificate when it was unknown in India, as well as getting the TPM excellence award. SFL became synonymous with Quality. Contrary to the general practice of joint ventures in that era, SFL had a firm belief to make in India and went on its own independent path to create world class products. This has given the company the freedom to make decisions independently and explore foreign markets. The ever increasing exports and establishing manufacturing companies in China and the UK were a result of that freedom.

SFL today is a multi-product, multi-location company, a company which has grown from very humble beginnings. It still fiercely retains its original and ever pervasive character of being people centric. The dedicated employees, past and present, are its priceless driving force. SFL's contribution to raise their standard of living is its cherished goal, its dharma, a means to build a better India - a challenge, I am sure, it will meet competently as the future unfolds. It is indeed appropriate that, on its Golden Jubilee year, SFL records its gratitude to all the employees who have made this success possible. With the inherent culture of sharing the prosperity, SFL consciously continues to serve the community's social development needs in the best possible ways and has created a profound positive social impact.

SFL has succeeded because it stays true to its core values - acting with integrity, resolute pursuit of quality and excellence and embracing change. SFL maintains high standards in every aspect of business, from ethics to environmental and social sustainability efforts. It is the ability to adapt to change, meet customer expectations and the trust of all its stakeholders that drives SFL and keeps it young at 50 years.

On the occasion of the Golden Jubilee, I wish to convey my sincere thanks to all those who have contributed to the growth of SFL during these fifty years. With your continued support I am certain that SFL will scale new heights, carrying with it the value systems that have made its first fifty years great.

I look forward to meeting you at the forthcoming annual general meeting.



SURESH KRISHNA
Chairman and Managing Director

Sundram Fasteners Limited

BOARD OF DIRECTORS

Sri SURESH KRISHNA
Chairman & Managing Director

Ms ARATHI KRISHNA
Joint Managing Director

Ms ARUNDATHI KRISHNA
Deputy Managing Director

Non-Executive Directors

Sri K RAMESH

Ms PREETHI KRISHNA (w.e.f. 5th July, 2017)

Independent Directors

Sri V NARAYANAN

Sri R SRINIVASAN

Sri R RAMAKRISHNAN

Sri C V KARTHIK NARAYANAN

Sri M RAGHUPATHY IAS (Retd.)

Sri B MUTHURAMAN

CHIEF FINANCIAL OFFICER

Sri S MEENAKSHISUNDARAM

VICE PRESIDENT - FINANCE & COMPANY SECRETARY

Sri R DILIP KUMAR

REGISTERED OFFICE

98A, VII Floor, 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

BANKERS

State Bank of Mysore
Standard Chartered Bank
HDFC Bank Ltd.
ICICI Bank Ltd.
Canara Bank
The Hongkong and Shanghai Banking
Corporation Ltd.

STATUTORY AUDITORS

M/s SUNDARAM & SRINIVASAN
Chartered Accountants,
No. 4, C P Ramaswamy Road,
Alwarpet, Chennai - 600 018

SECRETARIAL AUDITORS

M/s S KRISHNAMURTHY & CO.,
Company Secretaries,
"Shreshtam", Old No. 17, New No. 16,
Pattammal Street, Mandaveli,
Chennai - 600 028.

COST AUDITOR

Sri P RAJU IYER, 17, (Old No. 8),
Hasthinapuram Main Road,
Nehru Nagar, Chromepet, Chennai - 600 044.

INTEGRATED REGISTRY MANAGEMENT SERVICES

PRIVATE LIMITED (Registrar & Transfer Agent)

Kences Towers, 2nd Floor, No. 1, Ramakrishna Street,
North Usman Road, T Nagar, Chennai 600 017
Telephone: +91 44 28140801 - 803
Fax : +91 44 28142479, 28143378
E-Mail : srirams@integratedindia.in

