



# **Sundram Fasteners Limited**

Report  Junction.com

## **ANNUAL REPORT**

**for the year ended  
31st March 2003**

## Sundram Fasteners Limited

---

### BOARD OF DIRECTORS

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

### SECRETARY

Sri V G JAGANATHAN

### BANKERS

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

### 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 - 28521870  
Fax : 044 - 28549781  
Website : [www.sundram.com](http://www.sundram.com)

### FACTORIES

Padi Chengulpat District  
Chennai 600 050 Tamil Nadu

Harita Dharmapuri District  
Hosur 635 109 Tamil Nadu

Krishnapuram Virudhunagar District  
Aviyur 626 160 Tamil Nadu

Bonthapally Village Medak District  
Andhra Pradesh 502 313

Korkadu Village Nettapakkam Commune  
Bahur Taluk 605 110 Pondicherry

Mittamandagapet Village 605 106  
Villupuram District Tamil Nadu

# Sundram Fasteners Limited

## FINANCIAL HIGHLIGHTS

Particulars	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
<b>Operating results - Rs lakhs</b>										
Sales	51,943	43,317	42,421	43,191	34,396	32,618	34,686	30,309	23,967	17,390
PBIDT	8,536	6,712	6,565	7,654	5,777	5,707	6,430	5,681	4,262	2,428
Interest	610	1,297	1,672	1,408	1,467	1,892	2,133	1,443	950	947
PBDT	7,926	5,415	4,893	6,246	4,310	3,815	4,297	4,238	3,312	1,481
Depreciation	1,299	1,322	1,195	1,115	1,026	952	762	551	373	343
PBIT	7,237	5,390	5,370	6,539	4,751	4,755	5,668	5,130	3,889	2,085
PBT	6,627	4,093	3,698	5,131	3,284	2,863	3,535	3,687	2,939	1,138
Tax	2,093	1,172	820	869	330	310	330	650	680	330
PAT	4,534	2,921	2,878	4,262	2,954	2,553	3,205	3,037	2,259	808
<b>Financial status - Rs lakhs</b>										
Net fixed assets	19,535	18,424	17,442	17,600	16,094	14,661	14,086	10,432	6,938	4,671
Investments	3,369	3,341	3,292	3,288	301	258	257	257	256	75
Net current assets	12,443	11,887	12,556	11,091	9,360	9,278	9,579	8,561	6,386	5,198
Share capital	1,021	1,021	1,021	1,021	1,021	1,021	1,021	1,021	511	511
Reserves and surplus	20,309	17,153 *	18,935	16,848	13,833	11,675	9,671	7,023	4,992	2,989
Net worth	21,330	18,174	19,956	17,870	14,855	12,696	10,692	8,044	5,503	3,500
Loan funds	10,111	11,734	13,334	14,110	10,901	11,501	13,230	11,206	8,077	6,444
Deferred Tax Liability	3,906	3,744	-	-	-	-	-	-	-	-
Total capital employed	35,347	33,652	33,290	31,980	25,756	24,197	23,922	19,250	13,580	9,944
<b>Performance parameters - %</b>										
PBIDT to Sales	16.4	15.5	15.5	17.7	16.8	17.5	18.5	18.7	17.8	14.0
PBIT to Sales	13.9	12.4	12.7	15.1	13.8	14.6	16.3	16.9	16.2	12.0
PBT to Sales	12.8	9.4	8.7	11.9	9.5	8.8	10.2	12.2	12.3	6.5
EBIDT/Average capital employed [ROCE]	24.7	20.1	20.1	26.5	23.1	23.7	29.8	34.6	36.2	25.3
EBIT / Average capital employed	21.0	16.1	16.5	22.7	19.0	19.8	26.3	31.3	33.1	21.7
PAT/Average net worth	23.0	15.3	15.2	26.0	21.4	21.8	34.2	44.8	50.2	25.3
Bonus Issue	-	-	-	-	-	-	-	1:1	-	-
Earnings per share - Rs	44.43	28.59	28.17	41.73	28.92	25.00	31.38	29.73	44.22	15.82
Dividend per share - Rs	12	10	7	11	7	5	5	5	5	4
Dividend payout ratio	27.04	34.98	24.85	26.36	24.20	20.00	15.93	16.82	11.31	25.28
Book value per share - Rs	208.80	177.92	195.38	174.94	145.41	124.28	104.66	78.75	107.73	68.51
Market value per share - Rs	362	236	215	550	350	346	615	645	1,025	375

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

(Note: Ten lakhs equal to One Million)

## REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

The Directors are pleased to present the Fortieth Annual Report together with the audited accounts for the year ended 31st March 2003.

