



# **Sundram Fasteners Limited**

## **ANNUAL REPORT**

**for the year ended  
31st March 2012**

# Sundram Fasteners Limited

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|   |   |
|---|---|
| <b>BOARD OF DIRECTORS</b>                                     | Sri SURESH KRISHNA, <i>Chairman &amp; Managing Director</i><br>Ms ARATHI KRISHNA, <i>Joint Managing Director</i><br>Ms ARUNDATHI KRISHNA, <i>Whole-Time Director</i><br>Sri K RAMESH<br>Sri VENU SRINIVASAN<br>Sri V NARAYANAN<br>Sri R SRINIVASAN<br>Sri R RAMAKRISHNAN<br>Sri C V KARTHIK NARAYANAN<br>Sri M RAGHUPATHY IAS (Retd.) |
| <b>SENIOR MANAGEMENT</b>                                      | Sri SAMPATHKUMAR MOORTHY, <i>Executive Director</i><br>Sri V G JAGANATHAN, <i>Executive Director &amp; Secretary</i>  |
| <b>BANKERS</b>  | United Bank of India, State Bank of Mysore, Standard Chartered Bank<br>HDFC Bank Ltd., ICICI Bank Ltd., Canara Bank, DBS Bank Ltd.,<br>The Hongkong and Shanghai Banking Corporation Ltd.   |
| <b>AUDITORS</b>   | M/s SUNDARAM & SRINIVASAN<br>Chartered Accountants, No. 4, C P Ramaswamy Road,<br>Alwarpet, Chennai 600 018   |
| <b>REGISTERED OFFICE</b>                                      | 98A, Dr Radhakrishnan Salai, Mylapore, Chennai 600 004  |
| <b>FACTORIES</b><br>(In India)                                | Tamil Nadu : Padi, Hosur, Aviyur, Mittamandagapet, Velappanchavadi,<br>Gummidipoondi, SEZ - Mahindra World City<br>Puducherry : Korkadu<br>Andhra Pradesh : Bonthapally<br>Uttarakhand : Rudrapur   |
| <b>FACTORIES</b><br>(In India through subsidiaries)           | Tamil Nadu : Ambattur, Hosur  |
| <b>FACTORIES</b><br>(Outside India -<br>through subsidiaries) | Sundram Fasteners (Zhejiang) Limited, China<br>Cramlington Precision Forge Limited, United Kingdom<br>Peiner Umformtechnik GmbH, Germany  |

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# Sundram Fasteners Limited

## FINANCIAL HIGHLIGHTS

| Particulars                           | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07             | 2005-06 | 2004-05 | 2003-04 | 2002-03 |
|---------------------------------------|---------|---------|---------|---------|---------|---------------------|---------|---------|---------|---------|
| <b>Operating results - Rs lakhs</b>   |         |         |         |         |         |                     |         |         |         |         |
| Revenue from Operations               | 214,664 | 181,072 | 133,386 | 126,219 | 120,592 | 119,944             | 106,199 | 92,955  | 68,912  | 45,883  |
| Total Revenue                         | 216,471 | 181,508 | 133,903 | 126,748 | 120,963 | 120,281             | 106,396 | 93,142  | 69,214  | 46,174  |
| EBIDT                                 | 31,315  | 23,446  | 17,275  | 16,562  | 15,443  | 16,999              | 15,373  | 13,247  | 10,286  | 8,633   |
| Interest                              | 9,220   | 3,567   | 1,742   | 10,104  | 1,574   | 2,793               | 3,019   | 635     | (489)   | 707     |
| EBDT                                  | 22,095  | 19,879  | 15,533  | 6,458   | 13,869  | 14,206              | 12,354  | 12,612  | 10,775  | 7,926   |
| Depreciation                          | 6,361   | 5,454   | 4,748   | 4,223   | 3,423   | 3,012               | 2,739   | 2,333   | 1,977   | 1,299   |
| EBIT                                  | 24,954  | 17,992  | 12,527  | 12,339  | 12,020  | 13,987              | 12,634  | 10,914  | 8,309   | 7,334   |
| Profit before tax                     | 15,734  | 14,425  | 10,785  | 2,235   | 10,446  | 11,194              | 9,615   | 10,279  | 8,798   | 6,627   |
| Tax                                   | 4,474   | 3,882   | 3,283   | 494     | 3,499   | 4,008               | 3,422   | 3,339   | 3,008   | 2,088   |
| Profit after tax                      | 11,260  | 10,543  | 7,502   | 1,741   | 6,947   | 7,186               | 6,193   | 6,940   | 5,790   | 4,539   |
| <b>Financial status - Rs lakhs</b>    |         |         |         |         |         |                     |         |         |         |         |
| Net fixed assets                      | 71,288  | 63,956  | 57,978  | 56,798  | 51,944  | 40,476              | 35,235  | 31,786  | 25,867  | 19,535  |
| Investments                           | 14,263  | 14,237  | 14,239  | 14,245  | 13,325  | 7,276               | 7,215   | 2,160   | 2,021   | 3,369   |
| Net current assets                    | 69,596  | 60,896  | 40,726  | 45,888  | 39,365  | 39,955              | 39,670  | 31,665  | 22,039  | 12,443  |
| Share capital                         | 2,101   | 2,101   | 2,101   | 2,101   | 2,101   | 2,101               | 1,051   | 1,051   | 1,051   | 1,021   |
| Reserves and surplus                  | 61,245  | 53,394  | 45,914  | 40,621  | 40,110  | 35,375              | 31,337  | 27,148  | 22,241  | 20,309  |
| Net worth                             | 63,346  | 55,495  | 48,015  | 42,723  | 42,211  | 37,476              | 32,387  | 28,199  | 23,292  | 21,330  |
| Loan funds                            | 82,870  | 74,961  | 56,791  | 66,738  | 55,507  | 43,969              | 43,860  | 32,056  | 21,754  | 9,504   |
| Deferred Tax Liability                | 8,931   | 8,633   | 8,137   | 7,470   | 6,915   | 6,261               | 5,873   | 5,356   | 4,881   | 3,906   |
| Total capital employed                | 155,147 | 139,089 | 112,943 | 116,931 | 104,633 | 87,707              | 82,120  | 65,611  | 49,927  | 34,740  |
| <b>Performance parameters - %</b>     |         |         |         |         |         |                     |         |         |         |         |
| EBIDT to Revenue from Operations      | 14.6    | 12.9    | 13.0    | 13.1    | 12.8    | 14.2                | 14.5    | 14.3    | 14.9    | 18.8    |
| EBIT to Revenue from Operations       | 11.6    | 9.9     | 9.4     | 9.8     | 10.0    | 11.7                | 11.9    | 11.7    | 12.1    | 16.0    |
| PBT to Revenue from Operations        | 7.3     | 8.0     | 8.1     | 1.8     | 8.7     | 9.3                 | 9.1     | 11.1    | 12.8    | 14.4    |
| EBIDT/Average capital employed [ROCE] | 21.3    | 18.6    | 15.0    | 15.0    | 16.1    | 20.0                | 20.8    | 22.9    | 24.3    | 25.2    |
| EBIT / Average capital employed       | 17.0    | 14.3    | 10.9    | 11.1    | 12.5    | 16.5                | 17.1    | 18.9    | 19.6    | 21.4    |
| PAT/Average net worth                 | 18.9    | 20.4    | 16.6    | 4.1     | 17.4    | 20.6                | 20.4    | 27.0    | 26.0    | 23.0    |
| Bonus issue                           | —       | —       | —       | —       | —       | 1:1                 | —       | —       | —       | —       |
| EPS before extra ordinary items - Rs  | 5.36*   | 5.02*   | 3.57*   | 0.83*   | 3.21*   | 3.59*               | 5.92*   | 6.61*   | 5.51*   | 44.43*  |
| EPS after extra ordinary items - Rs   | 5.36*   | 5.02*   | 3.57*   | 0.83*   | 3.31*   | 3.42*               | 5.92*   | 6.61*   | 5.51*   | 44.43*  |
| Dividend per share - Rs               | 1.40*   | 1.25*   | 0.90*   | 0.50*   | 0.90*   | 1.75* <sup>@</sup>  | 1.70*   | 1.70*   | 1.40*   | 12.00*  |
| Dividend payout ratio                 | 26.13   | 24.91   | 25.21   | 60.36   | 27.26   | 25.59               | 28.81   | 25.76   | 25.41   | 27.01   |
| Book value per share - Rs             | 30.15*  | 26.41*  | 22.85*  | 20.33*  | 20.09*  | 17.84*              | 30.83*  | 26.83*  | 22.16*  | 208.91* |
| Market value per share - Rs           | 55.35*  | 51.05*  | 51.60*  | 14.85*  | 32.35*  | 63.75* <sup>@</sup> | 169.30* | 109.45* | 87.05*  | 362*    |

\* 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.

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## REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

The Directors are pleased to present the Forty Ninth Annual Report together with the audited accounts for the year ended 31st March 2012.

### FINANCIAL RESULTS

|  |                   | Rs lakhs       |
|--|-------------------|----------------|
|  | <u>2011-12</u>    | <u>2010-11</u> |
| Revenue from Operations                              | <b>214,663.52</b> | 181,071.66     |
| Other Income   | <b>1,807.43</b>   | 436.75         |
| <b>Total Revenue</b>                                 | <b>216,470.95</b> | 181,508.41     |
| Gross Profit before interest, depreciation and taxes | <b>31,315.75</b>  | 23,444.97      |
| Less : Interest                                      | <b>3,490.26</b>   | 2,697.79       |
| Exchange Losses/(Gains)                              | <b>5,729.74</b>   | 868.95         |
| Depreciation   | <b>6,361.31</b>   | 5,453.72       |
|  | <b>15,581.31</b>  | 9,020.46       |
| Profit before taxes                                  | <b>15,734.45</b>  | 14,424.51      |
| Less : Provision for tax                             | <b>4,474.58</b>   | 3,881.94       |
| Profit after tax                                     | <b>11,259.87</b>  | 10,542.57      |
| Add : Balance brought forward                        | <b>3,418.72</b>   | 2,939.21       |
| Balance available for appropriation                  | <b>14,678.59</b>  | 13,481.78      |
| <b>Appropriations</b>                                |                   |                |
| Interim Dividends                                    | <b>2,941.80</b>   | 2,626.61       |
| Tax on Interim Dividends                             | <b>467.05</b>     | 436.45         |
| Transfer to General Reserve                          | <b>5,000.00</b>   | 7,000.00       |
| Balance carried forward                              | <b>6,269.74</b>   | 3,418.72       |
|  | <b>14,678.59</b>  | 13,481.78      |

### SALES & PROFITS

The Company recorded total Net Sales and other income of Rs.2164.71 Crores for the year ended March 31, 2012 as against Rs 1815.08 Crores achieved during the previous year. The export sale was at Rs 645.88 Crores as against Rs 479.35 Crores in the previous year. The Profit after tax was higher at Rs 112.60 Crores as against Rs 105.43 Crores in the previous year.

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

### DIVIDEND

The Directors have decided to pay as Second Interim Dividend of Re 0.80 per Share of face value of Re 1 each, which together with the Interim Dividend of Re 0.60 declared and paid earlier would amount to a total dividend for the year of Rs 1.40 per share of Re 1 each. Dividend disbursed amounted to Rs 1260.77 lakhs. Second Interim Dividend will absorb a total amount of Rs 1681.03 lakhs. The Directors do not recommend any final dividend.

# **Sundram Fasteners Limited**

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## **CONSOLIDATED FINANCIAL STATEMENTS / 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.

## **COST AUDITOR**

Pursuant to Section 233(B)(2) of the Companies Act, 1956, the Board of Directors on the recommendation of the Audit Committee, appointed Sri P Raju Iyer, a Cost Accountant, as Cost Auditor of the Company for the Financial year ended 31st March 2012.

## **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.

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- 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 K Ramesh, Director and Sri R Srinivasan, 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 28, 2012

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. Replacement of old reciprocating compressors with energy efficient screw compressors with variable frequency drive.
  3. Introduction of variable frequency drive for forging machines.
  4. Redesign of heat treatment pre wash tank with low wattage heaters.
  5. Replacement of High wattage MH lamps with CFL lamps.
- 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 fully dense powder metal HSS components.
  - b) Development of HSS powders.
  - c) Development of higher size Turbo Charger Shafts for Marine / Heavy Engine applications.
  - d) Development of heat resistant steel fasteners.
2. Future plan of action:
  - a) Development of stainless steel powders.
  - b) Development of HSS powders.
  - c) Establishment of manganese phosphate coating.
  - d) Establishment of GEOMET coating.
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.

