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# Sundram Fasteners Limited

## ANNUAL REPORT

for the year ended
31st March 2001

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## ANNEXURE TO NOTE NO. XVII (8) — NOTES ON ACCOUNTS

List of small scale industrial undertakings to whom the Company owe a sum exceeding Rs 1,00,000 which is outstanding more than 30 days.

1. A S K Engineering Works, Chennai
2. Anok Precision Tools Pvt Ltd, Hyderabad
3. Anu Extrusions Pvt Ltd, Hyderabad
4. Athi Lakshmi Industries, Chennai
5. Auto CNC Machining Pvt Ltd, Bangalore
6. Auto Lion, Chennai
7. Bestobrite Steels Pvt Ltd, Hosur
8. Bootis Udyog, Hosur
9. Camax Technikz, Chennai
10. Carbonaire Industries (Madras) Pvt Ltd, Chennai
11. Champion Extrusions, Bangalore
12. Chella Nesam Industries, Chennai
13. Deepak Tool Heat Treaters Pvt Ltd, Bangalore
14. Gem Enterprises, Hosur
15. Globe Steels (Pvt) Ltd, Chennai
16. Hi-Tech Enterprises, Chennai
17. Hi-Tech Toolings, Bangalore
18. Hi-Tech Tools, Hosur
19. Iron Craft, Chennai
20. JAK Super Vacuum Equipments, Chennai
21. Jayaraj Industries, Madurai
22. Jayarekha Industries, Madurai
23. Karthik Industries, Chennai
24. Lakshmi Industries, Chennai
25. M G S Packs (P) Ltd, Madurai
26. Maruti Industries, Singampunari
27. Master tools, Coimbatore
28. Megamiles Bearing Cups Pvt Ltd, Bangalore
29. Metal Nitriders, Bangalore
30. Metform Engineers, Bangalore
31. P G U S & Co, Chennai
32. Paper Pack Industries, Chennai
33. Plastic & Polymers, Coimbatore
34. Precision Controls, Chennai
35. Precision Heattreaters & Analytical Labs, Chennai
36. Promptek Metal Alloys & Refining Corpn, Chennai
37. S K Engineering, Chennai
38. S P General Engineering, Hosur
39. Sathya packaging Industry, Madurai
40. Savin CNC Engineering, Bangalore
41. Senthil Pantographics, Chennai
42. Siva Sakthi Engineering Works, Chennai
43. Sree Bhavani Engineering Works, Chennai
44. Sree Sakthi Industrials, Madurai
45. Sri Balaji Machine Tools, Madurai
46. Sri Samundeswari Enterprises, Chennai
47. Sri Shanmugam Industries, Chennai
48. Sri Venkateswara Industries, Hosur
49. Sri Vishaka Precision Products Pvt Ltd, Chennai
50. Srinivasa Machine Works, Madurai
51. Srinivasa Machine Works, Chennai
52. Sruthi Engineering Products Pvt Ltd, Hosur
53. Suma Industries, Chennai
54. Suraksha Packers Pvt Ltd, Pondicherry
55. T K Engineering Works, Chennai
56. Tamilvanan Industries, Kariapatti
57. Thin Chemie Formulations, Chennai
58. Trishul Machine Tools (Pvt) Ltd, Bangalore
59. Uma Industries, Singampunari
60. V V Printers, Bangalore
61. Vijaya Industries, Chennai
62. Vishwakarma Engineering Pvt Ltd, Bangalore

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# Sundram Fasteners Limited

| | |
|---|---|
| **BOARD OF DIRECTORS** | Sri SURESH KRISHNA<br>*Chairman & Managing Director*<br>Sri K RAMESH<br>Sri VENU SRINIVASAN<br>Sri V NARAYANAN<br>Sri R SRINIVASAN<br>Sri S L NARAYANAN |
| **SECRETARY** | Sri V G JAGANATHAN |
| **BANKERS** | UNITED BANK OF INDIA<br>STATE BANK OF MYSORE<br>STANDARD CHARTERED GRINDLAYS BANK LTD |
| **AUDITORS** | M/s SUNDARAM & SRINIVASAN<br>Chartered Accountants<br>23 C P Ramaswamy Road<br>Alwarpet Chennai 600 018 |
| **REGISTERED OFFICE** | 98A Dr Radhakrishnan Salai<br>Chennai 600 004<br>Telephone : 044 - 8521870<br>Fax : 044 - 8535435<br>Website : www.sundram.com |
| **FACTORIES** | Padi Chennai 600 050<br>Chengulpat District<br><br>Harita Hosur 635 109<br>Dharmapuri District<br><br>Krishnapuram Aviyur 626 160<br>Virudhunagar District<br><br>Bonthapally Village 502 313<br>Medak District Andhra Pradesh<br><br>Korkadu Village Nettapakkam Commune<br>Bahur Taluk Pondicherry 605 110<br><br>Mittamandagapet Village 605 106<br>Villupuram District |
| **SHARE REGISTRY** | 98A III Floor<br>Dr Radhakrishnan Salai<br>Chennai 600 004<br>Telephone : 044 - 8549781<br>Fax : 044 - 8570979<br>E-Mail : csn@corp.sfl.co.in |

