



BOARD OF DIRECTORS

Sri M RAGHUPATHY IAS (Retd.)

Sri V G JAGANATHAN

CANARA BANK

C P Ramaswamy Road, Alwarpet, Chennai 600 018

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

Uttarakhand : Rudrapur

Tamil Nadu : Ambattur, Hosur

Peiner Umformtechnik GmbH, Germany

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Sundram Fasteners Limited

FINANCIAL HIGHLIGHTS

Particulars	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
Operating results - Rs lakhs										
Sales - Net	126,219	120,592	119,944	106,199	92,955	68,912	45,883	38,302	37,356	38,001
EBIDT	16,378	15,256	17,178	15,312	13,197	10,223	8,536	6,712	6,565	7,654
Interest	9,920	1,387	2,625	2,958	586	(552)	610	1,297	1,672	1,408
EBDT	6,458	13,869	14,205	12,354	12,611	10,776	7,926	5,415	4,893	6,246
Depreciation	4,223	3,423	3,012	2,739	2,333	1,977	1,299	1,322	1,195	1,115
EBIT	12,155	11,833	13,819	12,573	10,864	8,246	7,237	5,390	5,370	6,539
Profit before tax	2,235	10,446	11,194	9,615	10,279	8,798	6,627	4,093	3,698	5,131
Tax	494	3,499	4,008	3,422	3,339	3,008	2,088	1,172	820	869
Profit after tax	1,741	6,947	7,186	6,193	6,940	5,790	4,539	2,921	2,878	4,262
Financial status - Rs lakhs										
Net fixed assets	56,798	51,944	40,476	35,235	31,786	25,867	19,535	18,424	17,442	17,600
Investments	14,245	13,325	7,276	7,215	2,160	2,021	3,369	3,341	3,292	3,288
Net current assets	45,888	39,365	39,955	39,670	31,665	22,039	12,443	11,887	12,556	11,091
Share capital	2,101	2,101	2,101	1,051	1,051	1,051	1,021	1,021	1,021	1,021
Reserves and surplus	40,621	40,110	35,375	31,337	27,148	22,241	20,309	17,153#	18,935	16,848
Net worth	42,723	42,211	37,476	32,387	28,199	23,292	21,330	18,174	19,956	17,870
Loan funds	66,738	55,507	43,969	43,860	32,056	21,754	9,504	11,734	13,334	14,110
Deferred Tax Liability	7,470	6,915	6,261	5,873	5,356	4,881	3,906	3,744	-	-
Total capital employed	116,931	104,633	87,707	82,120	65,611	49,927	34,740	33,652	33,290	31,980
Performance parameters - %										
EBIDT to Sales	13.0	12.7	14.3	14.4	14.2	14.8	18.6	17.5	17.6	20.1
EBIT to Sales	9.6	9.8	11.5	11.8	11.7	12.0	15.8	14.1	14.4	17.2
PBT to Sales	1.8	8.7	9.3	9.1	11.1	12.8	14.4	10.7	9.9	13.5
EBIDT/Average capital employed [ROCE]	14.8	15.9	20.2	20.7	22.8	24.1	25.0	20.1	20.1	26.5
EBIT / Average capital employed	11.0	12.3	16.3	17.0	18.8	19.5	21.2	16.1	16.5	22.7
PAT/Average net worth	4.1	17.4	20.6	20.4	27.0	26.0	23.0	15.3	15.2	26.0
Bonus issue	-	-	1:1	-	-	-	-	-	-	-
EPS before extra ordinary items - Rs	0.83*	3.21*	3.59*	5.92*	6.61*	5.51*	44.43	28.59	28.17	41.73
EPS after extra ordinary items - Rs	0.83*	3.31*	3.42*	5.92*	6.61*	5.51*	44.43	28.59	28.17	41.73
Dividend per share - Rs	0.50*	0.90*	1.75*	1.70*	1.70*	1.40*	12.00	10.00	7.00	11.00
Dividend payout ratio	60.36	27.26	25.59	28.81	25.76	25.41	27.01	34.98	24.85	26.36
Book value per share-Rs	20.33*	20.09*	17.84*	30.83*	26.83*	22.16*	208.91	177.92	195.38	174.94
Market value per share-Rs	14.85@	32.35@	63.75*	169.30*	109.45*	87.05*	362	236	215	550

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 Sixth Annual Report together with the audited accounts for the year ended 31st March 2009.