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4. Expenditure on Research & Development:

The Company has incurred expenditure amounting to Rs 1188.13 lakhs (Capital expenditure - Rs 76.61 lakhs and Revenue expenditure - Rs 1111.52 lakhs) towards Research and Development. The Expenditure on Research & Development as a percentage of turnover - 0.55%.

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 64,588.01 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 46,676 Lakhs |
| b) Foreign Exchange earned | Rs 64,910 Lakhs |

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

On behalf of the Board

Chennai  
May 28, 2012

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 7% (8.6%) and 2.8% (8.2%) respectively during the financial year 2011-12, reflecting a slower growth of the Indian economy than in the previous year.

The global economy grew very slowly with emerging economies registering a slow growth. The US economy showed better signs of growth; however various indices of the US economy fluctuated erratically making it difficult to arrive at a definite conclusion that economic recovery is under way. The European economies have been stressed due to financial crisis in a number of countries in the Euro zone with no immediate solution in sight.

During 2011-12, the automotive sector showed a decent growth. The following table shows the production trend of the industry :

| Category                            | Motor Vehicle Production (in nos) |                    |              |
|-------------------------------------|-----------------------------------|--------------------|--------------|
| Segment / Sub-segment               | 2011-12                           | 2010-11            | % Growth     |
| <b>I Passenger Vehicles (PVs)</b>   |                                   |                    |              |
| Passenger Cars                      | 25,13,990                         | 24,53,097          | 2.48         |
| Utility Vehicles (UVs)              | 3,72,648                          | 3,13,142           | 19.00        |
| Vans                                | 2,36,890                          | 2,16,533           | 9.40         |
| Total Passenger Vehicles (PVs)      | 31,23,528                         | 29,82,772          | 4.72         |
| <b>II Commercial Vehicles (CVs)</b> |                                   |                    |              |
| <u>M &amp; HCVs</u>                 |                                   |                    |              |
| Passenger Carriers                  | 53,340                            | 54,390             | -1.93        |
| Goods Carriers                      | 3,29,937                          | 2,91,428           | 13.21        |
| Total M & HCVs                      | 3,83,277                          | 3,45,818           | 11.08        |
| <u>LCVs</u>                         |                                   |                    |              |
| Passenger Carriers                  | 51,038                            | 44,795             | 13.94        |
| Goods Carriers                      | 4,77,259                          | 3,70,122           | 28.95        |
| Total LCVs                          | 5,28,297                          | 4,14,917           | 27.33        |
| Total Commercial Vehicles           | 9,11,574                          | 7,60,735           | 19.83        |
| <b>III Three Wheelers</b>           |                                   |                    |              |
| Passenger Carriers                  | 7,67,173                          | 6,96,984           | 10.07        |
| Goods Carriers                      | 1,10,538                          | 1,02,569           | 7.77         |
| Total Three Wheelers                | 8,77,711                          | 7,99,553           | 9.78         |
| <b>IV Two Wheelers</b>              |                                   |                    |              |
| Scooter / Scooterette               | 26,60,916                         | 21,34,585          | 24.66        |
| Motor cycle / step-throughs         | 1,20,06,950                       | 1,05,10,189        | 14.24        |
| Mopeds                              | 7,85,753                          | 7,04,575           | 11.52        |
| Total Two Wheelers                  | 1,54,53,619                       | 1,33,49,349        | 15.76        |
| <b>V Tractors</b>                   | 6,39,896                          | 5,48,397           | 16.68        |
| <b>Grand Total</b>                  | <b>2,10,06,328</b>                | <b>1,84,40,806</b> | <b>13.91</b> |

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The domestic market showed a record growth in the first half of the financial year. During the third quarter, there was a slow down. The fourth quarter witnessed a recovery in sales. There has been a perceptible shift in the type of production of Medium and Heavy commercial vehicles to large 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, MPV, LCVs and two-wheelers grew 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 growth of passenger vehicles.

There was an improvement in the sales of passenger cars during 2011 in the US and contraction in Europe. In the overseas markets, the CV industry has continued to struggle, with sales remaining at lower than peak levels. Growth levels in sales of passenger cars may remain muted during 2012 due to high levels of unemployment, increase in gasoline prices and volatile consumer confidence.

### **Domestic Sales**

Domestic sales increased to Rs. 1451 crores from Rs. 1294 crores, a growth of 12%. Demand from automotive OEMs fluctuated throughout the year. Aftermarket sales also showed growth as confidence levels of dealers improved resulting in higher off-take and stocking. Upsurge in petrol prices resulted in a shift towards diesel powered vehicles.

### **Exports**

The US markets showed signs of recovery and the confidence levels of the Company's customers improved perceptibly. European markets continued to be sluggish. Exports from all the major units showed sizable growth enabling the Company to post record sales of at Rs 646 crores as against Rs 479 crores in the previous year, an increase of 35%. Export sales were around 30% of the overall sales revenues. The Company's push for adding new products and new customers is expected to result in further improvement in exports in the near future. Volatility in exchange rates and slow recovery in demand from European customers are causes for concern.

### **Financial Performance**

Improved market conditions resulted in higher sales in all the units of the Company. Raw material prices increased steadily during the first half of the year. Input costs rose across the board, especially of petroleum based products. Non-availability of power due to scheduled power-cuts up to 40%, power holidays and unscheduled power outages forced the Company to purchase power and resort to self generation at higher costs. Wages increased as dearness allowance increased in line with the cost of living index. High levels of inflation had a direct impact on wage costs. The Company continued to be under pressure due to rising manufacturing costs. Freight rates also increased in line with increase in cost of diesel and other inputs related to the transportation industry.

The Company continues to adopt Total Productive Maintenance (TPM) practices in order to achieve a reasonable control over other operating expenses.

During the year, PBIDT (Profit before interest, foreign exchange fluctuation, depreciation and tax) was higher at Rs 313.16 crores as against Rs 234.45 crores in the previous year.

Steady rise in demand for the Company's products resulted in additional investments in working capital. The Company made substantial investments in creation of capacities for new products and additional capacities for manufacture of existing products to meet projected demand from domestic and international customers. These investments resulted in additional interest costs. Tight money policies followed by Reserve Bank of India resulted in steep increase in interest rates on Rupee borrowings and forward premiums in respect of foreign currency borrowings. Interest rates on foreign currency loans were volatile depending on the availability of dollar funds in the market. Financing costs including adverse foreign exchange variations of Rs 57.30 crores (Rs 8.69 crores) increased to 92.20 crores as against Rs 35.67 crores in the previous year. In line with the Accounting Standard AS-11 (dealing with the effects of change in foreign exchange rates) and to ensure the principles of consistency,

# Sundram Fasteners Limited

the Company recognises the exchange differences arising out of foreign currency denominated items as expenses or income in the Statement of Profit and Loss. It may be noted that even after providing for foreign exchange losses, the net borrowing costs of the Company would be more cost-effective than rupee loans on a door-to-door basis.

Depreciation was higher at Rs 63.61 crores (Rs 54.54 crores) on account of increased capital expenditure incurred over the recent years.

Profit before tax was higher at Rs 157.34 crores (Rs 144.25 crores). Profit after tax amounted to Rs 112.60 crores (Rs 105.43 crores).

## Summary of operating results

Rs lakhs

|   | 2011-12    | 2010-11    |
|---|------------|------------|
| Net Sales   | 214,663.52 | 181,071.66 |
| Other Income  | 1,807.43   | 436.75     |
| Total Income  | 216,470.95 | 181,508.41 |
| Total expenditure                                     | 185,155.19 | 158,063.44 |
| Profit before depreciation, interest and tax (PBDIT)  | 31,315.76  | 23,444.97  |
| Finance Cost  | 9,220.00   | 3,566.74   |
| Depreciation/Amortization                             | 6,361.31   | 5,453.72   |
| Profit before tax (PBT) and before extraordinary item | 15,734.45  | 14,424.51  |
| Extraordinary item (EOI)                              | —          | —          |
| Profit before tax (PBT)                               | 15,734.45  | 14,424.51  |
| Current tax   | 4,189.42   | 3,410.43   |
| Deferred tax  | 297.93     | 496.38     |
| Profit after tax (PAT)                                | 11,247.10  | 10,517.70  |
| Income Tax (paid) / refunds relating to earlier years | 12.77      | 24.87      |
| Profit after tax and prior period items               | 11,259.87  | 10,542.57  |

## Key Ratios

|  | 2011-12  | 2010-11  |
|--|----------|----------|
| PBDIT/Total Revenue                    | 14.5%    | 12.9%    |
| Raw Material/Total Revenue             | 46.8%    | 46.2%    |
| Operating expenses/Total Revenue       | 38.7%    | 40.9%    |
| PBIT/Total Revenue                     | 11.5%    | 9.9%     |
| PBT/Total Revenue                      | 7.3%     | 7.9%     |
| PAT/Total Revenue                      | 5.2%     | 5.8%     |
| ROCE (Avg. Capital Employed)           | 21.3%    | 18.6%    |
| RONW (Avg. Net Worth)                  | 18.9%    | 20.3%    |
| Economic Value Added (EVA) – Rs. lakhs | 6,945.29 | 3,805.53 |
| Incremental EVA – Rs lakhs             | 3,139.76 | 1,905.99 |

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## Subsidiaries

Subsidiaries other than German subsidiaries showed a vastly improved performance. German subsidiaries have been adversely affected by European financial crisis and negative growth in automotive and other industries.

## Subsidiaries

Rs Crores

| Particulars          | 2011-12        | 2010-11 |
|----------------------|----------------|---------|
| Sales & Other Income | <b>702.03</b>  | 536.81  |
| Cash Profit          | <b>18.29</b>   | 27.84   |
| Net Profit           | <b>(10.69)</b> | 7.57    |

## Capacities and Capital Expenditure

During the year, the Company has incurred Rs 137.73 crores towards capital expenditure on existing and new projects.

The Company has set up facilities at Mittamandagapet in Tamil Nadu for the manufacture of fasteners for use in Wind Energy Generators. Currently, a substantial portion of the demand of Indian Wind-turbine manufacturers is met through imports. Global demand for fasteners for Wind Energy industry will be quite high considering emphasis being placed on generation of clean power. Work on the Company's project for manufacture of sprockets at the factory at SEZ, Maraimalainagar has been completed and supplies have commenced.

The Company proposes to expand capacities further in the manufacture of all its products-lines. The Company also proposes to add secondary capacities to develop new products for its customers. The total capital expenditure commitments during 2012-13 are likely to be around Rs 150 crores, subject to market conditions and internal accruals.

## Research and Development

The Company focuses on up-gradation of existing products with added features and introduction of new products by continuous efforts on research and development (R&D) activities. The Company accords high priority to its R&D initiatives. The Company's R&D facilities at Padi and Velappanchavadi, Chennai and at Hosur have been granted recognition by the Department of Scientific and Industrial Research (DSIR), making the Company eligible for weighted deduction under Section 35 (2AB) of the Income Tax Act. The Company continues to make additional investment in R&D activities aimed at development of new products and processes and cost optimisation. The Company incurred capital expenditure of Rs 76.61 lakhs besides incurring revenue expenditure of Rs 1111.52 lakhs.

## Quality Systems, TPM and Cost reduction

All the major factories of the Company have obtained / retained certification according to the latest ISO/TS 16949-2002 standards.

The Company has adopted Total Productivity Maintenance (TPM) techniques for over a decade. This has helped the employees to break mental barriers and enabled "out of the box" thinking. Emphasis on cross functional employee participation and team work has resulted in improvement of quality, productivity and operational efficiency. The Company has been able to achieve increased equipment life span and reduce cost of maintenance and equipment downtime. Shop floor practices are under constant review with emphasis on cost control measures and waste reduction / elimination. Low cost automation and installation of visual control systems have lead to improved productivity / safety. Best practices and systems developed by the teams are horizontally deployed, wherever feasible, across the Company.

Various teams representing different units of the Company have won Kaizen competitions at all India level.

The Company has won many awards from its customers for supply of high quality products consistently over many years.