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# Sundram Fasteners Limited

## FINANCIAL HIGHLIGHTS

| Particulars | 1991-92 | 1992-93 | 1993-94 | 1994-95 | 1995-96 | 1996-97 | 1997-98 | 1998-99 | 1999-2000 | 2000-2001 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operating results - Rs lakhs** | | | | | | | | | | |
| Sales | 13,705 | 14,408 | 17,390 | 23,967 | 30,309 | 34,686 | 32,618 | 34,396 | 43,191 | 42,421 |
| PBIDT | 2,282 | 2,135 | 2,428 | 4,262 | 5,681 | 6,430 | 5,707 | 5,777 | 7,654 | 6,565 |
| Interest | 870 | 1,007 | 947 | 950 | 1,443 | 2,133 | 1,892 | 1,467 | 1,408 | 1,672 |
| PBDT | 1,412 | 1,128 | 1,481 | 3,312 | 4,238 | 4,297 | 3,815 | 4,310 | 6,246 | 4,893 |
| Depreciation | 438 | 487 | 343 | 373 | 551 | 762 | 952 | 1,026 | 1,115 | 1,195 |
| Profit before tax | 974 | 641 | 1,138 | 2,939 | 3,687 | 3,535 | 2,863 | 3,284 | 5,131 | 3,698 |
| Tax | 220 | 245 | 330 | 680 | 650 | 330 | 310 | 330 | 869 | 820 |
| Profit after tax | 754 | 396 | 808 | 2,259 | 3,037 | 3,205 | 2,553 | 2,954 | 4,262 | 2,878 |
| **Financial status - Rs lakhs** | | | | | | | | | | |
| Net fixed assets | 3,699 | 3,721 | 4,671 | 6,938 | 10,432 | 14,086 | 14,661 | 16,094 | 17,600 | 17,442 |
| Investments | 29 | 67 | 75 | 256 | 257 | 257 | 258 | 301 | 3,288 | 3,292 |
| Net current assets | 4,228 | 5,452 | 5,198 | 6,386 | 8,561 | 9,579 | 9,278 | 9,360 | 11,091 | 12,556 |
| Share capital | 510 | 511 | 511 | 511 | 1,021 | 1,021 | 1,021 | 1,021 | 1,021 | 1,021 |
| Reserves and surplus | 2,134 | 2,380 | 2,989 | 4,992 | 7,023 | 9,671 | 11,675 | 13,833 | 16,848 | 18,935 |
| Net worth | 2,644 | 2,891 | 3,500 | 5,503 | 8,044 | 10,692 | 12,696 | 14,855 | 17,870 | 19,956 |
| Loan funds | 5,312 | 6,349 | 6,444 | 8,077 | 11,206 | 13,230 | 11,501 | 10,901 | 14,110 | 13,334 |
| Total capital employed | 7,956 | 9,240 | 9,944 | 13,580 | 19,250 | 23,922 | 24,197 | 25,756 | 31,980 | 33,290 |
| **Performance parameters -%** | | | | | | | | | | |
| PBIDT to Sales | 16.7 | 14.8 | 14.0 | 17.8 | 18.7 | 18.5 | 17.5 | 16.8 | 17.7 | 15.5 |
| PBIT to Sales | 13.5 | 11.4 | 12.0 | 16.2 | 16.9 | 16.3 | 14.6 | 13.8 | 15.1 | 12.7 |
| PBT to Sales | 7.1 | 4.4 | 6.5 | 12.3 | 12.2 | 10.2 | 8.8 | 9.5 | 11.9 | 8.7 |
| PBIDT/Avg cap employed | 29.6 | 24.8 | 25.3 | 36.2 | 34.6 | 29.8 | 23.7 | 23.1 | 26.5 | 20.1 |
| PAT/Avg net worth | 30.8 | 14.3 | 25.3 | 50.2 | 44.8 | 34.2 | 21.8 | 21.4 | 26.0 | 15.2 |
| Bonus issue | — | — | — | — | 1:1 | — | — | — | — | — |
| Earnings per share-Rs | 14.78 | 7.77 | 15.82 | 44.22 | 29.73 | 31.38 | 25.00 | 28.92 | 41.73 | 28.17 |
| Dividend per share-Rs | 3.00 | 3.00 | 4.00 | 5.00 | 5.00 | 5.00 | 5.00 | 7.00 | 11.00 | 7.00 |
| Dividend payout ratio | 20.30 | 38.61 | 25.28 | 11.31 | 16.82 | 15.93 | 20.00 | 24.20 | 26.36 | 24.85 |
| Book value per share-Rs | 51.82 | 56.59 | 68.51 | 107.73 | 78.75 | 104.66 | 124.28 | 145.41 | 174.94 | 195.38 |
| Market value per share-Rs | 300 | 207 | 375 | 1,025 | 645 | 615 | 346 | 350 | 550 | 215 |