FINANCIAL RESULTS

	Rs lakhs	
	2008-2009	2007-2008
Sales – Domestic (including excise duty)	94,664.98	100,899.14
– Exports	42,912.53	34,191.89
	<u>137,577.51</u>	<u>135,091.03</u>
Gross Profit before interest, depreciation, extra-ordinary items and taxes	16,378.30	15,057.72
Less: Interest	3,849.74	2,702.28
Exchange Losses/(Gains)	6,070.14	(1,314.97)
Depreciation	<u>4,223.28</u>	<u>3,423.14</u>
	<u>14,143.16</u>	<u>4,810.45</u>
Profit before extra-ordinary items and tax	2,235.14	10,247.27
Less: Provision for taxation including earlier years	<u>494.44</u>	<u>3,498.57</u>
Profit after tax	1,740.70	6,748.70
Add: Balance brought forward	2,309.82	2,570.83
Add: Transfer from Investment Allowance (Utilised) Account	25.06	4.35
Add: Provision no longer required written back	–	198.50
	<u>4,075.58</u>	<u>9,522.38</u>
Appropriations		
Interim Dividend	1,050.64	1,891.16
Tax on Interim Dividend	178.56	321.40
Transfer to General Reserve	200.00	5,000.00
Balance carried forward	<u>2,646.38</u>	<u>2,309.82</u>
	<u>4,075.58</u>	<u>9,522.38</u>

SALES & PROFITS

The Company recorded total Sales and other income of Rs 1265.63 Crores for the year ended March 31, 2009 as against Rs 1207.76 Crores achieved during the previous year. The export sales was higher at Rs 429.13 Crores as against Rs 341.92 Crores in the previous year.

Gross profit before interest, depreciation and taxes was at 163.78 crores as against Rs 150.58 crores, an increase of 8.77%.

Repeated hikes in interest rates and increase in working capital requirements resulted in higher interest charges at Rs 38.50 Crores as against Rs 27.02 Crores in the Previous Year. Foreign exchange fluctuations resulted in a loss of Rs 60.70 Crores as against a gain of Rs 13.15 Crores in the previous year. The net profit for the year was Rs 17.41 Crores as against Rs 67.49 Crores in the previous year.

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

DIVIDEND

The Directors have decided to pay an Interim Dividend of Rs 0.50 per share of face value Re 1 each. The Interim dividend will absorb an amount of Rs 1050.64 laksh. The directors do not recommend any final dividend.

Sundram Fasteners Limited

SUBSIDIARY

During the year Sundram Non-Conventional Energy systems Ltd. became a direct subsidiary. A new Subsidiary Company viz. Peiner Logistik GmbH was formed to carry on logistic activity in Germany.

STATUTORY STATEMENTS

There were 3 deposits amounting to Rs 0.20 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 and 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 submitted an application seeking 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 approval from the Central Government is awaited. 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 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.
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DIRECTORS

Sri K. Ramesh and Sri R. Srinivasan retire from the Board by rotation and being eligible, offer themselves for re-appointment.

Ms Arundathi Krishna has been appointed as an Additional Director and Whole-Time-Director of the Company for a period of five years from 18th September 2008. Ms Arundathi Krishna holds office as Additional Director, only up to the date of the forthcoming Annual General Meeting of the Company, but is eligible for re-appointment. The Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956, proposing the candidature of Ms Arundathi Krishna for the office of Director of the Company.

AUDITORS

The Auditors, M/s Sundaram & Srinivasan, Chartered Accountants, Chennai, retire and are eligible for re-appointment.

AWARD

The Company won Export Award-Silver Shield for Star Performer - Large Enterprises from Engineering Export Promotion Council (EEPC) for the year 2006-2007.