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Sundram Fasteners Limited

FINANCIAL HIGHLIGHTS

₹ lakhs

Particulars	2016-17*	2015-16*	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Operating results										
Revenue from Operations #	2,93,437	2,60,061	2,38,577	2,02,228	2,06,942	2,14,664	1,81,072	1,33,386	1,26,219	1,20,592
Total Revenue #	2,94,757	2,63,519	2,40,912	2,07,100	2,09,572	2,16,471	1,81,508	1,33,903	1,26,748	1,20,963
EBIDT	56,044	41,891	35,679	30,484	28,363	31,315	23,446	17,275	16,562	15,443
Interest	4,370	6,047	8,139	5,858	8,135	9,220	3,567	1,742	10,104	1,574
EBDT	51,674	35,844	27,540	24,626	20,228	22,095	19,879	15,533	6,458	13,869
Depreciation	8,977	9,174	8,832	7,637	7,162	6,361	5,454	4,748	4,223	3,423
EBIT	47,067	32,717	26,847	22,847	21,202	24,954	17,992	12,527	12,339	12,020
Profit Before Tax	42,460	22,109	17,708	15,989	13,066	15,734	14,425	10,785	2,235	10,446
Tax	10,912	710	4,176	3,900	3,688	4,475	3,882	3,283	494	3,499
Profit After Tax	31,548	21,399	13,532	12,089	9,506	11,260	10,543	7,502	1,741	6,947
Financial status										
Net fixed assets	96,746	86,489	80,980	80,300	72,904	71,288	63,956	57,978	56,798	51,944
Investments	32,058	30,855	11,695	12,316	13,202	14,263	14,237	14,239	14,245	13,325
Net current assets	71,957	49,038	76,865	59,157	71,863	69,596	60,896	40,726	45,888	39,365
Share capital	2,101	2,101	2,101	2,101	2,101	2,101	2,101	2,101	2,101	2,101
Reserves and surplus	1,29,205	1,01,697	83,795	75,463	67,328	61,245	53,394	45,914	40,621	40,110
Net worth	1,31,306	1,03,798	85,896	77,564	69,429	63,346	55,495	48,015	42,723	42,211
Loan funds	62,616	57,214	75,057	65,108	79,505	82,870	74,961	56,791	66,738	55,507
Deferred tax liability	6,839	5,370	8,587	9,101	9,034	8,931	8,633	8,137	7,470	6,915
Total capital employed	2,00,761	1,66,382	1,69,540	1,51,773	1,57,968	1,55,147	1,39,089	1,12,943	1,16,931	1,04,633
Performance parameters - %										
EBIDT to Revenue from Operations	19.1	16.1	15.0	15.1	13.7	14.6	12.9	13.0	13.1	12.8
EBIT to Revenue from Operations	16.0	12.6	11.3	11.3	10.2	11.6	9.9	9.4	9.8	10.0
PBT to Revenue from Operations	14.5	8.5	7.4	7.9	6.3	7.3	8.0	8.1	1.8	8.7
EBIDT/Average capital employed [ROCE]	30.5	24.9	22.2	19.7	18.1	21.3	18.6	15.0	15.0	16.1
EBIT / Average capital employed	25.6	19.5	16.7	14.8	13.5	17.0	14.3	10.9	11.1	12.5
PAT/Average net worth	26.8	22.6	16.6	16.4	14.3	18.9	20.4	16.6	4.1	17.4
EPS - ₹	15.01	10.18	6.44	5.75	4.52	5.36	5.02	3.57	0.83	3.31
Dividend per share-₹	**1.70	**3.05	1.75	1.70	1.40	1.40	1.25	0.90	0.50	0.90
Dividend payout ratio	**11.32	**29.95	27.17	29.55	30.95	26.13	24.91	25.21	60.36	27.26
Book value per share-₹	62.50	49.40	40.88	36.91	33.04	30.15	26.41	22.85	20.33	20.09
Market value per share-₹	386.00	170.80	174.50	62.80	40.50	55.35	51.05	51.60	14.85	32.35

Note : 1 Lakh = ₹ 1,00,000 Ten Lakhs = One Million Ten Millions = One Crore

* Financials for these years are as per Ind AS

** Dividend paid during the financial year has been considered to comply with Ind AS

Revenue from Operations and Total Revenue are net of excise duty

REPORT OF THE BOARD OF DIRECTORS

The Directors are pleased to present the Fifty Fourth Annual Report together with the audited financial statements for the year ended 31st March 2017.

FINANCIAL HIGHLIGHTS (STANDALONE)

	2016-17	2015-16
Revenue from Operations	315,863.55	280,903.26
Other Income	1,320.14	3,458.30
Total Revenue	317,183.69	284,361.56
Total Expenditure	261,140.09	242,470.69
Gross Profit before interest, depreciation and taxes	56,043.60	41,890.87
Less: Interest	3,030.85	2,002.47
Exchange Losses / (Gains)	1,338.65	4,044.86
Depreciation	8,976.99	9,174.19
Profit before Exceptional items and taxes	42,697.11	26,669.35
Exceptional items	(236.94)	(4,559.96)
Profit Before Tax	42,460.17	22,109.39
Less: Provision for tax	10,912.23	709.89
Profit after Tax	31,547.94	21,399.50
Add: Balance brought forward	19,828.12	20,813.09
Balance available for appropriation	51,376.06	42,212.59
Appropriations		
Interim Dividends	3,572.19	6,408.92
Tax on Interim Dividends	721.83	975.55
Transfer to General Reserve	25,000.00	15,000.00
Balance carried forward	22,082.04	19,828.12
	51,376.06	42,212.59

TRANSFER TO RESERVES

The Company has transferred ₹ 25,000 lakhs to general reserves.

