



Sundram Fasteners Limited

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ANNUAL REPORT

**for the year ended
31st March 2000**

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HOW EXCITING!

To have won the 'Best of the Best Supplier' Award
from General Motors for four successive years.

Sundram Fasteners Limited**BOARD OF DIRECTORS**

Sri SURESH KRISHNA
Chairman & Managing Director
Sri K RAMESH
Sri VENU SRINIVASAN
Sri V NARAYANAN
Sri R SRINIVASAN

SECRETARY

Sri V G JACANATHAN

BANKERS

UNITED BANK OF INDIA
STATE BANK OF MYSORE
ANZ GRINDLAYS BANK LIMITED

AUDITORS

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

REGISTERED OFFICE

98A Dr Radhakrishnan Salai
Chennai 600 004
Telephone : 044 - 8521870
Fax : 044 - 8535435
Website : www.sundram.com

FACTORIES

Padi Chennai 600 050
Chengulpat District

Harita Hosur 635 109
Dharmapuri District

Krishnapuram Aviyur 626 160
Virudhunagar District

Bonthapally Village 502 313
Medak District Andhra Pradesh

Korkadu Village Nettapakkam Commune
Bahur Taluk Pondicherry 605 110

Mittamandagaipet Village 605 106
Villupuram District

SHARE REGISTRY

98A III Floor
Dr Radhakrishnan Salai
Chennai 600 004
Telephone : 044 - 8549781
Fax : 044 - 8531422
E-Mail : csn@corp.sfl.co.in

Sundram Fasteners Limited

FINANCIAL HIGHLIGHTS

Particulars	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
Operating results - Rs lakhs										
Sales	10,786	13,705	14,408	17,390	23,967	30,309	34,686	32,618	34,396	43,191
PBITD	1,518	2,282	2,135	2,428	4,262	5,681	6,430	5,707	5,777	7,654
Interest	741	870	1,007	947	950	1,443	2,133	1,892	1,467	1,408
PBDT	777	1,412	1,128	1,481	3,312	4,238	4,297	3,815	4,310	6,246
Depreciation	387	438	487	343	373	551	762	952	1,026	1,115
Profit before tax	390	974	641	1,138	2,939	3,687	3,535	2,863	3,284	5,131
Tax	75	220	245	330	680	650	330	310	330	869
Profit after tax	315	754	396	808	2,259	3,037	3,205	2,553	2,954	4,262
Financial status - Rs lakhs										
Net fixed assets	3,191	3,699	3,721	4,671	6,938	10,432	14,086	14,661	16,094	17,600
Investments	35	29	67	75	256	257	257	258	301	3,288
*Net current assets	4,246	4,228	5,452	5,198	6,386	8,561	9,579	9,278	9,360	11,091
Share capital	510	510	511	511	511	1,021	1,021	1,021	1,021	1,021
Reserves and surplus	1,746	2,134	2,380	2,989	4,992	7,023	9,671	11,675	13,833	16,848
Net worth	2,256	2,644	2,891	3,500	5,503	8,044	10,692	12,696	14,855	17,870
Loan funds	5,216	5,312	6,349	6,444	8,077	11,206	13,230	11,501	10,901	14,110
Total capital employed	7,472	7,956	9,240	9,944	13,580	19,250	23,922	24,197	25,756	31,980
Performance parameters - %										
PBITD to Sales	14.1	16.7	14.8	14.0	17.8	18.7	18.5	17.5	16.8	17.7
PBIT to Sales	10.5	13.5	11.4	12.0	16.2	16.9	16.3	14.6	13.8	15.1
PBT to Sales	3.6	7.1	4.4	6.5	12.3	12.2	10.2	8.8	9.5	11.9
PBITD/Avg cap empld	22.9	29.6	24.8	25.3	36.2	34.6	29.8	23.7	23.1	26.5
PAT/Avg net worth	14.5	30.8	14.3	25.3	50.2	44.8	34.2	21.8	21.4	26.0
Bonus issue	—	—	—	—	—	1:1	—	—	—	—
Earnings per share-Rs	6.18	14.78	7.77	15.82	44.22	29.73	31.38	25.00	28.92	41.73
Dividend per share-Rs	2.75	3.00	3.00	4.00	5.00	5.00	5.00	5.00	7.00	11.00
Dividend payout ratio	44.50	20.30	38.61	25.28	11.31	16.82	15.93	20.00	24.20	26.36
Book value per share-Rs	44.22	51.82	56.59	68.51	107.73	78.75	104.66	124.28	145.41	174.94
Market value per share-Rs	135	300	207	375	1,025	645	615	346	350	550

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

The Directors are pleased to present the Thirty-seventh Annual Report together with the audited accounts for the year ended 31st March 2000.