# Sundram Fasteners Limited

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## Human Resources and Industrial Relations

The Company recognises the important role of human resources in achieving its corporate objectives. In a rapidly growing economy, there is a great need for recruiting, nurturing and retaining talented employees. The Company has been following a methodical approach of recruiting talented engineers from campuses and training them intensively. The Company offers a professional work atmosphere and provides opportunities for focused learning experiences to employees to develop their potential into work related competencies. The physical infrastructure provided is on par with the best in industry. Clean environment and high safety standards are built into plant operations resulting in employees benefitting through reduced fatigue, high morale and improved job satisfaction. The HR initiatives like Mentoring and Training & Development provide a platform for systematically passing skills and experience of senior employees to their junior colleagues. Employees are encouraged and trained to make extensive use of IT systems for dissemination and analysis of information. Suggestion schemes and rewards ensure employee participation at all levels. A Performance Appraisal system is in place to help employees improve in their area of work. Thanks to its dedicated employees, the Company has been able to consistently meet customer requirements and establish a reputation for quality, services and cost-effective solutions.

The Company continues to engage its employees and their family members in celebrating local festivals and the Company's achievements. This helps to create awareness among the family members of the environment in which the employees work and a bonding with the Company.

The Company imparts free practical training in computers and soft skills to the children of employees, in addition to offering substantial scholarship grants to pursue higher education.

**The Company has maintained its excellent industrial relations record of not losing even a single day due to industrial action since its inception in 1966.**

## Health, Safety and Environment

The Company continues to accord the highest priority to the health and safety of its employees. The Company follows a policy of zero tolerance towards accidents. With this primary objective, the Company provides all facilities for a safe working environment. Accident statistics are monitored at the highest level on a monthly basis and safety practices are reviewed constantly. A number of best practices have been put in place to ensure prevention of accidents and maintenance of safety standards. As a part of the TPM methodologies the Company has implemented a system of regular communication, training, mock drills, periodic audit, internal and external, ensures that safety practices are adhered to without deviations. The Company's factories at Krishnapuram, Gummidipoondi and Velappanchavadi are accredited with OHSAS 18001:2007 certification from Bureau Veritas Quality International (BVQI).

The Company believes that every business unit should remain environmentally sustainable at all times. The Company has instituted systems for monitoring and controlling pollutants at all the factories, strictly complying with applicable environmental regulations and standards. The Company has installed adequate equipments to control air / water pollution and to treat effluents in all its factories. All the major factories of the Company have obtained certification for conformance to ISO 14001 standards.

The Company seeks to implement practices for resource conservation, particularly in the use of oil, water and electrical energy. As a part of the TPM process, periodic checks are conducted by in-house personnel and external experts to ensure continuous improvement in areas related to manufacturing processes and energy conservation. The Company has implemented rain water harvesting techniques in all factories and uses recycled water to the maximum extent possible. The Company has taken various initiatives to maintain developed green belts around its factories in all seasons.

## Risk Management

The Company is a leader in manufacture of automotive and engineering components. As a large scale manufacturer, the Company faces various internal and external risks.

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Internal risks relate to internal control, information systems and security of data, availability of appropriate human resources, industrial relations, pollution control, etc. The Company has taken steps to identify the risks with assistance from experienced professionals and instituted adequate measures for mitigation against potential disruptions and losses. Systems are in place for periodic review of the risks and to take counter measures to minimize the impact of such risks. Insurable risks such as public liability, product liability and product recall liability have been insured to the extent considered necessary.

External risks include market volatility, competition, price, credit, availability of inputs at reasonable costs, currency, interest rates, availability of finance and inflation.

Automotive industry serves as the barometer of economic activity. It is highly competitive and is subject to cyclical changes in demand. The Company mitigates the risk by supplying a wide variety of components to existing customers operating in different segments within the automobile industry. The risk of pressure on margins due to price competition is compensated by additional sales volumes wherever possible. The Company continuously works on increasing its customer-base, within and outside India, as a counterbalance to fluctuations in demand for its products.

Global demand and supply of steel determine availability and prices. Over the past few years, steel prices have steadily increased. While the Company attempts to keep the cost of inputs in check by diversifying its sources of supply, imported and indigenous, further steep increases may affect the profitability of the Company. Steady increases in costs of petroleum based products and shortfall in supply of power have been major causes for concern in recent months. The Company has made arrangements for buying power at market rates to meet shortfall in supply of power, subject to grid facilities being available.

The Company exposed to the risk of currency fluctuations arising out of its exports, imports and borrowings in foreign currency. The Company has an appropriate policy mechanism to limit the potential adverse impact of currency fluctuations.

The Company is susceptible to changes in financial markets affecting liquidity, interest rates and consumer confidence. Policy measures adopted by the Government of India and Reserve Bank of India will largely determine the availability and cost of funds. The Company hopes to limit the impact of the policy measures by judicious management of its capital expenditure programme and investments in working capital.

Double digit inflation in Consumer price index has resulted in steady increase in dearness allowances and allied benefits paid to employees. Inflation reduces the purchasing power of consumers and limits consumption driving industrial production to low levels, leaving an adverse impact on the economy of the country.

The Company periodically reviews the impact of the risks outlined above and takes remedial action to the extent possible.

### **Internal Control Systems**

The Company has adopted a "Code of Business Conduct", which is binding all its employees. The Company has an extensive and effective internal control system. The internal control system is designed to ensure proper accounting controls, safe-guarding of assets, generation of accurate and reliable data and monitoring of operations through speedy compilation of information and reports. Special emphasis is placed on compliance with company policies, laws and regulations.

The Company has an independent Internal Audit department that conducts regular audits. The efficacy of internal checks and control systems are validated by self-audits, verified during internal audits and periodically reviewed by senior management personnel. Statutory auditors also review the adequacy of internal audit.

The Company has instituted a system of budgetary controls and management reviews actual performance vis-a-budgets on a monthly basis.

The Audit Committee of the Board of Directors comprising independent directors regularly reviews the audit plans, significant audit findings, adequacy of internal controls and compliance with Accounting Standards.

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# Sundram Fasteners Limited

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## Foreign Subsidiaries

### China

Sundram Fasteners (Zhejiang) Limited (SFZL), China manufactures high tensile fasteners and bearing housings.

Sales and other income during the year 2011 amounted to RMB 118.390 million (Rs 8559.66 lakhs) as against RMB 86.432 million (Rs 5842.83 lakhs) during 2010. The operations resulted in a net profit of RMB 5.010 million (Rs 341.13 lakhs) as against a profit of RMB 4.964 million (Rs 336.21 lakhs) in 2010.

The business environment for SFZL's products appears to be encouraging. New products for existing customers and addition of new customers will enable SFZL to post sizable net profits in the coming years. SFZL has retained certifications according to ISO/TS 16949-2002 and ISO 9000-2000.

The company has so far invested USD 13 million (Rs 5,687.60 lakhs) in the Equity capital.

### Germany

German operations are carried out through 100% subsidiary companies viz. Peiner Umformtechnik GmbH (Peiner), TVS Peiner Services GmbH (TVSP) and PUT Grundstücks GmbH (PUTG). Peiner manufactures a wide range of standard and special fasteners catering to the automotive, industrial and construction sectors. TVSP is engaged in providing warehousing and logistical services. PUTG owns the land and buildings from where Peiner operates. The Company has invested Euro 8.724 million (Rs 4,822.12 lakhs) in Equity capital besides lending Euro 3.5 million (Rs 2327.43 lakhs) to meet short term requirements.

Revenues during the year 2011 amounted to Euro 66.923 million (Rs 43,867.76 lakhs) as against Euro 57,407 million (Rs 34,582.26 lakhs) during 2010. While there has been a vast improvement over the previous year, the operations resulted in a loss before depreciation and taxes of Euro 2.866 million (Rs -925.38 lakhs) as against loss of Euro 0.102 million (Rs -62.08 lakhs) during 2010. Loss after taxes amounts to Euro 4.270 million (Rs -2,881.91 lakhs) during 2011 as against Euro 1.241 million (Rs -743.38 lakhs) during 2010.

Uncertain economic conditions prevailing in Europe continued to impact German operations. There has been a slight improvement during 2011. Substantial improvement will only happen when European markets return to normal.

The Company has entered into a 50% joint venture with a German partner to set up a plant for manufacture of fasteners for Wind Energy Generators (WEG) and has invested Euro 3.0 million by way of equity capital and loans. As the emphasis on production of clean energy is likely gather pace after the shutdown of nuclear plants, demand for WEG is likely to increase. The facility located at Hohenstein in eastern part of Germany is expected to commence operations during the third quarter of calendar year 2012.

### UK Operations

Cramlington Precision Forge Limited (CPFL) UK, a 100% subsidiary of the Company, is engaged in manufacture of precision forged components for application in heavy vehicles for on-highway and off highway applications. The Company has invested GBP 1.9 million (Rs. 1,523.14 lakhs) in CPFL.

Sales and other income during the year 2011 amounted to GBP 9.345 million (Rs 7036.42 lakhs) as against GBP 6.235 million (Rs 4,389.99 lakhs) during 2010. CPFL made a net profit of GBP 0.913 million (Rs 722.76 lakhs) as against net profit of GBP 0.375 million (Rs 2265.80 lakhs) during 2010. CPFL paid dividends totalling GBP 2,40,000 during March 2012.

CPFL generated additional sales through new products introduced in earlier years. Increased volumes and cost control helped in achieving satisfactory results during 2011. Orders in the pipeline and development and manufacture of parts for a large new customer will help further improve capacity utilisation and the outlook for 2012 is encouraging.



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## **Indian Subsidiaries**

### **Upasana Engineering Limited**

Upasana Engineering Limited (UEL), a 100% subsidiary is engaged in the manufacture of spokes and nipples, dies and tools, automotive components and cold extruded components. During the year 2011-12, Sales and other income increased to Rs 8026.03 lakhs from Rs 6282.74 lakhs in the previous year, an increase of 24%. Domestic Sales increased to Rs 6374.01 lakhs from Rs 5190.51 lakhs in the previous year. Export Sales increased to Rs 1491.07 lakhs from Rs 986.29 lakhs. Profit after Tax, after amortisation of goodwill of Rs 85 lakhs (2010-11 - Rs 200 lakhs) amounted to Rs. 393.55 lakhs as against a net profit of Rs 134.30 lakhs in the previous year.

UEL's facility at Hosur for manufacture of cold extruded components has steadily improved its production and sales. With the introduction of additional parts and increased demand for existing products, UEL will show substantial improvement in performance over the next few years.

### **Sundram Bleistahl Limited**

Sundram Bleistahl Limited (SBL) is engaged in manufacture of sintered valve guides at its 100% export oriented unit at Hosur, Tamilnadu. Bleistahl Produktions GmbH and Co KG holds 24%. SBL caters to the needs of Bleistahl Productions GmbH & Co KG in Germany. During the year 2011-12, Sales and other income amounted to Rs 2352.09 lakhs as against Rs 2157.17 lakhs in the previous year. SBL made a net profit of Rs 198.20 lakhs as against a net profit of Rs 431.95 lakhs in the previous year. The performance of the Company will entirely depend on the general economic situation in Europe returning back to normal.

The Company has invested Rs 532 lakhs towards 76% of the Equity capital of the subsidiary.

### **Prospects, Risks and concerns**

Weak growth in industrial production and gross domestic product are matters causing concern in the short run. FY 2012-13 has started on a negative note caused by high inflation, rising input costs, power shortages, increase in excise duties, high interest rates, volatile currencies and global uncertainties. Despite all these setbacks, Indian market is expected to be resilient and post a growth of 7%. Growth in middle class population and high disposable incomes will result in additional demand for vehicles for transportation. Introduction of new fuel-efficient models and entry of new multi-national vehicle manufacturers will spur demand. Effective localisation will be a key to the success of vehicle manufacturers even as the volumes of production improve.

During 2012-13, the pace of growth in domestic market may moderate as the government slowly addresses various problems. Prospects for increasing exports appear to be bright. Long term prospects for the auto-component industry appear to be good.

The Company expects to improve its overall performance through development of new products for existing customers and by winning new customers besides increased exports.

Subsidiary companies are expected to show better performance during 2012-13.

### **Corporate Social Responsibilities**

The Company's factory at Krishnapuram, Virudhunagar District of Tamilnadu is located in an economically and socially backward area. The area is water-starved and agricultural income is very low.