Note : Ten lacs equal to One Million.



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## REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

The Directors are pleased to present the Thirty-eighth Annual Report together with the audited accounts for the year ended 31st March 2001.

| FINANCIAL RESULTS | | 2000-2001 Rs lakhs | | 1999-2000 Rs lakhs |
|---|---|---|---|---|
| Sales - Domestic | | 34,846.60 | | 36,636.27 |
| - Exports | | 7,574.65 | | 6,554.42 |
| | | 42,421.25 | | 43,190.69 |
| Gross Profit before interest, depreciation, extra-ordinary items and taxes | | 7,071.63 | | 7,653.86 |
| Less : Interest | 1,672.22 | | 1,407.58 | |
| Depreciation | 1,195.26 | 2,867.48 | 1,114.79 | 2,522.37 |
| Profit before extra-ordinary items and tax | | 4,204.15 | | 5,131.49 |
| Less : Extra-ordinary items - compensation paid to employees under Early Retirement Scheme | | 506.17 | | — |
| | | 3,697.98 | | 5,131.49 |
| Less : Provision for taxation including earlier years | | 820.26 | | 868.54 |
| Profit after tax | | 2,877.72 | | 4,262.95 |
| Add : Other adjustments | | 86.60 | | 56.37 |
| | | 2,964.32 | | 4,319.32 |
| Add : Balance brought forward | | 1,449.68 | | 377.69 |
| | | 4,414.00 | | 4,697.01 |
| **Appropriations** | | | | |
| Interim Dividend | | — | | 1,123.72 |
| Tax on Interim Dividend | | 3.37 | | 123.61 |
| Proposed Dividend | | 715.10 | | — |
| Provision for tax on Dividend | | 72.94 | | — |
| Transfer to Contingency Reserve | | 1,000.00 | | — |
| Transfer to General Reserve | | 1,000.00 | | 2,000.00 |
| Balance carried forward | | 1,622.59 | | 1,449.68 |
| | | 4,414.00 | | 4,697.01 |

### PROFITS

After charging full amount of compensation of Rs 506.17 lakhs to employees under Early Retirement Scheme, the profit after tax was Rs 2,877.72 lakhs compared to Rs 4,262.95 lakhs earned during the previous year. The Earning per Share for the year works out to Rs 28.17 as against Rs 41.73 for 1999-2000.

### DIVIDEND

The Directors have recommended a dividend of Rs 7.00 per share for the year. This is against the dividend payment of Rs 11.00 per share made in the previous year.



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## OPERATING PERFORMANCE AND PROSPECTS

Sales for the year declined by 1.8% over the previous year. The poor off take in the domestic market, especially from the commercial vehicle and tractor segments, has resulted in the drop in sales.

Exports during the year amounted to Rs 7,574.65 lakhs as against Rs 6,554.42 lakhs in 1999-2000. The Company has taken initiatives for exploring new markets and customers for its growth in exports while giving thrust to increase the supplies to existing customers. This has helped the Company to record an increase of 15.6% on export sales even in the wake of difficult market conditions. Exports would have been higher but for a slow-down, during the second half of the year, in the off-take of the US and European customers. The Company has been keeping up its supplies of fasteners to Daimler Benz AG, Germany (through Kamax) Deere & Company, USA and Cummins Engine Company Inc., USA and radiator caps and powder metal parts to General Motors Corporation, USA. The Company has commenced regular supplies of powder metal components to ZF, Germany.

The volume increase and better price realisation in exports have contributed significantly in sustaining the Company's turnover and arresting the decline in profits.