FINANCIAL RESULTS	1999-2000	1998-1999
	Rs lakhs	Rs lakhs
Sales - Domestic	36,636.27	28,615.83
- Exports	6,554.42	5,780.41
	43,190.69	34,396.24
Gross Profit before interest and depreciation	7,653.86	5,777.04
Less : Interest	1,407.58	1,467.32
Depreciation	1,114.79	1,025.79
	2,522.37	2,493.11
Profit before tax	5,131.49	3,283.93
Less : Provision for taxation	868.54	330.00
(Tax relating to earlier years - Rs 108.54 lakhs)		
Profit after tax	4,262.95	2,953.93
Add : Other adjustments	56.37	186.09
	4,319.32	3,140.02
Add : Balance brought forward	377.69	331.43
	4,697.01	3,471.45
Appropriations		
Interim Dividend	1,123.72	—
Tax on Interim Dividend	123.61	—
Proposed Dividend	—	715.10
Provision for tax on Dividend	—	78.66
Transfer to General Reserve	2,000.00	2,300.00
Balance carried forward	1,449.68	377.69
	4,697.01	3,471.45

PROFITS

The profit after tax was Rs 4,262.95 lakhs compared to Rs 2,953.93 lakhs earned during the previous year. The Earning per Share for the year works out to Rs 41.73 as against Rs 28.92 for 1998-99.

DIVIDEND

The Directors have declared an interim dividend of Rs 11.00 per share for the year. This is against the dividend payment of Rs 7.00 per share made in the previous year. The directors do not recommend any final dividend.

OPERATING PERFORMANCE AND PROSPECTS

Sales for the year increased by 26% over the previous year. The improved off take of the Company's products by the domestic market has contributed to the increase in the sales.

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Exports during the year amounted to Rs 6,554.42 lakhs as against Rs 5,780.41 lakhs in 1998-99. The Company has been sharply focussing on new markets and customers for its growth in exports while initiating moves for stepping up supplies to existing customers. This has helped the Company to post an increase of 13% on export sales even in the wake of adverse market conditions. The Company has been maintaining its supplies of fasteners to Daimler Benz AG, Germany (through Kamax) and Cummins Engine Company Inc., USA and radiator caps and powder metal parts to General Motors Corporation, USA. The volume growth and better price realisation in exports, have contributed in no small measure to the increase in profits.

The sustained growth in exports has enabled the Company to be a net foreign exchange earner for the third year in succession.

The demand for auto components in the domestic market has been quite volatile with sharp swings in customers' demands. Major automobile manufacturers have been exerting continuous pressure on prices while also insisting on better service and just-in-time deliveries. With better focus on customers' requirements, sales to Original Equipment Manufacturers (OEM) were higher at 36% over last year.

Significant reduction in operating expenses was achieved through ongoing implementation of Total Productive Maintenance (TPM) practices. This has resulted in better profitability even with the Company experiencing pressure on selling prices and hike in cost of inputs.

During the year the Company achieved reduction in interest costs through effective working capital management practices and funding from cost effective sources.

The Company added assets worth over Rs 2,686.54 lakhs during 1999-2000. A major portion of the investments was made in setting up a new unit in Pondicherry for manufacture of high tensile fasteners for catering to the exports requirements.

AWARDS

The Company has won the coveted "GM Supplier of the Year" award for **the fourth consecutive year**, once again confirming its status as a world-class company. The Company is one of the 181 award-winning suppliers from 22 countries recognised by General Motors, USA as "Supplier of the Year" from a base of 30,000 supplier companies. The award recognises supplier companies, worldwide, who exceed specific performance standards in the areas of quality, service, technology and price.

The Asian Productivity Organisation, Japan has conferred "APO National Award 2000" on Sri Suresh Krishna in recognition of his outstanding contributions to the cause of increasing productivity in India. This award is given once in five years.

The Company has won the first prize under the Good Industrial Relations Award Scheme, instituted by the Government of Tamil Nadu, for the year 1996. This award was received during the year.

PROGRESS THROUGH CONTINUOUS IMPROVEMENTS

The Company has been implementing the TPM practices in all its factories in consultation with Japan Institute of Plant Maintenance. The Company is committed to follow through with TPM implementation in future years.

This has helped the Company to improve its international competitiveness. With the stabilisation of TPM practices in its entire gamut of operations, the Company can look forward to achieving world standards in all its operations.

QS 9000

The quality management systems of all the manufacturing units of the Company continue to be certified under ISO 9002 and QS 9000.

AUTOLEC INDUSTRIES LIMITED

The Company has acquired 51.09% of the equity capital of Autolec Industries Limited (Autolec), a leading manufacturer of water pumps and fuel pumps at an overall cost of Rs 30 crores.

Autolec is the market leader in its field of operations. The products of Autolec are of high quality and there are synergies in the business carried on by the Company and Autolec. Autolec will be in a position to leverage Sundram Fasteners' export orientation, manufacturing systems and experience in implementation of Total Productivity Maintenance (TPM).

