



Sundram Fasteners Limited

ANNUAL REPORT

**for the year ended
31st March 2011**

Sundram Fasteners Limited

BOARD OF DIRECTORS	Sri SURESH KRISHNA, <i>Chairman & Managing Director</i> Ms ARATHI KRISHNA, <i>Joint Managing Director</i> Ms ARUNDATHI KRISHNA, <i>Whole-Time Director</i> Sri K RAMESH Sri VENU SRINIVASAN Sri V NARAYANAN Sri R SRINIVASAN Sri R RAMAKRISHNAN Sri C V KARTHIK NARAYANAN Sri M RAGHUPATHY IAS (Retd.)
SENIOR MANAGEMENT	Sri SAMPATHKUMAR MOORTHY, <i>Executive Director</i> Sri V G JAGANATHAN, <i>Executive Director & Secretary</i>
BANKERS	United Bank of India, State Bank of Mysore, Standard Chartered Bank HDFC Bank Ltd., ICICI Bank Ltd., Canara Bank
AUDITORS	M/s SUNDARAM & SRINIVASAN Chartered Accountants, No. 4, C P Ramaswamy Road, Alwarpet, Chennai 600 018
REGISTERED OFFICE	98A, 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 Sundram RBI Sdn. Bhd., Malaysia Peiner Umformtechnik GmbH, Germany

CONTENTS

Financial Highlights	2
Directors' Report	3 - 7
Management Discussion and Analysis	8 - 16
Report on Corporate Governance	17 - 27
Auditors' Report	28 - 31
Balance Sheet	32
Profit & Loss Account	33
Cash Flow Statement	34 - 35
Schedules	36 - 63
Statement pursuant to Section 212	64 - 65
Auditors' Report on Consolidated Financial Statements	68 - 69
Consolidated Financial Statements	70 - 84

Sundram Fasteners Limited

FINANCIAL HIGHLIGHTS

Particulars	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Operating results - Rs lakhs										
Sales - Net	180,839	133,386	126,219	120,592	119,944	106,199	92,955	68,912	45,883	38,302
EBIDT	22,844	17,033	16,378	15,256	17,178	15,312	13,197	10,223	8,536	6,712
Interest	2,966	1,500	9,920	1,387	2,625	2,958	586	(552)	610	1,297
EBDT	19,878	15,533	6,458	13,869	14,205	12,354	12,611	10,776	7,926	5,415
Depreciation	5,454	4,748	4,223	3,423	3,012	2,739	2,333	1,977	1,299	1,322
EBIT	17,391	12,284	12,155	11,833	13,819	12,573	10,864	8,246	7,237	5,390
Profit before tax	14,425	10,785	2,235	10,446	11,194	9,615	10,279	8,798	6,627	4,093
Tax	3,882	3,283	494	3,499	4,008	3,422	3,339	3,008	2,088	1,172
Profit after tax	10,543	7,502	1,741	6,947	7,186	6,193	6,940	5,790	4,539	2,921
Financial status - Rs lakhs										
Net fixed assets	65,785	57,978	56,798	51,944	40,476	35,235	31,786	25,867	19,535	18,424
Investments	14,237	14,239	14,245	13,325	7,276	7,215	2,160	2,021	3,369	3,341
Net current assets	59,068	40,726	45,888	39,365	39,955	39,670	31,665	22,039	12,443	11,887
Share capital	2,101	2,101	2,101	2,101	2,101	1,051	1,051	1,051	1,021	1,021
Reserves and surplus	53,394	45,914	40,621	40,110	35,375	31,337	27,148	22,241	20,309	17,153#
Net worth	55,495	48,015	42,723	42,211	37,476	32,387	28,199	23,292	21,330	18,174
Loan funds	74,961	56,791	66,738	55,507	43,969	43,860	32,056	21,754	9,504	11,734
Deferred Tax Liability	8,633	8,633	8,137	7,470	6,915	6,261	5,873	5,356	4,881	3,906
Total capital employed	139,089	112,943	116,931	104,633	87,707	82,120	65,611	49,927	34,740	33,652
Performance parameters - %										
EBIDT to Sales	12.6	12.8	13.0	12.7	14.3	14.4	14.2	14.8	18.6	17.5
EBIT to Sales	9.6	9.2	9.6	9.8	11.5	11.8	11.7	12.0	15.8	14.1
PBT to Sales	8.0	8.1	1.8	8.7	9.3	9.1	11.1	12.8	14.4	10.7
EBIDT/Average capital employed [ROCE]	18.1	14.8	14.8	15.9	20.2	20.7	22.8	24.1	25.0	20.1
EBIT / Average capital employed	13.8	10.7	11.0	12.3	16.3	17.0	18.8	19.5	21.2	16.1
PAT/Average net worth	20.4	16.6	4.1	17.4	20.6	20.4	27.0	26.0	23.0	15.3
Bonus issue	-	-	-	-	1:1	-	-	-	-	-
EPS before extra ordinary items - Rs	5.02*	3.57*	0.83*	3.21*	3.59*	5.92*	6.61*	5.51*	44.43	28.59
EPS after extra ordinary items - Rs	5.02*	3.57*	0.83*	3.31*	3.42*	5.92*	6.61*	5.51*	44.43	28.59
Dividend per share - Rs	1.25@*	0.90@*	0.50@*	0.90@*	1.75@*	1.70*	1.70*	1.40*	12.00	10.00
Dividend payout ratio	24.91	25.21	60.36	27.26	25.59	28.81	25.76	25.41	27.01	34.98
Book value per share - Rs	26.41*	22.85*	20.33*	20.09*	17.84*	30.83*	26.83*	22.16*	208.91	177.92
Market value per share - Rs	51.05@*	51.60@*	14.85@*	32.35@*	63.75@*	169.30*	109.45*	87.05*	362	236