The Company believes in sharing its prosperity with the society in which it operates, especially in an area where infrastructure facilities and hence opportunities for societal development are below par. The Company increased its spending substantially to provide contemporary facilities to children studying in the English medium high secondary co-educational school run under the auspices of Krishna Educational Society. There has been a steady increase in the number of children studying in the school and the drop-out ratio is negligible. Students of the school have performed exceptionally well in curricular and co-curricular activities. The Company provides



## Sundram Fasteners Limited

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scholarships to students to pursue higher studies including University education. The school also offers career guidance to students with assistance from professional bodies. The Company takes pride in the fact that the education provided to these children (especially to girls) and the values inculcated will have far-reaching impact over generations to come.

The Company offers medical facilities free of cost to villages near the Krishnapuram plant. The Company has adopted eight villages situated near the plant thereby benefitting about 2500 families through the programme. The Company provides regular medical facilities especially to women and children. The centre treats about 50-70 patients every day. Medical facilities include maternity services, nutritional supplementation, immunization, family planning, children's health, geriatric health and health education programmes. Health education programme covers a wide array of topics such as personal hygiene, food and nutrition, family planning, HIV awareness, child care, women's health and cancer.

The Company actively encourages its employees to regularly donate for charitable causes of their choice and provides support for channelizing such donations.

### **Cautionary Statement**

*Statements in this management discussion and analysis describing the Company's objectives, projections, estimates and expectations may be forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in the automobile industry, global or domestic or both, significant changes in political and economic environment in India or key markets abroad, tax laws, litigation, labour relations, foreign currency fluctuations and interest costs.*

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## CERTIFICATE

To the members of **Sundram Fasteners Limited**

We have examined the compliance of the conditions of Corporate Governance by **Sundram Fasteners Limited** ('the Company') for the year ended 31st March 2012, as stipulated in Clause 49 of the Listing Agreements of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion, and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreements.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For SUNDARAM & SRINIVASAN  
Regn. No. 004207S  
Chartered Accountants  
M BALASUBRAMANIAM  
Partner  
Membership No. F7945

Chennai  
May 28, 2012

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## REPORT ON CORPORATE GOVERNANCE (PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT)

### 1. Company's Philosophy on Code of Governance

The Company, in line with TVS philosophy, truly believes in independence, responsibility, transparency, professionalism, accountability and code of ethics, which are the basic principles of corporate governance. The Company always stressed in achieving optimum performance at all levels by adopting and adhering to best corporate governance practices. The Company has always focused on corporate governance as a means to maximize long-term stakeholders' value through disciplined and sustained growth and value creation.

The Company always strives hard to achieve establishment of internal controls and risk management; internal and external communications; and high standards of safety, health and environment management, accounting fidelity, product and service quality. The Company also believes that for a company to succeed, it must consistently maintain commendable standards of corporate conduct towards its employees, customers and society.

### 2. Board of Directors

- Composition of the Board

The Board consists of Ten Directors. The Board comprises Executive and Non-Executive Directors. The Chairman and Managing Director, Joint Managing Director and Whole-Time Director hold Executive positions. There are seven Non-Executive Directors, of whom five are independent. The Non-Executive Directors, use independent judgement in the Board deliberations and decisions.

The Company immensely benefits from the professional expertise of the independent Directors in their individual capacity as Independent Professional/Business Executives and through their invaluable experience in achieving corporate excellence.

The Company has not had any pecuniary relationship/transaction with any of the Non-Executive Directors other than those disclosed elsewhere.

# Sundram Fasteners Limited

- Number of Board Meetings

The Company, in consultation with the Directors, prepares and circulates a tentative annual calendar for the meetings of the Board and Board Committees in order to facilitate and assist the Directors to plan their schedules for the meetings.

There were four Board Meetings during the year ended 31<sup>st</sup> March 2012. These were on 30<sup>th</sup> May 2011, 5<sup>th</sup> August 2011, 9<sup>th</sup> November 2011 and 9<sup>th</sup> February 2012 and maximum interval between any two meetings was not more than 108 days.

- Directors' attendance record and directorships held

| Name of the Director                               | Attendance |     | No. of Directorships held in companies (including SFL) <sup>@</sup> | Committee Memberships (including SFL) # |        |
|--|------------|-----|---|---|--------|
|  | Board      | AGM |   | Chairman                                | Member |
| Sri Suresh Krishna<br>Chairman & Managing Director | 4          | Yes | 5   | –                                       | 2      |
| Ms Arathi Krishna<br>Joint Managing Director       | 4          | Yes | 1   | –                                       | –      |
| Ms Arundathi Krishna<br>Whole-Time Director        | 4          | Yes | 2   | 1                                       | –      |
| Sri K Ramesh                                       | –          | No  | 7   | –                                       | –      |
| Sri Venu Srinivasan                                | 1          | Yes | 14  | 1                                       | 3      |
| Sri V Narayanan                                    | 4          | Yes | 6   | 4                                       | 3      |
| Sri R Srinivasan                                   | 4          | Yes | 11  | 3                                       | 5      |
| Sri R Ramakrishnan                                 | 3          | Yes | 2   | 3                                       | 1      |
| Sri C V Karthik Narayanan                          | 3          | Yes | 1   | –                                       | –      |
| Sri M Raghupathy IAS (Retd.)                       | 4          | Yes | 2   | 1                                       | 1      |

Except Chairman and Managing Director, Joint Managing Director & Whole-Time Director all other Directors are Non-Executive Directors. Chairman and Managing Director, Joint Managing Director & Whole-Time Director are related inter-se. Sri K Ramesh, Director is related to Chairman and Managing Director.

<sup>@</sup> Excludes private, foreign companies and companies registered under Section 25 of the Companies Act, 1956.

# Includes only the membership of Audit and Shareholders'/Investors' Grievance & Share Transfer Committees.

None of the Directors is a member of more than ten Board-level Committees or Chairman of more than five such Committees, as required under Clause 49 of the listing agreement, across all companies in which they are directors.

All information as required under Annexure 1A to Clause 49 is being made available to the Board.

In terms of the Company's Corporate Governance Policy, all statutory and materially significant information are submitted either as a part of the agenda papers well in advance of the Board Meetings, or are tabled in the course of the Board Meetings to enable Directors to discharge their responsibilities of strategic supervision of the Company as trustees of the Shareholders.

- Code of Conduct

The Board of Directors has laid down a code of conduct for all Board members and senior management of the Company. The code of conduct is available on the website of the Company [www.sundram.com](http://www.sundram.com). All Board members and senior management personnel have affirmed compliance with the code of conduct. A declaration signed by the Chairman and Managing Director to this effect is enclosed at the end of this report.

- Prevention of Insider Trading

The Company has framed a code of conduct for Prevention of Insider Trading based on SEBI (Prohibition of Insider Trading) Regulations, 1992. This Code is applicable to all Board members/officers/designated

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employees. The code ensures the prevention of dealing in shares by persons having access to unpublished price sensitive information.

- **Secretarial Standards**

The Institute of Company Secretaries of India (ICSI) has laid down Standards on secretarial practices relating to meetings of the Board and Board Committees, General Meetings etc. Though these Standards are so far only recommendatory, the secretarial and the operating practices of the Company are in line with the above Secretarial Standards.

### **3. Audit Committee**

- **Composition of Audit Committee of the Board**

The Audit Committee consists of Sri R Srinivasan, Sri V Narayanan and Sri R Ramakrishnan, all non-executive independent Directors of the Company with Sri R Srinivasan as its Chairman.

- **Meetings and the attendance record of Committee Members**

The Audit Committee met five times during the year on 30<sup>th</sup> May 2011, 5<sup>th</sup> August 2011, 9<sup>th</sup> November 2011, 30<sup>th</sup> November 2011 and 9<sup>th</sup> February 2012. The attendance of each Member of the Committee is given below:

| Name of the Director | No. of meetings attended |
|----------------------|--------------------------|
| Sri R Srinivasan     | 5                        |
| Sri V Narayanan      | 5                        |
| Sri R Ramakrishnan   | 4                        |

Sri Suresh Krishna, Chairman and Managing Director, Ms Arathi Krishna, Joint Managing Director and Ms Arundathi Krishna, Whole-Time Director are permanent invitees.

The Statutory Auditors, Sri Sampathkumar Moorthy, Executive Director, Sri V V S Ramakrishnan, Deputy General Manager - Internal Audit and Sri S Meenakshisundaram, President - Finance, are invited to attend and participate at meetings of the Committee. Sri V G Jaganathan, Executive Director and Secretary, acts as Secretary of the Committee.

The Chairman of the Audit Committee was present at the Annual General Meeting held on 19<sup>th</sup> August 2011.

- **Brief description of terms of reference**

The Terms of Reference of Audit Committee cover the matters specified for Audit Committees under Clause 49 of the Listing Agreements as well as in Section 292A of the Companies Act, 1956. The role of Audit Committee is as prescribed under Clause 49(II)(D) of the Listing Agreements.

In addition to the above, the Audit Committee looks into controls and security of the Company's critical IT applications, the internal and statutory audit reports of all units/divisions and deviations, if any.

### **4. Remuneration to Directors**

- **Remuneration Committee and Remuneration Policy**

The Company has not set up a Remuneration Committee. The Board of Directors decides the remuneration of the Executive Directors viz. Chairman and Managing Director, Joint Managing Director and Whole-Time Director and of the Non-Executive Directors, subject to approval of Shareholders and Central Government, wherever applicable.

The non-Executive Directors are paid sitting fees as approved by the Board of Directors and as permitted under the relevant statutory provisions for every Board/Committee meeting, attended by them.

- **Remuneration to Directors**

The Remuneration paid/payable to the Chairman and Managing Director (CMD), Joint Managing Director (JMD) and Whole-Time Director (WTD) for the year ended 31st March 2012 are as follows:

Rs lakhs

| Particulars                      | CMD    | JMD    | WTD    |
|----------------------------------|--------|--------|--------|
| Salary                           | 48.00  | 42.00  | 24.00  |
| Commission                       | 310.00 | 310.00 | 155.00 |
| Perquisites and other allowances | 39.51  | 56.51  | 14.00  |
| Total                            | 397.51 | 408.51 | 193.00 |

# Sundram Fasteners Limited

The Remuneration paid to Non-Executive Directors for the year ended 31st March 2012 is as follows:

Rs lakhs

| Name of the Director      | Sitting Fee* – Rs. |
|---------------------------|--------------------|
| Sri Venu Srinivasan       | 0.20               |
| Sri V Narayanan           | 1.80               |
| Sri R Srinivasan          | 1.80               |
| Sri R Ramakrishnan        | 1.40               |
| Sri C V Karthik Narayanan | 0.60               |
| Sri M Raghupathy          | 0.80               |

\*Includes sitting fee paid for attending Committee Meetings.

## 5. Investor / Shareholder Grievance Committee

- Details of the Members, Compliance Officer, No. of Complaints received and pending and pending transfers as on close of the year ended 31st March 2012

The Share Transfer and Shareholder/Investor Grievance Committee comprises Sri R Ramakrishnan, Chairman, Sri Suresh Krishna and Sri Venu Srinivasan, as members. The Committee deals *inter alia* with redressal of investors/shareholders complaints.

Sri V G Jaganathan, Executive Director and Secretary, is the Compliance Officer of the Company.

During the year, 1453 queries and 10 complaints were received from shareholders/investors and other agencies, all of which have been resolved. No complaints of material nature were received during the year under review. The Company had 5 share transfer requests pending at the close of the financial year, which have been processed on 19<sup>th</sup> April 2012.

## 6. General Meetings

- Details of the location, date and time of the last three Annual General Meetings (AGM) and the details of the resolutions passed or to be passed by Postal Ballot:

| Year | Meeting | Location                   | Date       | Time     |
|------|---------|----------------------------|------------|----------|
| 2011 | AGM     | The Music Academy, Chennai | 19-08-2011 | 10.00 am |
| 2010 | AGM     | The Music Academy, Chennai | 20-08-2010 | 10.00 am |
| 2009 | AGM     | The Music Academy, Chennai | 20-08-2009 | 10.00 am |

The shareholders passed all the Resolutions including Special Resolution set out in the respective notices. No Postal Ballots were used for voting at these meetings. No Special Resolution is proposed to be passed by Postal Ballot at the ensuing Annual General Meeting.