The Company's Metal Forms Division has been presented with Gold Award by India Manufacturing Excellence Award under Engineering category after Audit by M/S. Frost A Sullivan.

The Company's Pondicherry unit has been conferred with ACMA Technology Award for 2007-08 for Excellence in Technology by Automobile Components Manufacturers Association of India (ACMA).

Sundram Fasteners (Zhejiang) Limited, China, the wholly owned subsidiary of the Company has been conferred "Best Labour Relations Award" by Haiyan Government, China.

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, Puducherry, Andhra Pradesh and Uttarakhand, customers and vendors, for all the assistance rendered by them from time to time.

On behalf of the Board

Chennai
June 4, 2009

SURESH KRISHNA
Chairman & Managing Director

Sundram Fasteners Limited

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 contactor with thyristor controlled panels in heat treatment furnaces
4. Operation of Methanol based system in place of Endo Generation
5. Optimisation of motor capacity in fume exhaust system

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 stainless steel fasteners
- b) Development of new process for shank sizing
- c) Development of functionally graded Powder Metal Parts
- d) Development of surface densification of Powder Metal Parts

2. Future plan of action:

- a) Development of alloy fasteners for aerospace application
- b) Development of forging of aluminium parts
- c) Development of techniques for forging copper electrodes
- d) Development of use of dual phase steel for manufacture of fasteners
- e) Development of equal channel angular pressing of steel and titanium

3. Expenditure on Research & Development:

The Company has incurred expenditure amounting to Rs 511.29 lakhs (Capital expenditure – 51.72 lakhs. Revenue expenditure – Rs 459.57 lakhs) towards Research and Development. The Expenditure on Research and Development as a percentage of turnover - 0.41 %.

Technology absorption, adaptation and innovation:

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:
 - a) The Company's collaboration with Japan Institute of Plant Maintenance for implementation of Total Productive Maintenance (TPM) continued this year. Achievement and Maintenance of excellence are non-stop activities, more so in a dynamic business environment.
 - 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 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 42,913 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 36,333 lakhs
 - b) Foreign Exchange earned Rs 43,615 lakhs

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

On behalf of the Board

Chennai
June 4, 2009

SURESH KRISHNA
Chairman & Managing Director

Sundram Fasteners Limited

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Indian gross domestic product grew by 6.7%, the lowest growth rate in six years. Manufacturing sector witnessed an unprecedented slow-down while the performance of agricultural sector improved. Indian automotive sector showed a predominantly negative trend. Sales of medium and heavy commercial vehicles declined for the second consecutive year. **The slow down was very pronounced during the last quarter of the year as major commercial vehicle producers experienced drop in production by as much as 60%.** Sales of passenger vehicles and two wheelers showed improvement while sales of light commercial vehicles, three-wheelers and tractors declined. The following table shows sales data of the industry :

(In Nos)

Automobile Sales Trends			
Category	Total Sales during		Variance %
	2008-09	2007-08	
Medium & Heavy Commercial Vehicles	200,406	293,094	- 31.6
Light Commercial Vehicles	226,389	252,722	- 10.4
Total Commercial Vehicles	426,795	545,816	-21.8
Passenger Cars	1,551,012	1,413,395	9.7
Utility Vehicles	228,840	249,863	- 8.4
Multipurpose Vehicles	107,767	101,781	5.9
Total Passenger Vehicles	1,887,619	1,765,039	6.9
Scooters	1,171,663	1,075,591	8.9
Motorcycles	6,806,114	6,544,482	4.0
Mopeds	438,514	431,983	1.5
Electric two wheelers	25,553	16,391	55.9
Total Two Wheelers	8,441,844	8,068,447	4.6
Three Wheelers	497,793	505,938	- 1.6
Tractors	342,836	346,501	- 1.1
Grand Total	11,596,887	11,231,741	3.3

(Sources: SIAM/TMA)

Global automobile sales deteriorated sharply. The markets in U.S. and Europe recoded an unprecedented decline in automotive sales. The decline in world markets, caused by a variety of factors such as economic slow-down, rising unemployment, sub-prime crisis, high fuel prices, etc. resulted in slower than anticipated growth, particularly in the last quarter of the financial year.