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 Eighth Annual Report together with the audited accounts for the year ended 31st March 2011.

FINANCIAL RESULTS

	Rs lakhs	
	2010-11	2009-10
Sales – Domestic (including excise duty)	146,451.86	108,977.92
Less : Excise Duty	13,642.02	8,807.15
	132,809.84	100,170.77
Exports	48,029.56	33,215.29
Net Sales	180,839.40	133,386.06
Gross Profit before interest, depreciation, extra-ordinary items and taxes	22,844.28	17,032.74
Less : Interest	2,097.10	2,548.25
Exchange Losses/(Gains)	868.95	(1,048.62)
Depreciation	5,453.72	4,748.40
	8,419.77	6,248.03
Profit before extra-ordinary items and tax	14,424.51	10,784.71
Less : Provision for taxation including earlier years	3,881.94	3,283.38
Profit after tax	10,542.57	7,501.33
Add : Balance brought forward	2,939.21	2,646.38
	13,481.78	10,147.71
Appropriations		
Interim Dividends	2,626.61	1,891.15
Tax on Interim Dividends	436.45	317.35
Transfer to General Reserve	7,000.00	5,000.00
Balance carried forward	3,418.72	2,939.21
	13,481.78	10,147.71

SALES & PROFITS

The Company recorded total Net Sales and other income of Rs.1813.10 Crores for the year ended March 31, 2011 as against Rs.1336.60 Crores achieved during the previous year. The export sale was at Rs.480.30 Crores as against Rs.332.15 Crores in the previous year. The Profit after tax was higher at Rs.105.43 Crores as against Rs.75.01 Crores in the previous year.

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

DIVIDEND

The Directors have decided to pay as Second Interim Dividend of Re 0.70 per Share of face value of Re 1 each, which together with the Interim Dividend of Re 0.55 per Share of face value of Re 1 each declared and paid earlier would amount to a total dividend for the year of Rs.1.25 per share of Re 1 each. Dividend disbursed amounted to Rs 1155.71 lakhs. Second Interim Dividend will absorb a total amount of Rs 1470.90 lakhs. The Directors do not recommend any final dividend.

Sundram Fasteners Limited

CONSOLIDATED FINANCIALS AND STATUTORY 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.

As per Section 212 of the Companies Act, 1956, the Company is required to attach the Directors' Report, Balance Sheet and Profit and Loss Account of subsidiaries. The Central Government has granted general exemption from complying with Section 212 of the Companies Act, 1956 to all companies vide Notification No. 5/12/2007-CL-III dated February 8, 2011. Accordingly the Company has presented in this Report, the consolidated financial statements of the holding company and all its subsidiaries, duly audited by the Statutory Auditors. The Company has also disclosed in the Consolidated Balance sheet the information required to be provided as per the aforesaid notification dated February 8, 2011. The company will make available the audited annual accounts and related information of its subsidiaries, upon request by any of its shareholders. The annual accounts of the subsidiary companies will also be kept for inspection, by any member at the Registered Office of the Company and its subsidiary companies.