The continuous thrust on exports has enabled the Company to be a net foreign exchange earner for the fourth year in succession.

The demand for auto components in the domestic market continues to show a declining trend. The Company has been experiencing wild fluctuations in customers' demands. Major automobile manufacturers have been exerting continuous pressure on lowering prices while also insisting on better services and just-in-time deliveries.

There has been significant control on operating expenses through systematic implementation of Total Productive Maintenance (TPM) practices. This has helped the Company in retaining its competitive edge especially in the international market.

Interest charges were higher on account of delays in realisations from customers and increase in interest rates during the early part of the financial year.

The Company added assets worth Rs 1,176.47 lakhs during 2000-2001. A major portion of the investments was made in expansion of facilities in Cold Extrusion Unit at Hosur for manufacture of cold formed/extruded parts for catering to the export market.

## AWARDS

The Company has won the coveted **'Best of the Best Supplier of the Year'** award for **the fifth consecutive year** from General Motors, USA once again confirming its status as a world-class company. The Company is one of the 165 award-winning suppliers from twenty countries recognized by General Motors, USA as 'Supplier of the Year' from a base of over 30,000 supplier companies. **The company is one of the nine suppliers to have won the award for five consecutive years.** The award recognises supplier companies, worldwide, who exceed specific performance standards in the area of quality, service, technology and price.

The Company has won the Export Award of Automotive Component Manufacturers Association of India for the year 1999-2000 and the Annual Safety Award for 1999 from the Government of Pondicherry.

Sri Suresh Krishna, Chairman and Managing Director, was awarded 'JRD Tata Corporate Leadership Award' for the year 2000 by All India Management Association, New Delhi. Sri Sampathkumar Murthy, President – Fasteners Division was awarded 'Qimpro Gold Standard 2000 Award' by Qimpro Foundation, Mumbai.



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## PROGRESS THROUGH CONTINUOUS IMPROVEMENTS

The Company has put into operations TPM practices in all its factories in consultation with Japan Institute of Plant Maintenance. The Company has implemented TPM initiatives in all the business processes. This has helped the Company to sustain the level of competitiveness especially in the export market.

## STATUTORY STATEMENTS

The amount of deposits held by the Company, as at 31st March 2001 was Rs 526.71 lakhs. Deposits which matured during the year were either renewed or repaid on due dates with the exception of 72 deposits amounting to Rs 6.62 lakhs which remained unclaimed. 25 deposits amounting to Rs 2.97 lakhs have since been renewed or repaid.

Statement relating to the subsidiary companies viz. Autolec Industries Limited, Sundram Fasteners Investments Limited, TVS Infotech Limited (formerly Sundram Numeric Limited) and Aplomb Investments Limited and copies of audited accounts of these companies for the year ended 31st March 2001 are attached pursuant to Section 212 of the Companies Act, 1956.

During the year, the Company has subscribed to the entire share capital of its new subsidiary viz. TVS International Inc., Michigan, USA. The subsidiary is yet to commence its operations. The first financial year of the subsidiary has not been completed.

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.

## 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 R Srinivasan retires from the Board by rotation and being eligible, offers himself for re-appointment. During the year, Sri S L Narayanan was appointed as an additional Director with effect from 27th January 2001. Sri S L Narayanan holds office upto the forthcoming annual general meeting in accordance with Section 260 of the Companies Act, 1956. As required by Section 257 of the Companies Act, 1956 the Company has received a notice from a member signifying his intention to propose Sri S L Narayanan as a candidate for the office of Director.



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## BOARD COMMITTEES

The Board has constituted two committees viz. (i) Audit Committee and (ii) Share Transfer & Shareholder/Investor Grievances Committee. The role, terms of reference and the authority and powers of the Committee are in conformity with the requirements of the Companies Act, 1956 and the listing agreement.

The Audit Committee comprises of Sri S L Narayanan, Sri V Narayanan and Sri R Srinivasan, all non-wholetime independent directors of the Company with Sri S L Narayanan as its Chairman.

The Share Transfer & Shareholder/Investor Grievances Committee comprises of Sri S L Narayanan as Chairman and Sri Suresh Krishna and Sri Venu Srinivasan, as members.

## 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, Standard Chartered Grindlays Bank Limited, Export-Import Bank of India, State Electricity Boards in Tamil Nadu, Pondicherry and Andhra Pradesh, customers and vendors, for all the assistance rendered by them from time to time.

On behalf of the Board

Chennai
June 27, 2001

SURESH KRISHNA
Chairman & Managing Director

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