The domestic market demand contracted significantly due to high fuel costs, non-availability of finance, high interest rates, inflationary pressures, low growth in industrial production and lack of adequate availability of cargo for movement. Demand for passenger vehicles and two wheelers picked up after the government reduced excise duties. In spite of reduction in excise duties and increase in depreciation rates for commercial vehicles, demand has continued to remain sluggish.

The downturn was so sudden that most major manufacturers were holding high levels of inventory and had to resort to production cuts on an unparalleled scale. Indian automotive component industry was severely affected by the developments in the Indian and global markets.

High cost of steel of all varieties and forms has been a cause for concern for the Company and its subsidiaries. During the first half of the year, cost of inputs rose continuously, touching new highs. Availability and quality of steel also caused concern from time to time. Consequently, the Company had to resort to higher imports, resulting in a high level of raw material inventory and additional investment in working capital. Steel prices have shown a tendency to ease during the last quarter of the year. If the trend continues, the Company may be in a position to take advantage of lower prices after reducing its current raw material inventories.

Domestic Sales

Sales (net of excise) in the domestic market declined to Rs 833.07 crores from Rs 864.00 crores. In spite of a precipitous decline in domestic demand during the last quarter of the year, domestic sales fell only by 3.6% during the year in value terms. The Company has been able to maintain or improve its market share with all its major customers. Aftermarket sales remained flat as distributors and dealers were reluctant to hold stocks in an uncertain market. Competition from cheap imports also resulted in loss of business.

Exports

The Company continued to follow its long-term policy of giving high priority to export sales. The share of export sales improved to 34.0% of sales from 28.4% in the previous year. Exports during the year under review increased to Rs 429.13 crores from Rs 341.92 crores in the previous year. Exports would have been much higher but for the slowdown in the second half of the year. Rupee depreciation helped the Company to improve the profitability on exports.

The slowdown in the international markets has continued during 2009-10 and exports will fall sharply unless there is a strong revival. The Company is making all out efforts to increase the volume of business with existing customers and to develop new products for them, besides developing new customers in existing and new markets.

Financial Performance

Falling domestic sales, strident increase in cost of steel due to sharp devaluation of the rupee, sharp increase in freight rates caused by increased prices of petro-products resulted in lower profits during the year. In view of difficult and competitive market conditions, the Company was able to pass on only a part of the additional costs to customers.

Steady rise in cost of rupee borrowings, capital expenditure on new projects and higher inventories of raw material because of increasing imports due to non-availability of steel resulted in increase in interest costs. Non-availability of sufficient quantity and quality of power due to steep and unscheduled power-cuts in Tamilnadu resulted in higher expenditure on Power and Fuel. Right sizing the operations by restricting contract man-power, reduction in employee costs by resorting to salary cuts and restricting outsourcing have helped the Company to reduce the impact of recession.

Continuous adoption of Total Productive Maintenance (TPM) practices helped the Company achieve a reasonable control over other operating expenses.

Despite the downstream in the latter part of the year, profit before interest, foreign exchange variations, depreciation and tax was higher at Rs 163.78 crores as against Rs 150.58 crores the previous year. Interest charges absorbed Rs 38.50 crores (Rs 27.02 crores). Foreign exchange fluctuations resulted in a loss of Rs 60.70 crores (gain Rs 13.15 crores). Depreciation was higher at Rs 42.23 crores (Rs 34.23 crores) on account of large capital expenditure incurred in the last two years. Profit before Tax was lower at Rs 22.35 crores (Rs 102.47 crores). Profit after Tax amounted to Rs 15.48 crores (Rs 67.38 crores).

The Accounting Standard AS-11 dealing with "The effects of changes in Foreign Exchange Rates" prescribed by companies (Accounting Standards) Rules 2006 was amended by Companies (Accounting Standards) Amendment Rules 2009 vide notification dated March 31, 2009 issued by the Ministry of Corporate Affairs.