- Brief background, functional experience of the Directors seeking appointment/re-appointment  
The details of Directors seeking re-appointment are provided in the Notice calling for the Annual General Meeting.

## 7. Disclosure

- Transactions where Directors may have a pecuniary interest  
All details relating to financial and commercial transactions where Directors may have a pecuniary interest are provided to the Board, and the interested Directors neither participate in the discussion, nor do they vote on such matters. In matters other than those involving pecuniary interest, the Directors are considered

to be interested to the extent of their shareholding in the Company and following is the status of their shareholding as on 31st March 2012:

| Name of the Director                               | Number of Equity Shares | % holding |
|--|-------------------------|-----------|
| Sri Suresh Krishna<br>Chairman & Managing Director | 36040                   | 0.0171    |
| Ms Arathi Krishna<br>Joint Managing Director       | 47040                   | 0.0223    |
| Ms Arundathi Krishna<br>Whole-Time Director        | 51840                   | 0.0247    |
| Sri K Ramesh                                       | 4000                    | 0.0019    |
| Sri Venu Srinivasan                                | –                       | –         |
| Sri V Narayanan                                    | 1200                    | 0.0005    |
| Sri R Srinivasan                                   | 9200                    | 0.0044    |
| Sri R Ramakrishnan                                 | 6400                    | 0.0030    |
| Sri C V Karthik Narayanan                          | –                       | –         |
| Sri M Raghupathy IAS (Retd.)                       | –                       | –         |

- **Materially significant related party transactions during the year ended 31<sup>st</sup> March 2012:**  
There were no materially significant related party transactions made by the Company with its Promoters, their subsidiaries, Directors or Management or relatives etc. that may have potential conflict with the interests of the Company at large. The Register of Contracts containing the transactions in which Directors are interested is placed before the Board regularly for its approval.
- **Accounting treatment**  
The Company follows Accounting Standards prescribed, by the Central Government in consultation with National Advisory Committee on Accounting Standards, under the Companies (Accounting Standards) Rules, 2006 and in the preparation of financial statements, the Company has not adopted a treatment different from that prescribed in any Accounting Standard.
- **Instances of non-compliance**  
There were no instances of non-compliance by the Company, penalties, and strictures imposed on the Company by the Stock Exchange or SEBI or any authority on any matter related to capital markets during the last three years.  
  
The Company has fully complied with all matters relating to the capital market and the listing agreements.  
  
The Company has complied with all mandatory requirements. Adoption of non-mandatory requirements is provided under item no. 10 of this report.

## 8. Means of Communication

- The quarterly, half yearly and annual results are published in widely circulating national and local dailies such as Business Line (in English) and Makkal Kural (in Tamil). These are not sent individually to the shareholders.
- The financial results are displayed on the website of the Company, [www.sundram.com](http://www.sundram.com)
- The website also displays official press releases. The Company has not made any presentation to institutional investors or to analysts.
- The Management Discussion and Analysis Report forms part of this Annual Report.

# Sundram Fasteners Limited

## 9. General Shareholder Information

|   |   |  |
|---|---|--|
| 1 | Annual General Meeting<br>Date, Time and Venue  | Friday, 17 <sup>th</sup> August 2012, 10.00 a.m.<br>The Music Academy, Chennai<br>168, TTK Road, Chennai 600 014   |
| 2 | Financial calendar  | (i) April 2012 to March 2013<br>(ii) First Quarter Results – on or before 15-8-2012<br>(iii) Half-yearly Results – on or before 15-11-2012<br>(iv) Third Quarter Results – on or before 15-2-2013<br>(v) Annual Results for the year ending 31 <sup>st</sup> March 2013 -<br>on or before 30-5-2013  |
| 3 | Record Date - 1 <sup>st</sup> interim<br>Record Date - 2 <sup>nd</sup> interim<br>Book Closure Date               | 17 <sup>th</sup> February 2012<br>8 <sup>th</sup> June 2012<br>3 <sup>rd</sup> August 2012 to 17 <sup>th</sup> August 2012 (both days inclusive)   |
| 4 | 1 <sup>st</sup> Interim Dividend<br>2 <sup>nd</sup> Interim Dividend<br>Final Dividend (if any)<br>Payment Date   | Paid on 27-02-2012<br>Payable on 15-06-2012<br><br>–   |
| 5 | Listing of Equity Shares on<br>Stock Exchanges  | The Equity Shares of the Company are listed on Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE) and Madras Stock Exchange Limited (MSE).<br>The Company has paid the annual listing fees due to the Stock Exchanges for the year 2012-2013.   |
| 6 | Registrar and Transfer Agents   | Integrated Enterprises (India) Limited, Kences Towers, 2 <sup>nd</sup> Floor, No. 1, Ramakrishna Street, North Usman Road, T Nagar, Chennai 600 017 are acting as common agency for all investor-servicing activities relating to both electronic and physical segments.   |
| 7 | Stock Code – Physical<br><br>The ISIN No. for Company's<br>Equity Shares in Demat form<br>Depository Connectivity | SFS – Madras Stock Exchange Limited (MSE)<br>Code: 500403 – Bombay Stock Exchange Ltd (BSE)<br>SUNDRMFAST – National Stock Exchange of India Ltd<br>INE 387A01021<br><br>National Securities Depository Limited (NSDL)<br>Central Depository Services (India) Limited (CDSL)   |
| 8 | Share Transfer System   | All the transfers in physical form are processed and approved by the Share Transfer and Shareholder/Investor Grievance Committee and/or the Board. Share transfer/Remat requests are processed within a period of 25 days from the date of receipt. Demat requests are processed within a period of 10 days from the date of receipt.<br>The Company's Registrar and Share Transfer Agent, Integrated Enterprises (India) Limited (IEL) has adequate infrastructure to |

## 9. General Shareholder Information (Contd.)

|    |  |  |
|----|--|--|
|    |  | <p>process the share transfers. The Committee approves the transfers etc. as required from time to time.</p> <p>In compliance with the Listing / SEBI Guidelines –</p> <ul style="list-style-type: none"> <li>• A Practising Company Secretary carries out Reconciliation of Share Capital Audit on 'Dematerialised Equity Shares and Equity Shares in physical form' every quarter and the necessary Reports are taken on record by the Board and also filed with the Stock Exchanges. The Equity Shares in Dematerialised form and Physical form tally with the issued/ paid-up and listed capital of the Company.</li> <li>• A Practising Company Secretary carries out a Due Diligence survey, pertaining to share transfers every six months and necessary certificates to that effect are issued and the same are filed with the Stock Exchanges.</li> </ul> |
| 9  | Pattern of Shareholding as on 31 <sup>st</sup> March 2012  | Data in statement form – Enclosed  |
| 10 | Distribution of shareholding as on 31 <sup>st</sup> March 2012   | Data in statement form – Enclosed  |
| 11 | Share Performance  | <p>Share Price Vs BSE Index – Graph form - Enclosed</p> <p>Share Price Vs NSE Index – Graph form - Enclosed</p>  |
| 12 | Share Price Data – High/Low  | <p>BSE – Data in statement form - Enclosed</p> <p>NSE – Data in statement form – Enclosed</p>  |
| 13 | <p>Dematerialization of shares and liquidity</p> <p>Details of public funding obtained in the last three years</p> <p>Outstanding GDRs/ADRs/ Warrants or any convertible instruments</p> | <p>Shares of the Company can be held and traded in electronic form. As stipulated by SEBI, the shares of the Company are accepted in the Stock Exchanges for delivery compulsorily only in dematerialized form.</p> <p>96.14% of total equity capital (including holding of promoter companies) is held in dematerialized form with NSDL and CDSL as on 31<sup>st</sup> March 2012.</p> <p>Shares of the Company are actively traded in the Bombay Stock Exchange and National Stock Exchange, and hence have good liquidity.</p> <p>No capital has been raised in the last three years.</p> <p>Not issued.</p>  |



# Sundram Fasteners Limited

## 9. General Shareholder Information (Contd.)

|    |   |   |
|----|---|---|
|    | Registrar and Share Transfer Agent of the Company | Integrated Enterprises (India) Limited<br>'Kences Towers' 2 <sup>nd</sup> Floor<br>No. 1 Ramakrishna Street<br>North Usman Road, T Nagar<br>Chennai 600 017<br>Telephone: 044-28140801 – 803<br>Fax: 044-28142479, 28143378<br>E-mail: corpserve@integratedindia.in   |
| 14 | Sub-division of Shares                            | Each equity share of face value of Rs 10 was subdivided into 10 equity shares of Re 1 each, effective 2 <sup>nd</sup> February 2004. Following the sub-division and issue of bonus equity shares, there has been a significant increase in the number of shareholders.  |
| 15 | Plant Locations                                   | <p><u>Tamil Nadu</u></p> <ol style="list-style-type: none"> <li>1) Padi, Chennai 600 050, Chengleput District</li> <li>2) Harita, Hosur 635 109, Krishnagiri District</li> <li>3) Krishnapuram, Aviyur 626 160, Virudhunagar District</li> <li>4) Mittamandagapet Village 605 106, Villupuram District</li> <li>5) Velappanchavadi, Chennai 600 077</li> <li>6) SIPCOT Industrial Complex, Gummidipoondi 601 021</li> <li>7) Auto Ancillary SEZ, Mahindra World City, Natham Sub Post, Chengleput, Kancheepuram District 603 002</li> </ol> <p><u>Puducherry (Pondicherry)</u></p> <ol style="list-style-type: none"> <li>8) Korkadu, Nettapakkam Commune, Bahur Taluk Puducherry 605 110</li> </ol> <p><u>Andhra Pradesh</u></p> <ol style="list-style-type: none"> <li>9) Bonthapally Village 502 313, Medak District</li> </ol> <p><u>Uttarakhand</u></p> <ol style="list-style-type: none"> <li>10) Pantnagar, Integrated Industrial Estate Rudrapur, Dist. Udam Singh Nagar Uttarakhand 263 153</li> </ol> |

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## 9. General Shareholder Information (Contd.)

|    |  |   |
|----|--|---|
| 16 | Address for communication                                | Sundram Fasteners Limited<br>98A, 7 <sup>th</sup> Floor, Dr Radhakrishnan Salai<br>Mylapore, Chennai 600 004<br>Telephone: 044-28478500<br>Fax: 044-28478510<br>E-mail: <a href="mailto:csn@corp.sfl.co.in">csn@corp.sfl.co.in</a><br><br>Shareholders holding shares in electronic form should address all their correspondence relating to change in address/ instructions re: dividend etc. to their respective <b>Depository Participant (DP)</b> . |
| 17 | Compliance Officer                                       | Sri V G Jaganathan<br>Executive Director and Secretary<br>98A, 7 <sup>th</sup> Floor, Dr Radhakrishnan Salai<br>Mylapore, Chennai 600 004<br>Phone: 044 – 28478500<br>Fax: 044 – 28478510<br>E-mail: <a href="mailto:vgj@corp.sfl.co.in">vgj@corp.sfl.co.in</a>   |
| 18 | Exclusive E-mail id for redressal of investor complaints | In terms of Clause 47(f) of the Listing Agreement, investors may use the E-mail id: <a href="mailto:investorshelpdesk@corp.sfl.co.in">investorshelpdesk@corp.sfl.co.in</a> for redressal of complaints.   |
| 19 | Website  | <a href="http://www.sundram.com">www.sundram.com</a>  |

## 10. NON-MANDATORY REQUIREMENTS

### 1) The Board

All the Independent Directors contribute effectively to the business carried on by the Company. In the opinion of the Board, it is not necessary to limit the aggregate tenure of each of the Directors.

### 2) Remuneration Committee

The remuneration package of Executive Directors viz. Chairman and Managing Director, Joint Managing Director, Whole-Time Director are determined by the Board. As per the requirement under the Companies Act, 1956, the Executive Directors neither participate in the discussion nor do they vote on such Resolutions while considering their remuneration package by the Board. In the opinion of the Board, there is no conflict of interest in determination of remuneration package to Executive Directors.

### 3) Shareholder Rights

The quarterly/annual results, after they are taken on record by the Board of Directors, are forthwith sent to the Stock Exchanges with whom the Company has listing arrangements. The results, in prescribed pro-forma, are published in Business Line (English) and Makkal Kural (Tamil) newspapers.

## 10. NON-MANDATORY REQUIREMENTS (Contd.)

### 4) Audit Qualification

There is no Audit Qualification by the Statutory Auditors.