### FINANCIAL RESULTS

	2002-2003 Rs lakhs	2001-2002 Rs lakhs
Sales – Domestic (including excise duty)	42,337.69	35,143.59
– Exports	9,605.63	8,172.95
	<b>51,943.32</b>	<b>43,316.54</b>
Gross Profit before interest, depreciation, extra-ordinary items and taxes	8,550.21	6,939.85
Less : Interest	610.07	1,296.56
Depreciation	1,299.18	1,322.09
	<b>1,909.25</b>	<b>2,618.65</b>
Profit before extra-ordinary items and tax	6,640.96	4,321.20
Less : Extra-ordinary items - compensation paid to employees under Early Retirement Scheme	14.06	227.99
	<b>6,626.90</b>	<b>4,093.21</b>
Less : Provision for taxation including earlier years	2,087.81	1,172.60
Profit after tax	4,539.09	2,920.61
Add : Balance brought forward	1,521.63	1,622.59
	<b>6,060.72</b>	<b>4,543.20</b>
<b>Appropriations</b>		
Interim Dividend	—	1,021.57
Proposed Dividend	1,225.88	—
Provision for tax on Dividend	157.07	—
Transfer to Contingency Reserve	—	1,000.00
Transfer to General Reserve	3,000.00	1,000.00
Balance carried forward	1,677.77	1,521.63
	<b>6,060.72</b>	<b>4,543.20</b>

### PROFITS

Export Sales of Sundram Fasteners Limited, during the year ended March 31, 2003 were higher at Rs 9,605.63 lakhs compared to Rs 8,172.95 lakhs during the previous year, an increase of over 17.5%. Exports have contributed significantly in maintaining the profits.

The profit after tax for the year after charging full amount of compensation of Rs 14.06 lakhs (Rs 227.99 lakhs) to employees under Early Retirement Scheme was Rs 4,539.09 lakhs as compared to Rs 2,920.61 lakhs.

### DIVIDEND

The Directors recommend a dividend of Rs 12.00 per share for the year as against final dividend of Rs 10.00 per share paid in the previous year.

### STATUTORY STATEMENTS

The amount of deposits held by the Company, as at 31st March 2003 was Rs 451.62 lakhs. Deposits which matured during the year were either renewed or repaid on due dates with the exception of 51 deposits

## Sundram Fasteners Limited

---

amounting to Rs 6.05 lakhs which remained unclaimed. 11 Deposits amounting to Rs 2.34 lakhs have since been renewed or repaid and Rs 0.10 lakhs have been transferred to Investor Education and Protection Fund.

Statement relating to the subsidiary companies viz. TVS Autolec Limited (formerly Autolec Industries Limited), Sundram Fasteners Investments Limited, TVS Infotech Limited, Aplomb Investments Limited and TVS International Inc. is attached pursuant to Section 212 of the Companies Act, 1956.

During the year, there has been a significant turnaround in the performance of TVS Autolec Limited and the company has made a net profit of Rs 124.52 lakhs (Previous year - Nil) after charging Rs 156.85 lakhs as depreciation relating to earlier year.

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.

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 these as abridged accounts as contemplated under Section 219 of the Companies Act, 1956. The Company is also making an application to the Central Government under Section 212(8) of the Companies Act, 1956 to obtain exemption from attaching a copy of the Balance Sheet, Profit & 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. These documents will also be made available to the members through SEBI—EDIFAR website ([www.sebiedifar.nic.in](http://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**

The Directors note with profound grief the sad demise of S L Narayanan who has been associated with the Company since its inception. The Directors place on record their sincere appreciation of the valuable services rendered by him during his association with the Company.

Sri K Ramesh retires from the Board by rotation and being eligible, offers himself for re-appointment.

Sri R Ramakrishnan was appointed by the Board of Directors as additional director to hold office upto the date of the ensuing Annual General Meeting and your approval is sought for his appointment vide resolution set out in item no.5 of the accompanying notice.

#### **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 Bank Limited, HDFC 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 28, 2003

SURESH KRISHNA  
Chairman & Managing Director

# Sundram Fasteners Limited

---

## 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. Replacement of V belt drives with flat belt drives for achieving better transmission efficiency.
2. Introduction of Flow Optimiser for compressed air system.
3. Optimisation of motor ratings for fume exhaust system.
4. Installation of step down transformer, fuel gas analyser & servo stabiliser at Mittamandagapet unit.
5. Replacement with energy efficient lightings in shopfloor and reflectors in office.
6. Reconditioning of batch normalising & pit annealing furnace.
7. Derating of blower motors in continuous annealing furnace.
8. Conversion of furnace heating from electrical to gas resulting in net savings of energy.
9. Installation of variable speed drive for production machines in place of mechanical speed vibrator.
10. Installation of soft starter for forging machines.
11. Construction of Rainwater harvesting system for improving the ground water levels.
12. Installation of Ultra Purification system to existing Reverse Osmosis plant to meet the improved pollution control measures from TNPCB.