The Company has not accepted any deposits, within the meaning of Section 58-A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975 made thereunder.

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.

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 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 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 Venu Srinivasan, Director, Sri C.V. Karthik Narayanan, Director and Sri M. Raghupathy, Director, 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 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, Pondicherry, Andhra Pradesh and Uttarakhand, customers and vendors, for all the assistance rendered by them from time to time.

On behalf of the Board

Chennai
May 30, 2011

SURESH KRISHNA
Chairman & Managing Director

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. Introduction of thyristor controls in heat treatment furnaces
3. Introduction of variable frequency drive for forging machines
4. Operation of Methanol based system in place of Endo Generation
5. Optimisation of cooling tower pumps

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 high temperature vacuum sintering of power metal parts.
- b) Development of pre alloyed steel powder.

2. Future plan of action:

- a) Development of fully dense PM HSS components.
- b) Development of HSS powders.

3. The Company had entered into a technical collaboration agreement with Hitachi, Japan for the manufacture of tappets. The Company has fully absorbed the technology and has been manufacturing tappets at its factory at Hosur.

4. Expenditure on Research & Development:

The Company has incurred expenditure amounting to Rs.984.82 lakhs (Capital expenditure - Rs. 127.37 lakhs and Revenue expenditure - Rs. 857.45) towards Research and Development. The Expenditure on Research & Development as a percentage of turnover - 0.54%.

5. Technology absorption, adaptation and innovation:

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:
 - a) The Company has been continuing its efforts towards ongoing implementation and stabilisation of the methodologies of Total Productive Maintenance (TPM).
 - 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, 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 to meet the stringent standards stipulated by customers.

C. Foreign Exchange Earnings and Outgo:

1. Exports Sales during the year under review were Rs. 48,030 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. 41,929 Lakhs
 - b) Foreign Exchange earned Rs. 48,089 Lakhs

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

On behalf of the Board

Chennai
May 30, 2011

SURESH KRISHNA
Chairman & Managing Director

Sundram Fasteners Limited

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Indian gross domestic product and the Index of Industrial Production registered a growth of 8.6% (7.2%) and 7.8% (10.4%) respectively, reflecting the strong fundamentals of Indian economy.

The global economy showed signs of slow recovery with emerging economies registering a sizable growth, while developed economies responded slowly to stimulus packages implemented during the period of economic meltdown. The US economy limped back to growth; however the European economies have not shown similar growth due to financial crisis in some of the European countries.

During 2010-11, the manufacturing sector in India including the automotive sector staged a spectacular recovery to register an unprecedented growth. The following table shows the sales trend of the industry:

Automobile Sales Trends

(In Nos)

Category	Vehicle Sales during			
	2009-10	2010-11	% increase over previous year	CAGR % over 5 years
Medium & Heavy Commercial Vehicles	250,171	344,542	37.72	3.19
Light Commercial Vehicles	316,437	408,193	29.00	12.83
Total CVs	566,608	752,735	32.85	7.78
Passenger Cars	1,926,484	2,453,113	27.34	14.09
Utility Vehicles	272,848	318,576	16.76	7.24
MPVs	151,908	215,607	41.93	20.63
Total Passenger Vehicles	2,351,240	2,987,296	27.05	13.61
Scooters	1,494,409	2,144,765	43.52	17.05
Motorcycles	8,444,852	10,527,111	24.66	8.20
Mopeds	571,070	704,575	23.38	12.36
Electric two wheelers	2,558	–	–	–
Total Two Wheelers	10,512,889	13,376,451	27.24	9.55
Three Wheelers	619,093	799,553	29.15	7.86
Tractors	440,230	545,109	23.82	9.09
Grand Total	14,490,060	18,461,144	27.41	9.98

(Sources: SIAM/TMA)

The domestic market showed a record growth. There has been a perceptible shift in the type of production of Medium and Heavy commercial vehicles to larger and multi-axle vehicles. In the case of Light commercial vehicles, there has been a shift to smaller vehicles with low haulage capacities. Sales of cars, utility vehicles, MPVs, LCVs and two-wheelers grew throughout the year due to introduction of new models and entry of new manufacturers. Increase in disposable incomes and need for personal transportation combined with availability of finance contributed to a strong growth of passenger vehicles.