### 5) Training of Board Members/Mechanism for evaluating non-executive Board Members

All the Non-executive (including independent) Directors are having rich experience and expertise in functional areas of manufacturing, operations, finance and sales and marketing. They are also members on the Board of other Companies. All of them actively take part in the deliberations at the Board Meetings and contribute effectively to the business. In the opinion of the Board neither training of Board members nor any evaluation is required.

### 6) Whistle Blower Policy

The Company has a mechanism for employees to report to the management concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of business conduct and ethics. However, a policy framework will be established at the appropriate time.

## 11. Auditor's Certificate on Corporate Governance

As required by Clause 49 of the listing agreement, the Auditor's Certificate is given as an annexure to the Directors' Report.

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28th May 2012

To the members of Sundram Fasteners Limited

### DECLARATION TO THE MEMBERS PURSUANT TO CLAUSE 49(I)(D)(ii) OF THE LISTING AGREEMENT

I, Suresh Krishna, Chairman & Managing Director, hereby declare that all Board members and senior management personnel have affirmed compliance with the Code of Business Conduct and Ethics formulated by the Company for the financial year ended March 31, 2012.

SURESH KRISHNA  
Chairman & Managing Director

### Categories of Shareholding as on 31<sup>st</sup> March 2012

| Category                                      | Shares             | % holding     |
|---|--------------------|---------------|
| Promoter Companies                            | 104,085,280        | 49.53         |
| Mutual Funds                                  | 24,296,530         | 11.56         |
| Insurance Cos, Financial Institutions & Banks | 18,970,539         | 9.03          |
| Foreign Institutional Investors               | 1,009,343          | 0.48          |
| Public/Private limited companies              | 3,918,997          | 1.87          |
| Non-resident Indians & Foreign Nationals      | 1,094,063          | 0.52          |
| Resident Individuals                          | 56,753,618         | 27.01         |
| <b>Total</b>                                  | <b>210,128,370</b> | <b>100.00</b> |

### Distribution of Shareholding as on 31<sup>st</sup> March 2012

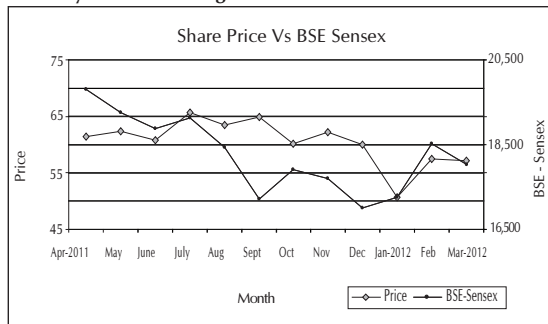
| Number of Shares | Shareholders  |               | No. of shares      |               |
|------------------|---------------|---------------|--------------------|---------------|
|                  | Number        | %             | Number             | %             |
| upto 100         | 12,807        | 30.51         | 740,949            | 0.35          |
| 101 - 250        | 7,038         | 16.76         | 1,277,766          | 0.61          |
| 251 - 500        | 6,659         | 15.86         | 2,661,353          | 1.27          |
| 501 - 1,000      | 4,468         | 10.64         | 3,641,909          | 1.73          |
| 1,001 - 5,000    | 9,374         | 22.33         | 22,804,243         | 10.85         |
| 5,001 - 10,000   | 1,057         | 2.52          | 7,636,517          | 3.63          |
| 10,001 and above | 579           | 1.38          | 171,365,633        | 81.55         |
| <b>Total</b>     | <b>41,982</b> | <b>100.00</b> | <b>210,128,370</b> | <b>100.00</b> |
| Physical Mode    | 5,509         | 13.12         | 8,111,283          | 3.86          |
| Demat Mode       | 36,473        | 86.88         | 202,017,087        | 96.14         |
| <b>Total</b>     | <b>41,982</b> | <b>100.00</b> | <b>210,128,370</b> | <b>100.00</b> |

### Share Price Data

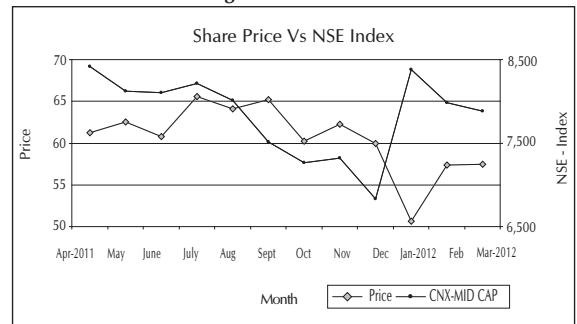
| Month          | Bombay Stock Exchange Ltd. |       |                |        | National Stock Exchange of India Ltd. |       |                     |       |
|----------------|----------------------------|-------|----------------|--------|---------------------------------------|-------|---------------------|-------|
|                | Price - Rs                 |       | Index - Sensex |        | Price - Rs                            |       | Index - CNX Mid Cap |       |
|                | High                       | Low   | High           | Low    | High                                  | Low   | High                | Low   |
| April-2011     | 61.50                      | 52.80 | 19,811         | 18,976 | 61.20                                 | 52.95 | 8,419               | 8,129 |
| May-2011       | 62.30                      | 57.50 | 19,254         | 17,786 | 62.50                                 | 57.60 | 8,120               | 7,751 |
| June-2011      | 60.80                      | 58.15 | 18,873         | 17,314 | 60.75                                 | 58.00 | 8,103               | 7,632 |
| July-2011      | 65.65                      | 58.50 | 19,132         | 18,132 | 65.60                                 | 58.55 | 8,215               | 8,005 |
| August-2011    | 63.50                      | 56.15 | 18,440         | 15,766 | 64.10                                 | 56.65 | 8,007               | 7,044 |
| September-2011 | 64.90                      | 59.30 | 17,212         | 15,801 | 65.25                                 | 59.20 | 7,513               | 7,072 |
| October-2011   | 60.20                      | 57.30 | 17,908         | 15,745 | 60.20                                 | 57.20 | 7,267               | 6,824 |
| November-2011  | 62.15                      | 58.35 | 17,702         | 15,479 | 62.25                                 | 58.30 | 7,323               | 6,467 |
| December-2011  | 60.00                      | 47.90 | 17,004         | 15,136 | 59.95                                 | 48.20 | 6,835               | 6,037 |
| January-2012   | 50.75                      | 47.60 | 17,259         | 15,358 | 50.60                                 | 47.70 | 8,377               | 6,096 |
| February-2012  | 57.45                      | 51.40 | 18,524         | 17,062 | 57.40                                 | 51.10 | 7,981               | 7,188 |
| March-2012     | 57.15                      | 51.30 | 18,041         | 16,921 | 57.50                                 | 51.45 | 7,886               | 7,468 |

Source: (Stock Exch - Web-site)

### Bombay Stock Exchange Ltd.



### National Stock Exchange of India Ltd.



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**AUDITORS' REPORT TO THE MEMBERS OF SUNDRAM FASTENERS LIMITED, CHENNAI FOR  
THE YEAR ENDED MARCH 31, 2012**

1. We have audited the attached Balance Sheet of M/s Sundram Fasteners Limited, Chennai 600 004 as at 31st March 2012, the Statement of Profit & Loss and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted the audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the Act), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order to the extent applicable.
4. Further to our comments in the Annexure referred to above, we state that:
  - (i) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - (ii) In our opinion proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books;
  - (iii) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
  - (v) On the basis of written representations received from directors of the Company, as on 31st March 2012 and taken on record by the Board of Directors, we report that no director is disqualified from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act as on the said date;
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies, and other notes thereon give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2012;
    - (b) In the case of the Statement of Profit & Loss, of the profit for the year ended on that date; and
    - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For SUNDARAM & SRINIVASAN  
Regn. No. 004207S  
Chartered Accountants

M BALASUBRAMANIAM  
Partner  
Membership No. F7945

Chennai  
May 28, 2012

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### **Annexure referred to in para 3 of our report of even date**

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification at reasonable intervals, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed off substantial part of its fixed assets, which will affect the going concern status of the company.
- (ii) (a) The inventory other than in transit have been physically verified at reasonable intervals during the year by the management. In our opinion, the frequency of such verification is adequate. In respect of inventory lying with third parties which have not been physically verified, there is a process of obtaining confirmation from such parties.
- (b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion, the Company has maintained proper records of inventory. The discrepancies between the physical stocks and book stocks were not material and have been properly dealt with in the books of account.
- (iii) (a) The Company has granted unsecured loan to wholly-owned subsidiary company covered in the Register maintained under Section 301 of the Act. The maximum amount involved during the year and at the end of the year was Rs.2267.30 lakhs. The terms and conditions of such loans are, prima facie, not prejudicial to the interests of the company.
- (b) The Company has not taken any loans secured or unsecured from Companies, firms or other parties covered in the Register maintained under Section 301 of the Act, 1956 and accordingly paragraphs 4 (iii) (b), (c), (d), (e), (f) and (g) are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and for the sale of goods. During the course of our audit, no major continuing failure has been noticed in the internal control procedures.
- (v) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered in the register maintained in pursuance of Section 301 of the Act have been properly entered in the said register;
- (b) In our opinion and according to the information and explanations given to us, the transactions entered in the Register maintained under Section 301 of the Act and exceeding Rupees five lakhs during the year in respect of each party have been made at prices which are reasonable having regard to prevailing market prices at the relevant time;
- (vi) The Company has not accepted any deposits from the public.

**Annexure referred to in para 3 of our report of even date (Contd.)**

- (vii) The Company has an internal audit system which, in our opinion, is commensurate with the size and nature of its business;
- (viii) We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government under Section 209 (1)(d) of the Act for maintenance of cost records and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) According to the records provided to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues with the appropriate authorities. However, certain delays were noticed in respect of remittance of Employees' State Insurance and tax deducted at source on salary and sub-contract payments into government.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty and Cess were in arrears, as at 31st March 2012 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, the following are the details of the disputed Income Tax, Customs Duty, Service Tax, Excise Duty and Property Tax that was not paid to the concerned authorities.

| Nature of demand  | Amount (Rs lakhs) | Forum where the dispute is pending              |
|-------------------|-------------------|---|
| Income Tax        | 19.64             | High Court of Judicature at Madras              |
| Income Tax        | 20.38             | Income Tax Appellate Tribunal                   |
| Income Tax        | 1.38              | Commissioner of Income Tax (Appeals)            |
| Income Tax        | 0.95              | Assessing Officer                               |
| Excise Duty       | 505.11            | Central Excise & Service Tax Appellate Tribunal |
| Excise Duty       | 92.16             | Commissioner Appeals                            |
| Excise Duty       | 2.23              | High Court of Judicature at Madras              |
| Property Tax      | 50.67             | Commissioner & Secretary to Govt of Tamil Nadu  |
| Central Sales Tax | 0.03              | Commercial Tax Officer                          |
| Sales Tax / VAT   | 657.74            | Joint Commissioner - Commercial Tax             |
| Central Sales Tax | 33.30             | Sales Tax Appellate Tribunal                    |
| Service Tax       | 40.17             | Central Excise & Service Tax Appellate Tribunal |
| Service Tax       | 16.27             | Commissioner Appeals                            |

- (x) The Company neither has accumulated losses as at the end of the financial year nor has incurred cash losses during the financial year and in the immediately preceding year.
- (xi) According to the records of the Company examined by us and the information and explanations given to us by the management, the Company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date.
- (xii) Based on our examination and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

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**Annexure referred to in para 3 of our report of even date (Contd.)**

- (xiii) The Company is not a chit fund/nidhi/mutual benefit fund/society and clause (xiii) of the Order is not applicable.
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments other than in the units of mutual funds in respect of which the Company is maintaining adequate and proper records.
- (xv) The Company has given guarantee to banks and financial institutions for loans taken by Subsidiary Companies and also housing loans availed by its employees. The terms and conditions of such guarantees are not prejudicial to the interests of the Company.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they have been obtained.
- (xvii) On the basis of our examination of the Balance sheet of the Company and according to the explanations given to us, in our opinion, funds raised on short term basis have not been used for long term investment.
- (xviii) The Company has not allotted any shares on preferential basis to parties and companies covered in the Register maintained under section 301 of the Act.
- (xix) The Company has not issued any secured debentures;
- (xx) The Company has not raised any money by issue of shares to the public.
- (xxi) During the course of examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have not come across any instance of fraud by the Company. As regards fraud on the Company reference may be made to Note 22A to the financial statements.