##### b) Additional investments and proposals being implemented :

Total investment on the above measures was around Rs 258.32 lakhs (Capital expenditure - Rs 85 lakhs and Revenue expenditure - Rs 173.32 lakhs). The Company has initiated steps to save energy by the adoption of energy efficient practices and implementation of the proposals arising out of energy audit.

##### 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 there from :

- a) Normalising of products without forced cooling established in new furnace.
- b) Special RM for pinions and barrels developed to meet the core hardness requirement.
- c) Steam treatment to achieve surface hardness as per specifications has been established.
- d) Development of sinter brazing technology for joining Powder Metal and Cold Extrusion parts.
- e) Development of Teflon banding for shock absorber pistons.
- f) Development of valve seats for 4 stroke petrol engines as well as more demanding diesel engine.
- g) Development of sinter - hardened bushes for industrial chains.
- h) Improving life of starter motor bushes.
- i) Developed Autoloading equipment for centreless grinding.
- j) Developed planetary thread rolling.
- k) Developed Connecting rod bolts.
- l) Developed extrusion of splines.

##### 2. Future plan of action :

- a) In continuous collaboration and interaction 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, cold extrusion products and compacting of powder metal parts.
- b) Development of low cost valve seats for 4 wheelers and vehicles equipped with diesel engines.

- c) Development of double layer valve seats for 2 wheelers and 4 wheelers.
- d) Development of superior wear resistant self lubricating bearings for starter motor application.
- e) Development of self-lubricating bushes for industrial and motorcycle chains.
- f) Optimisation of gas consumption for metallurgical processes.
- g) Development of plow bolts.
- h) Development of flanged socket screws.
- i) Development of trilobular screws.
- j) Development of Mat point/Mat threads.
- k) Development of Mechanical Zinc plating.
- l) Evaluation of co-efficient of friction on plated surfaces.
- m) Development of chrome free coating.

3. Expenditure on R & D :

The Company has incurred revenue expenditure amounting to Rs 43.79 lakhs towards Research and Development. The total expenditure works out to 0.08% on turnover.

Technology absorption, adaptation and innovation :

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

- a) The Company has implemented the first phase of "Total Productive Maintenance" (TPM) techniques and practices 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. The Company is in the process of implementing second phase of TPM which will cover all office areas besides factories.
- b) Improvements to Total Quality Management Systems.
- c) The Company has taken initiative to obtain ISO/TS 16949 accreditation. ISO/TS 16949 is an ISO technical specification prepared by International Automation Task Force. The specification harmonises the supplier quality requirements of automakers of US, Germany, Italy, France, Japan and Korea with the purpose of having single document and registration scheme which will be accepted worldwide.

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 downtime, improvement in productivity and cost saving, enabling the Company to gain and retain the competitive edge in the global arena. The Company will derive greater benefits from TPM when it achieves higher levels of production.
- 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 9,605.63 lakhs from Rs 8,172.95 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 6,193.37 lakhs
  - b) Foreign Exchange earned Rs 10,400.10 lakhs

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

On behalf of the Board

Chennai  
June 28, 2003

SURESH KRISHNA  
Chairman & Managing Director



# Sundram Fasteners Limited

---

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Overview

The year 2002-2003 witnessed a marked improvement in the key sectors of the economy notwithstanding drought conditions affecting rural economy considerably. The improved performance of the economy in general and domestic automotive segment in particular resulted in the commercial vehicle segment emerging from the trough it faced during the last three years. Motorcar and multi-utility vehicle segments also showed a reasonable growth. A part of the two-wheeler segment viz. motorcycles continued to perform creditably even as the scooter and moped segments slowed down further. Drought conditions in most parts of the country and the accumulation of stocks of unsold tractors with dealers resulted in the tractor segment continuing to perform below par.

The after-market sales remained stagnant due to poor demand, inventory reduction by retail dealers and lack of financial resources with dealers. While riots in Gujarat resulted in lower off-take in the early part of the year, uncertainties in the introduction of Value Added Tax affected sales in the last quarter. The global markets have been experiencing shrinkage in demand even as deflationary conditions and intense competition have been driving prices to new lows.