DIVIDEND

The Board had earlier during the year, declared first interim dividend of ₹ 1.70/- per equity share (170%) of face of ₹ 1 each absorbing a sum of ₹ 35.72 crores for the financial year 2016-2017 and the same was paid on 18th November, 2016. The Board is pleased to recommend a final dividend of ₹ 2.80 per equity share (280%) of face value of ₹ 1 each absorbing a sum of ₹ 58.84 crores which, together with the interim dividend, aggregates to a total dividend of ₹ 4.50 per equity share for 2016-2017.

Sundram Fasteners Limited

CONSOLIDATED FINANCIAL STATEMENTS

The audited Consolidated Financial Statements of the Company also form part of the Annual Report.

Pursuant to the provisions of Section 136 of the Companies Act, 2013, the Company has placed separate audited accounts of its subsidiaries on its website www.sundram.com. The Company will make available the audited annual accounts and associated information of its subsidiaries, upon request by any of its shareholders.

DIRECTORS

Ms Arundathi Krishna, Deputy Managing Director (DIN: 00270935) of the Company is liable to retire by rotation at the ensuing Annual General Meeting (AGM), and being eligible, offers herself for re-appointment. Necessary resolution for her re-appointment is being placed for approval of the members at the AGM. The board, therefore, recommends her re-appointment as a Director of the Company. A brief resume of her and other relevant information have been furnished in the notice convening the AGM.

Sri Venu Srinivasan, Non-Executive Non-Independent Director, has resigned from the Board, effective 8th August, 2016.

STATEMENT ON DECLARATION GIVEN BY INDEPENDENT DIRECTORS UNDER SUB-SECTION (7) OF SECTION 149

All the independent directors have submitted a declaration pursuant to Section 149(7) of the Companies Act, 2013 stating that they meet the criteria of independence as stipulated in Section 149(6).

EXTRACT OF ANNUAL RETURN

An extract of annual return in Form MGT-9 is annexed as **Annexure – I** and forms part of this report.

BOARD MEETINGS

The Company, in consultation with the Directors, prepares and circulates a tentative annual calendar for the meetings of the Board and its Committees in order to facilitate and assist the Directors to plan their schedules for the meetings.

There were four Board Meetings during the year ended 31st March, 2017, which were on 20th May, 2016, 9th August, 2016, 2nd November, 2016 and 2nd February, 2017.

COMMITTEES OF THE BOARD

The Board of Directors has the following Committees:

1. Audit Committee
2. Nomination and Remuneration Committee
3. Corporate Social Responsibility Committee
4. Stakeholders' Relationship Committee
5. Finance Committee
6. Strategy Committee

The details of the Committees along with their composition, number of meetings and attendance at the meetings are provided in the Corporate Governance section of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that:

- a) in the preparation of annual accounts, the applicable accounting standards had been followed and there were no material departures.
- b) they had selected appropriate accounting policies and applied them consistently, and made 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 the year ended 31st March 2017.
- c) they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) they had prepared the annual accounts on a going concern basis.
- e) they had laid down the internal financial controls to be followed by the company and such internal financial controls are adequate and are operating effectively.
- f) they had devised proper systems to ensure compliance with the provisions of all applicable laws and such systems were adequate and operating effectively.

NOMINATION AND REMUNERATION POLICY

(I) Criteria for Determining Qualifications, Positive Attributes & Independence of Director

1. Qualifications of Independent Director:

An independent director shall be a person of eminence, standing and knowledge with significant achievements in business, professions and/or public service or professional practice and desirable to have industry experience in which the company operates. An Independent director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, operations or other disciplines related to the company's business.

2. Positive attributes of Independent Directors:

Nomination and Remuneration Committee shall take into account the following positive attributes while recommending the appointment of independent director.

- a) To demonstrate integrity, credibility, trustworthiness, ability to handle conflict constructively, and the willingness to address issues proactively.
 - b) Continuously update their knowledge and skills with the latest developments in the automobile industry, market conditions and applicable legal provisions.
 - c) Ability and willingness to devote sufficient time and attention to the Company's business and discharge their responsibilities.
 - d) Ability to bring an independent judgment to the Board's deliberations especially on issues of strategy, performance, risk management, key appointments and standards of conduct.
 - e) Ability to develop a good working relationship with other Board members and contribute to the Board's working relationship with the senior management of the Company.
 - f) To act within their authority, assist in protecting the legitimate interests of the Company, its shareholders and employees
 - g) Assist the company in implementing the best corporate governance practices.
-

3. Independence of Independent Directors:

An Independent director should meet the requirements of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, concerning independence of directors as may be specified from time to time.