Chennai  
May 28, 2012

For SUNDARAM & SRINIVASAN  
Regn. No. 0042075  
Chartered Accountants  
M BALASUBRAMANIAM  
Partner  
Membership No. F7945



# Sundram Fasteners Limited

## BALANCE SHEET AS AT 31ST MARCH 2012

|                                    |      |                    |                    | Rs lakhs   |
|------------------------------------|------|--------------------|--------------------|------------|
|                                    | Note | As at<br>31-3-2012 | As at<br>31-3-2011 |            |
| <b>I EQUITY AND LIABILITIES</b>    |      |                    |                    |            |
| <b>1. Shareholders' Funds</b>      |      |                    |                    |            |
| (a) Share Capital                  | 1    | 2,101.28           | 2,101.28           |            |
| (b) Reserves & Surplus             | 2    | 61,244.70          | 53,393.68          | 55,494.96  |
|                                    |      | <b>63,345.98</b>   |                    |            |
| <b>2. Non-Current Liabilities</b>  |      |                    |                    |            |
| (a) Long-term Borrowings           | 3    | 25,591.43          | 28,714.35          |            |
| (b) Deferred Tax Liabilities (Net) | 4    | 8,931.01           | 8,633.08           |            |
| (c) Long-term Provisions           | 7    | 350.53             | 400.21             | 37,747.64  |
|                                    |      | <b>34,872.97</b>   |                    |            |
| <b>3. Current Liabilities</b>      |      |                    |                    |            |
| (a) Short-term Borrowings          | 3    | 43,995.72          | 35,640.59          |            |
| (b) Trade Payables                 | 5    | 16,389.67          | 13,647.18          |            |
| (c) Other Current Liabilities      | 6    | 19,541.75          | 15,881.54          |            |
| (d) Short-term Provisions          | 7    | 2,791.96           | 1,824.71           | 66,994.02  |
|                                    |      | <b>82,719.10</b>   |                    |            |
| Total                              |      | <b>180,938.05</b>  |                    | 160,236.62 |
| <b>II ASSETS</b>                   |      |                    |                    |            |
| <b>1. Non-Current Assets</b>       |      |                    |                    |            |
| (a) Fixed Assets                   |      |                    |                    |            |
| i) Tangible Assets                 | 8    | 67,115.73          | 60,506.30          |            |
| ii) Intangible Assets              | 8    | 163.57             | 274.62             |            |
| iii) Capital work-in-progress      | 8    | 4,009.09           | 3,175.36           |            |
| (b) Non-current Investments        | 9    | 14,157.96          | 14,236.74          |            |
| (c) Long-term Loans and Advances   | 10   | 3,320.68           | 2,677.81           |            |
| (d) Other Non-current Assets       | 11   | 45.78              | 45.78              | 80,916.61  |
|                                    |      | <b>88,812.81</b>   |                    |            |
| <b>2. Current Assets</b>           |      |                    |                    |            |
| (a) Current Investments            | 9    | 105.00             | —                  |            |
| (b) Inventories                    | 12   | 32,397.69          | 28,693.11          |            |
| (c) Trade Receivables              | 13   | 43,352.09          | 36,454.53          |            |
| (d) Cash and Cash Equivalents      | 14   | 671.31             | 813.11             |            |
| (e) Short-term Loans and Advances  | 10   | 15,543.83          | 13,352.39          |            |
| (f) Other Current Assets           | 11   | 55.32              | 6.87               | 79,320.01  |
|                                    |      | <b>92,125.24</b>   |                    |            |
| Total                              |      | <b>180,938.05</b>  |                    | 160,236.62 |

The notes form an integral part of the Financial Statements.

ARUNDATHI KRISHNA  
Whole-Time Director

ARATHI KRISHNA  
Joint Managing Director

SURESH KRISHNA  
Chairman & Managing Director

V G JAGANATHAN  
Secretary

VENU SRINIVASAN  
V NARAYANAN  
R SRINIVASAN  
R RAMAKRISHNAN  
Directors

As per our report annexed  
For SUNDARAM & SRINIVASAN  
Regn. No. 004207S  
Chartered Accountants  
M BALASUBRAMANIAM  
Partner  
Membership No. F7945

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2012

|  |      |                                 | Rs lakhs                |
|--|------|---------------------------------|-------------------------|
|  | Note | <b>Year ended<br/>31-3-2012</b> | Year ended<br>31-3-2011 |
| I. Revenue from Operations   | 15   | <b>214,663.52</b>               | 181,071.66              |
| II. Other Income   | 16   | <b>1,807.43</b>                 | 436.75                  |
| III. Total Revenue   |      | <b><u>216,470.95</u></b>        | <u>181,508.41</u>       |
| IV. <b>EXPENSES</b>  |      |                                 |                         |
| Cost of Materials Consumed   | 17   | <b>105,322.81</b>               | 86,488.03               |
| Changes in Inventories of Finished Goods, Work-in-Process and Stock-in-Trade       | 18   | <b>(3,981.04)</b>               | (2,599.19)              |
| Employee Benefit Expense   | 19   | <b>18,424.31</b>                | 15,896.62               |
| Finance Costs  | 20   | <b>9,220.00</b>                 | 3,566.74                |
| Depreciation and Amortization Expenses   | 8    | <b>6,361.31</b>                 | 5,453.72                |
| Other Expenses   | 21   | <b>65,389.11</b>                | 58,277.98               |
| Total Expenses   |      | <b><u>200,736.50</u></b>        | <u>167,083.90</u>       |
| V. <b>Profit before exceptional and extraordinary items and tax (III - IV)</b>     |      | <b>15,734.45</b>                | 14,424.51               |
| VI. Exceptional Items  |      | —                               | —                       |
| VII. <b>Profit before extraordinary items and tax (V - VI)</b>                     |      | <b>15,734.45</b>                | 14,424.51               |
| VIII. Extraordinary Items  |      | —                               | —                       |
| IX. <b>Profit before tax (VII - VIII)</b>  |      | <b>15,734.45</b>                | 14,424.51               |
| X. Tax expense :   |      |                                 |                         |
| 1. Current Tax   |      | <b>4,189.42</b>                 | 3,410.43                |
| 2. Deferred Tax  |      | <b>297.93</b>                   | 496.38                  |
| 3. Earlier years   |      | <b>(12.77)</b>                  | (24.87)                 |
| XI. <b>Profit (Loss) for the period from continuing operations (IX - X)</b>        |      | <b><u>11,259.87</u></b>         | <u>10,542.57</u>        |
| XII. Profit / (Loss) from discontinuing operations                                 |      | —                               | —                       |
| XIII. Tax expense of discontinuing operations                                      |      | —                               | —                       |
| XIV. <b>Profit / (Loss) from Discontinuing operations (after tax) (XII - XIII)</b> |      | —                               | —                       |
| XV. <b>Profit (Loss) for the period (XI + XIV)</b>                                 |      | <b>11,259.87</b>                | 10,542.57               |
| XVI. Earnings per equity share :   |      |                                 |                         |
| 1. Basic   |      | <b>5.36</b>                     | 5.02                    |
| 2. Diluted   |      | <b>5.36</b>                     | 5.02                    |
| 3. No. of Shares   |      | <b>210,128,370</b>              | 210,128,370             |

The notes form an integral part of the Financial Statements.

ARUNDATHI KRISHNA  
Whole-Time Director

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V NARAYANAN  
R SRINIVASAN  
R RAMAKRISHNAN  
Directors

As per our report annexed  
For SUNDARAM & SRINIVASAN  
Regn. No. 004207S  
Chartered Accountants  
M BALASUBRAMANIAM  
Partner  
Membership No. F7945

Chennai  
May 28, 2012

# Sundram Fasteners Limited

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

|   | As at<br>31-3-2012 | Rs lakhs<br>As at<br>31-3-2011 |
|---|--------------------|--------------------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>                           |                    |                                |
| Net Profit before Tax   | 15,734.45          | 14,424.51                      |
| Adjustments for:  |                    |                                |
| Depreciation  | 6,361.31           | 5,453.72                       |
| Interest expense (Net)  | 5,068.28           | 3,626.28                       |
| (Profit)/loss on Sale of Investments                                    | (52.69)            | (29.44)                        |
| (Profit)/Loss on sale of Assets (Net)                                   | 35.20              | (26.50)                        |
| Dividend received   | (241.07)           | (44.31)                        |
| Unrealised Exchange (gain)/loss   | 3,776.05           | (352.54)                       |
|   | <u>14,947.08</u>   | <u>8,627.21</u>                |
| Operating Profit before Extra-ordinary items & Working Capital changes: | 30,681.53          | 23,051.72                      |
| Adjustments for Changes in Working Capital:                             |                    |                                |
| Trade and other receivables   | (9,698.69)         | (14,058.76)                    |
| Inventories   | (3,704.58)         | (7,740.48)                     |
| Trade and other payables  | 4,358.15           | 1,849.40                       |
|   | <u>(9,045.12)</u>  | <u>(19,949.84)</u>             |
| Cash Generated From Operations  | 21,636.41          | 3,101.88                       |
| Less: Direct Taxes Paid (Net)   | 4,258.29           | 2,713.86                       |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>                               | <u>17,378.12</u>   | <u>388.02</u>                  |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>                           |                    |                                |
| Purchase of Fixed Assets  | (13,773.39)        | (12,844.52)                    |
| Sale of Fixed Assets  | 44.77              | 255.58                         |
| Sale of Investments   | 49,052.69          | 40,857.13                      |
| Purchase of Investments   | (49,026.22)        | (40,825.00)                    |
| Interest received   | 375.67             | 293.00                         |
| Dividend received   | 241.07             | 44.31                          |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                            | <u>(13,085.41)</u> | <u>(12,219.50)</u>             |

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012 (Contd.)

|   | As at<br>31-3-2012 | Rs lakhs<br>As at<br>31-3-2011 |
|---|--------------------|--------------------------------|
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>                 |                    |                                |
| Term Loans raised during the year#                            | 7,788.80           | 17,414.11                      |
| Term Loans Repaid during the year                             | (10,606.41)        | (5,509.81)                     |
| Proceeds from working capital loans (net of payments)*        | 6,950.51           | 6,618.73                       |
| Interest paid   | (5,396.89)         | (3,763.10)                     |
| Dividend & Corporate Dividend Taxes Paid                      | (3,170.52)         | (2,572.79)                     |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>                  | <b>(4,434.51)</b>  | <b>12,187.14</b>               |
| <b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b> | <b>(141.80)</b>    | <b>355.66</b>                  |
| <b>CASH AND CASH EQUIVALENTS - Opening Balance</b>            | <b>858.89</b>      | <b>503.23</b>                  |
| <b>CASH AND CASH EQUIVALENTS - Closing Balance</b>            | <b>717.09</b>      | <b>858.89</b>                  |
| <b>Notes :</b>  |                    |                                |
| <b>CASH AND CASH EQUIVALENTS include</b>                      |                    |                                |
| a) Cash and Cheques on hand                                   | 417.23             | 176.92                         |
| b) With Scheduled Banks:                                      |                    |                                |
| i) Current Account & Cash Credit a/c                          | 124.86             | 525.00                         |
| ii) Deposit Accounts  | 45.78              | 45.78                          |
| iii) Dividend warrant Accounts                                | 129.22             | 111.19                         |
|   | <b>717.09</b>      | <b>858.89</b>                  |

# Excludes unrealised exchange Loss of Rs 2,371.43 lakhs on term loans (last year gain of Rs 323.00 lakhs)

\* Excludes unrealised exchange Loss of Rs 1,404.62 lakhs on other borrowings (last year gain of Rs 29.54 lakhs)

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As per our report annexed  
For SUNDARAM & SRINIVASAN  
Regn. No. 004207S  
Chartered Accountants  
M BALASUBRAMANIAM  
Partner  
Membership No. F7945