### Domestic Sales

The improvement in sales of commercial vehicles and two wheelers combined with the Company's initiatives in new product development, customer inventory management and deliveries of products in required lots just in time and at short notice enabled the Company to improve its Gross sales in the domestic market by over 20% to Rs 42,338 lakhs as against Rs 35,144 lakhs in the previous year. With improved overall volumes, profitability has been maintained despite sizable price reductions passed on to major customers. The Company has been able to improve its market share with all its major customers. Availability of adequate capacities in-house and an efficient network of subcontractors have enabled the Company to meet the requirements of customers.

### Exports

The Company's long-term policy is inclined towards increasing the share of export sales so that it can be a globally competitive manufacturer. This will reduce the risk of violent fluctuations arising out of dependence on a few major customers in specific markets. The long-term policy will be continuously implemented in future years.

Exports during the year under review grew by 17.5% to Rs 9,606 lakhs as against Rs 8,173 lakhs in the previous year. Deflationary/recessionary conditions in global markets lead to uncertain demand. Competition from reputed companies has been driving prices down. During the latter half of the financial year, Indian rupee gained strength against US dollar but lost some ground against Euro and Pound Sterling. Active management of exchange exposures enabled the Company to reduce the impact of appreciation of the rupee. With a strong emphasis on quality, delivery and price, and by supplying high value-added products to a wide range of customers, the Company has been able to increase its export sales during the year to more than US \$ 20 million. The Company's prestigious list of customers include General Motors, Daimler Chrysler, Delphi Automotive, Cummins Engine, Deere and Co, General Electric, Valeo, Concentric Pumps, Calsonic Kansei, MTU, Deutz Motors, ZF, Mitsubishi, Matsushita, Meritor, Mack Trucks, Volvo, etc.

### Financial Performance

The higher volume of sales - both domestic and export and better realisation in exports have contributed significantly in improving performance of the Company. The Company, through focus on sustaining the process of implementing Total Productive Maintenance (TPM), has achieved a reasonable control over operating expenses

---

despite all round increase in costs, notably in the case of salaries and wages, power and petro-based consumables besides state levies. The operating profit prior to extra-ordinary expenses was Rs 8,550 lakhs (Rs 6,940 lakhs).

Extra-ordinary expenses on account of Early Retirement Scheme amounted to Rs 14 lakhs as against Rs 228 lakhs in the previous year.

There has been a marked reduction in the interest charges at Rs 610 lakhs (Rs 1,297 lakhs) due to better cash flow, interest and exchange rate management.

Depreciation charges amounted to Rs 1,299 lakhs (Rs 1,322 lakhs) reflecting prudent levels of capital expenditure in recent years.

The profit before tax was higher at Rs 6,627 lakhs (Rs 4,093 lakhs). The provision for taxation was higher at Rs 2,088 lakhs (Rs 1,172 lakhs) on account of lower fiscal incentives applicable to the units at Pondicherry and Radiator Cap unit on completion of the stipulated period and lower export incentives.

The profit after taxation was Rs 4,539 lakhs (Rs 2,921 lakhs).

#### **Human Resources / Industrial Relations**

The Company considers human resources as its invaluable asset. The Company provides a platform to its employees to improve their performance by re-training and multi-skilling. Employee participation through suggestion schemes, small group activities, task forces, etc. has enabled the Company to motivate them to continuously perform better. The employees are also kept fully informed of the changes in the market place and of the need to become more customer-centric. The morale, commitment and co-operation of the employees continue to be commendably high.

The Company's commitment to its people extends beyond the Company's premises. The Company has been spending sizable sums of money in scholarships, free computer training, summer camps, etc. The Company's motivated employees have produced outstanding results yet again.

The Company's excellent industrial relations record of not losing even a single day on account of industrial action since its inception in 1966 is a matter of great pride.

During the year under review, the Company entered into wage agreements in respect of its workers at Krishnapuram and Padi valid up to June 2005 and May 2006 respectively.

#### **Capacities and Capital Expenditure**

The Company has built-up substantial capacities over the years as a consequence of unrealised growth-projections of its customers. On account of prolonged slow down, the capacities had been utilised sub-optimally. The increased volumes have enabled the Company to improve capacity utilization and machine efficiency. The Company is of the opinion that new capacities will not be required in the near term and hence it does not expect to incur substantial capital expenditure over the next year other than in factories manufacturing Cold Extruded parts and Sintered Metal parts. The Company also envisages additions of quality control equipments, replacements and balancing of capacities in certain pockets based on customer requirements. Over the next few years, the Company will concentrate on improving its capacity utilization further. As and when the market demand stabilizes at a higher level, the Company will invest in assets to meet increased demand.

#### **Cost reduction and TPM**

The Company has always emphasized the need to manufacture its products at the lowest possible cost even while improving quality and customer service. Besides making investments in advanced technology and