(II) Remuneration Policy for Directors, Key Managerial Personnel and other employees

A. NON-EXECUTIVE DIRECTORS

Sitting Fees

Non-executive Directors will be entitled to sitting fees for attending meetings of the Board and its Committees as may be decided by the Board from time to time within the limits prescribed under the Act. The sitting fees presently paid to the Non -Executive Director is ₹ 50,000/- per meeting of the Board and ₹ 20,000/- per meeting of any Committee of the Board or separate meeting of independent directors thereof.

Reimbursement of expenses

Non-executive Directors will be entitled to reimbursement of expenses incurred in connection with attending the Board meetings, Board Committee meetings, meeting of independent directors, general meetings and in relation to the business of the Company towards hotel accommodation, travelling and other out-of-pocket expenses.

B. MANAGING DIRECTOR, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES

The following will be the guiding factors with respect to remuneration to Managing Director(s), Key Managerial Personnel and other employees.

- a) The objective of the policy is directed towards having a compensation philosophy and structure that will reward and retain talent.
- b) The Remuneration to Managing Director shall take into account the Company's overall performance, Managing Directors' contribution for the same and trends in the industry in general, in a manner, which will ensure and support a high performance culture.
- c) As the company does not have any stock options, such instruments do not form part of his remuneration package.
- d) The remuneration and commission to be paid to the Managing Director shall be in accordance with the percentage / limits / conditions laid down in the Companies Act, 2013.
- e) Remuneration to Key Managerial Personnel and Senior Management personnel will have a balance between fixed and incentive pay reflecting both short and long term performance objectives appropriate to the working of the Company and its goals and objectives. Such remuneration will generally comprise of fixed pay, performance pay, perquisites, provision of car and other work related benefits, Directors & Officers' Liability Insurance Policy (D&O Policy)
- f) The Remuneration to the key managerial personnel and other employees will be such as to ensure that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

POLICY ON BOARD DIVERSITY

Pursuant to requirements under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Nomination and Remuneration Committee (NRC) has framed a Policy on Board diversity appropriate to the business requirements of the Company, which *inter-alia* specifies optimum combination of Executive Directors,

Non -Executive Directors and Independent Directors, the recommendatory requirement for each of the directors to possess functional diversity and role of NRC to ensure that the Policy on Board diversity is considered while recommending the appointment of new directors on the Board of the Company.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186 OF THE COMPANIES ACT, 2013

Particulars of loans given, investments made, guarantees given and securities provided along with the purpose for which the loan or guarantee or security is proposed to be utilised by the recipient are provided in the standalone financial statement (Please refer to Note No.38 to the standalone financial statement).

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES (REFERRED TO IN SUB-SECTION (1) OF SECTION 188 OF THE COMPANIES ACT, 2013)

All transactions with related parties were on arm's length basis and in the ordinary course of business. There was no material related party contract during the year. Form AOC-2 as required under Section 134 (3)(h) is enclosed as **Annexure - II** to this report.

MATERIAL CHANGES AND COMMITMENTS

There were 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 the report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information with respect to conservation of energy, technology absorption, foreign exchange earnings and outgo pursuant to Section 134 of the Act read with Companies (Accounts) Rules, 2014 enclosed as **Annexure - III**.

RISK MANAGEMENT

The Company faces diverse risks in terms of slowdown in economy, input prices, reputation, interest rates, foreign exchange, information systems, etc. The auto component industry has been operating in a challenging environment due to uncertainties and demand fluctuations in the economy in general and in particular automotive industry. The Company manages its risks in the following manner:-

- a) exercising prudence while incurring capital expenditure or outlays on new projects
- b) entering into long term contracts with customers to underwrite the capacities created
- c) determination of product prices after engineering studies
- d) adoption of a diversified business model in terms of products, market segments, geography and customers to ensure that Company is able to withstand any instability in the entire business eco-system
- e) judicious approach to proportionate sourcing of inputs from indigenous and overseas markets in order to take advantage of commodity prices and exchange rate movements
- f) analysing credit risks through market feedbacks
- g) management of interest rate risks through a combination of loan products, tenor of financing and currency denomination
- h) monitoring, reviewing and hedging foreign exchange risks in accordance with the risk management policy