In the year under review, Autolec has achieved a turnover of Rs 9,750.56 lakhs as against Rs 7,378.76 lakhs in the previous year and posted a profit after tax of Rs 247.17 lakhs as against Rs 101.35 lakhs in the previous year and during the year the Company has received dividend income of Rs 36.09 lakhs from Autolec.

Y2K COMPLIANCE

The Company has successfully managed the Y2K transition. There was no disruption in any of the Company's activities or information systems.

STATUTORY STATEMENTS

The amount of deposits held by the Company, as at 31st March 2000 was Rs 462.91 lakhs. Deposits which matured during the year were either renewed or repaid on due dates with the exception of 96 deposits amounting to Rs 8.20 lakhs which remained unclaimed. 22 deposits amounting to Rs 1.95 lakhs have since been renewed or repaid.

Statement relating to the subsidiary companies viz. Autolec Industries Limited, Sundram Fasteners Investments Limited, Sundram Numeric Limited and Aplomb Investments Limited and copies of audited accounts of these companies for the year ended 31st March 2000 are attached pursuant to Section 212 of the Companies Act, 1956.

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.

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DEPOSITORY

The Company's shares have been notified by Securities Exchange Board of India for trading only in dematerialised form. The Company has signed agreements with National Securities Depository Limited and Central Depository Services (India) Limited for dematerialisation of the Company's shares. Members holding shares in physical form are advised to dematerialise their shares to avoid the risks associated with holding share certificates in physical form.

DIRECTORS

Sri K Ramesh and Sri V Narayanan 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 United Bank of India, State Bank of Mysore, ANZ Grindlays Bank Limited, Unit Trust of India, Life Insurance Corporation of India, General Insurance Corporation of India and its subsidiaries, Export-Import Bank of India, Andhra Pradesh Industrial Development Corporation Ltd., Andhra Pradesh State Financial Corporation, Electricity Boards in Tamil Nadu, Andhra Pradesh and Pondichery, customers and vendors, for all the assistance rendered by them from time to time.

On behalf of the Board

Chennai
June 14, 2000

SURESH KRISHNA
Chairman & Managing Director

ANNEXURE I TO DIRECTORS' REPORT
INFORMATION AS REQUIRED UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956
A. Conservation of Energy

a) Measures taken :

1. Painting of inner walls of furnaces with heat resistant paints for improving heat efficiency of furnaces.
2. Optimisation of heat inputs in the furnaces through modification of the design of the furnaces.
3. Reinsulation of hardening furnaces with ceramic fibre for improving heating efficiency.
4. Replacement of existing-V-Belt drive with Flat Belt drive
5. Controlling the usage of power for lighting by providing sequential timers.

b) Additional investments and proposals being implemented :

Total investment on the above measures was around Rs 10 lakhs. The Company endeavours to save energy by the adoption of energy efficient practices and employment of power saving equipments.

c) Impact of measures at (a) and (b) above :

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) Establishing Dacrotising process for improving corrosion resistant property of the products.
- b) Development of cold work process on the products for improving fatigue properties of the products.
- c) Establishing coating process for fasteners used in high temperature application.
- d) Development of in-house manufacture of pre-alloyed powders.
- e) Development of new products using closed die forging techniques.

2. Future plan of action :

- a) In continuous collaboration with leading research/educational bodies, development of modelling for Finite element analysis is being pursued to observe and understand the metal flow pertaining to fasteners and cold extrusion products.
- b) Development of special compaction process in manufacture of powder metal parts.
- c) Development of usage of cold drawn steel in manufacture of cold extrusion products.
- d) Development of process of carbide coating of shearing cutters for improvement in tool life.

3. Expenditure on R & D :

The Company has incurred expenditure amounting to Rs 109.09 lakhs (capital expenditure - Rs 69.55 lakhs and recurring expenditure - Rs 39.54 lakhs) towards Research and Development. The expenditure works out to 0.25% on turnover.

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Technology absorption, adaptation and innovation :

1. Efforts, in brief, made towards technology absorption, adaptation and innovation :
 - a) The Company is in the process of implementing "Total Productive Maintenance" (TPM) techniques under the guidance of Japan Institute of Plant Maintenance. TPM eliminates machine breakdowns and promotes autonomous maintenance of equipments by the workers and brings about improvement in overall equipment effectiveness.
 - b) Improvements to Total Quality Management Systems.
2. Benefits derived as a result of the above efforts :
 - a) TPM is expected to improve productivity and to result in considerable reduction in machine down-time, 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 better to meet the stringent ISO 9000 and QS 9000 standards.

C. Foreign Exchange Earnings and Outgo :

1. The Company improved its exports to Rs 6,554.42 lakhs from Rs 5,780.41 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 5,666.64 lakhs
b) Foreign Exchange earned	Rs 6,858.27 lakhs

On behalf of the Board

Chennai
June 14, 2000

SURESH KRISHNA
Chairman & Managing Director

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