Chennai  
May 28, 2012

# Sundram Fasteners Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012

|   | As at<br>31-3-2012 | Rs lakhs<br>As at<br>31-3-2011 |
|---|--------------------|--------------------------------|
| <b>1 SHARE CAPITAL</b>                                |                    |                                |
| <b>a) Authorised</b>                                  |                    |                                |
| 25,00,00,000 Equity Shares of Re 1 each               | <u>2,500.00</u>    | <u>2,500.00</u>                |
| <b>b) Issued</b>                                      |                    |                                |
| 21,01,28,370 Equity Shares of Re 1 each               | <u>2101.28</u>     | <u>2101.28</u>                 |
| <b>c) Subscribed and Paid-up</b>                      |                    |                                |
| 21,01,28,370 Equity Shares of Re 1 each fully paid-up | <u>2101.28</u>     | <u>2101.28</u>                 |
| <b>d) Reconciliation of number of Equity Shares :</b> |                    |                                |

| Particulars                            | As at 31-3-2012  |                   | As at 31-3-2011  |                   |
|--|------------------|-------------------|------------------|-------------------|
|  | No. of<br>Shares | Value<br>Rs lakhs | No. of<br>shares | Value<br>Rs lakhs |
| 1 Balance at the beginning of the year | 210,128,370      | 2,101.28          | 210,128,370      | 2,101.28          |
| 2 Add: Shares issued during the year   | —                | —                 | —                | —                 |
| 3 Bonus Shares issued during the year  | —                | —                 | —                | —                 |
| 4 Balance at the end of the year       | 210,128,370      | 2,101.28          | 210,128,370      | 2101.28           |

**e) Terms / rights attached to shares :**

The Company has only one class of equity shares having a par value of Re 1 per share. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferred amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**f) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company**

| Name of the Shareholder            | As at 31-3-2012  |   | As at 31-3-2011  |   |
|------------------------------------|------------------|---|------------------|---|
|                                    | No. of<br>Shares | Shares<br>as % of<br>Total No.<br>of Shares | No. of<br>shares | Shares<br>as % of<br>Total No.<br>of Shares |
| 1. T V Sundram Iyengar & Sons Ltd. | 53312000         | 25.37                                       | 53312000         | 25.37                                       |
| 2. Southern Roadways Limited       | 50773280         | 24.16                                       | 50773280         | 24.16                                       |

**g) Bonus Shares / Buy Back / Shares for consideration other than cash issued during the period of five years immediately preceding the financial year ended 31<sup>st</sup> March 2012 :**

- Aggregate number of equity shares allotted as fully paid up pursuant to contracts without payment being received in cash : Nil
- Aggregate number of equity shares allotted as fully paid up by way of Bonus Shares 10,50,64,185 equity shares of Re 1 each were issued as fully paid Bonus Shares in the proportion of 1 : 1 by capitalization of General Reserve on 29<sup>th</sup> January 2007.
- Aggregate number of equity shares bought back : Nil

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

|   | As at<br>31-3-2012 | Rs lakhs<br>As at<br>31-3-2011 |
|---|--------------------|--------------------------------|
| <b>2 RESERVES AND SURPLUS</b>                                 |                    |                                |
| <b>a) General Reserve</b>                                     |                    |                                |
| 1. Balance as at the beginning of the year                    | 49,974.96          | 42,974.96                      |
| 2. Add : Transfer from Surplus in Profit                      | 5,000.00           | 7,000.00                       |
| Sub Total   | 54,974.96          | 49,974.96                      |
| 3. Less : Amount utilized on issue of fully paid bonus shares | —                  | —                              |
| 4. Balance as at the end of the year                          | 54,974.96          | 49,974.96                      |
| <b>b) Surplus in Statement of Profit and Loss</b>             |                    |                                |
| 1. Balance as at the beginning of the year                    | 3,418.72           | 2,939.21                       |
| 2. Profit for the year  | 11,259.87          | 10,542.57                      |
| 3. Balance available for appropriation (1 + 2)                | 14,678.59          | 13,481.78                      |
| <b>Appropriations :</b>                                       |                    |                                |
| 4. Interim Dividend paid                                      | 1,260.77           | 1,155.71                       |
| 5. Tax paid thereon   | 194.35             | 191.95                         |
| 6. Second Interim Dividend payable                            | 1,681.03           | 1,470.90                       |
| 7. Tax payable thereon  | 272.70             | 244.50                         |
| 8. Transfer to General Reserve                                | 5,000.00           | 7,000.00                       |
| 9. Amount appropriated during the year                        | 8,408.85           | 10,063.06                      |
| 10. Balance as the end of the year (3-9)                      | 6,269.74           | 3,418.72                       |
| <b>Total Reserves and Surplus (a + b)</b>                     | <b>61,244.70</b>   | <b>53,393.68</b>               |

|                            | <b>Long-term / Non-current</b> |                    | <b>Short-term / Current</b> |                    |
|----------------------------|--------------------------------|--------------------|-----------------------------|--------------------|
|                            | As at<br>31-3-2012             | As at<br>31-3-2011 | As at<br>31-3-2012          | As at<br>31-3-2011 |
| <b>3 BORROWINGS</b>        |                                |                    |                             |                    |
| <b>a) Secured</b>          |                                |                    |                             |                    |
| i) Term Loans              | 23,173.68                      | 25,577.39          | —                           | —                  |
| ii) Working Capital Loans* | —                              | —                  | 11,245.66                   | 16,580.62          |
| (A)                        | 23,173.68                      | 25,577.39          | 11,245.66                   | 16,580.62          |
| <b>b) Unsecured</b>        |                                |                    |                             |                    |
| i) Term Loans              | 2,417.75                       | 3,136.96           | —                           | —                  |
| ii) Working Capital Loans  | —                              | —                  | 32,750.06                   | 19,059.97          |
| (B)                        | 2,417.75                       | 3,136.96           | 32,750.06                   | 19,059.97          |
| Total (A + B)              | 25,591.43                      | 28,714.35          | 43,995.72                   | 35,640.59          |

\*Secured by hypothecation of current assets viz., stocks of raw materials, work-in-process and finished goods.

# Sundram Fasteners Limited

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Rs lakhs

### 3A LONG-TERM BORROWINGS - FROM BANKS - MATURITY PROFILE

| Particulars               | FY 2013-14       | FY 2014-15      | FY 2015-16       | FY 2016-17    |
|---------------------------|------------------|-----------------|------------------|---------------|
| a) Term Loans - Secured*  | 7,616.14         | 4,915.10        | 10,142.44        | 500.00        |
| b) Term Loans - Unsecured | 2,417.75         | –               | –                | –             |
| Total                     | <b>10,033.89</b> | <b>4,915.10</b> | <b>10,142.44</b> | <b>500.00</b> |

\* Secured by first charge on movable fixed assets, present and future.

As at  
31-3-2012

As at  
31-3-2011

### 4 DEFERRED TAX LIABILITY / ASSETS

#### a) Deferred Tax Liability

##### On Depreciation :

|  |                 |          |
|--|-----------------|----------|
| As per last Balance Sheet  | <b>8,831.55</b> | 8,373.84 |
| For the current year (transferred from Statement of Profit & Loss) | <b>551.42</b>   | 457.71   |
| Sub Total  | <b>9,382.97</b> | 8,831.55 |

#### b) Deferred Tax Asset :

##### i. On Provision for Leave Salary

|  |                 |          |
|--|-----------------|----------|
| As per last Balance Sheet  | <b>(152.12)</b> | (151.88) |
| For the current year (transferred from Statement of Profit & Loss) | <b>(0.16)</b>   | (0.24)   |

##### ii. Others

|  |                 |          |
|--|-----------------|----------|
| As per last Balance Sheet  | <b>(46.35)</b>  | (85.26)  |
| For the current year (transferred from Statement of Profit & Loss) | <b>(253.33)</b> | 38.91    |
| Sub Total  | <b>(451.96)</b> | (198.47) |

|                                    |                 |          |
|------------------------------------|-----------------|----------|
| Net Deferred Tax Liability (a + b) | <b>8,931.01</b> | 8,633.08 |
|------------------------------------|-----------------|----------|

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

|   |                         | Rs lakhs           |  |
|---|-------------------------|--------------------|--|
|   | Long-term / Non-current |                    | Short-term / Current                     |
|   | As at<br>31-3-2012      | As at<br>31-3-2011 | As at<br>31-3-2012<br>As at<br>31-3-2011 |
| <b>5 TRADE PAYABLES</b>   |                         |                    |  |
| Sundry Creditors for Goods Purchased / Services availed   | –                       | –                  | <b>16,389.67</b> 13,647.18               |
|   | –                       | –                  | <b>16,389.67</b> 13,647.18               |
| Trade Payables includes :   |                         |                    |  |
| a) Total outstanding Dues of Micro, Small & Medium Enterprises (MSMEs) **   | –                       | –                  | <b>271.70</b> 181.91                     |
| b) Total outstanding Dues of creditors other than MSMEs   | –                       | –                  | <b>16,117.97</b> 13,465.27               |
|   | –                       | –                  | <b>16,389.67</b> 13,647.18               |
| ** Based on the information available with the Company in respect of Micro, Small & Medium Enterprises (as defined in 'The Micro, Small & Medium Enterprises Development Act, 2006'). The Company is generally regular in making payments of dues to such enterprises. Hence the question of payments of interest or provision therefore towards belated payments does not arise. |                         |                    |  |
| <b>6 OTHER LIABILITIES</b>  |                         |                    |  |
| 1. Current Maturities of Long-Term Debt   | –                       | –                  | <b>13,283.15</b> 10,606.41               |
| 2. Interest accrued but not due   | –                       | –                  | <b>387.75</b> 340.69                     |
| 3. Unclaimed Dividend   | –                       | –                  | <b>129.22</b> 111.19                     |
| 4. Statutory Dues   | –                       | –                  | <b>710.65</b> 631.36                     |
| 5. Trade deposits   | –                       | –                  | <b>7.19</b> 3.19                         |
| 6. Unclaimed Wages & Salaries   | –                       | –                  | <b>20.20</b> 14.39                       |
| 7. Unclaimed Bonus  | –                       | –                  | <b>5.36</b> 20.02                        |
| 8. Bonus Payable  | –                       | –                  | <b>196.64</b> 150.55                     |
| 9. Outstanding Liabilities  | –                       | –                  | <b>4,531.96</b> 3,734.72                 |
| 10. Customer Advances   | –                       | –                  | <b>159.37</b> 145.48                     |
| 11. Non-Statutory dues  | –                       | –                  | <b>110.26</b> 123.54                     |
|   | –                       | –                  | <b>19,541.75</b> 15,881.54               |
| <b>7 PROVISIONS</b>   |                         |                    |  |
| a) Leave Salary   | <b>350.53</b>           | 400.21             | <b>98.60</b> 48.44                       |
| b) Gratuity   | –                       | –                  | <b>371.35</b> –                          |
| c) Dividend Payable   | –                       | –                  | <b>1,953.73</b> 1,715.40                 |
| d) Expenses   | –                       | –                  | <b>368.28</b> 60.87                      |
|   | <b>350.53</b>           | 400.21             | <b>2,791.96</b> 1,824.71                 |



# Sundram Fasteners Limited

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 8 FIXED ASSETS - Non-current

|                                      |               |                  |                   |                  |                       |                      |                   |               |                   |                    | Rs lakhs          |
|--------------------------------------|---------------|------------------|-------------------|------------------|-----------------------|----------------------|-------------------|---------------|-------------------|--------------------|-------------------|
| Particulars                          | Tangible      |                  |                   |                  |                       |                      |                   |               | Intangible        |                    | Total             |
|                                      | Aircraft*     | Land - Free Hold | Land - Lease Hold | Buildings        | Plant and Equip-ment# | Furniture & Fixtures | Office Equip-ment | Vehicles      | Total             | Technical Know-how |                   |
| <b>A Cost of Assets</b>              |               |                  |                   |                  |                       |                      |                   |               |                   |                    |                   |
| As at 31-03-2010                     | 276.23        | 3,872.88         | 734.17            | 10,399.07        | 73,010.53             | 517.34               | 1,458.81          | 329.41        | 90,598.44         | 490.38             | 91,088.82         |
| Additions                            | 720.99        | -                | -                 | 573.29           | 8,866.46              | 41.14                | 140.80            | 107.11        | 10,449.79         | -                  | 10,449.79         |
| Sales / Discards                     | (276.23)      | -                | -                 | -                | (116.55)              | (1.54)               | (1.66)            | (46.56)       | (442.54)          | -                  | (442.54)          |
| Other Adjustments                    |               |                  |                   |                  |                       |                      |                   |               |                   |                    |                   |
| - Exchange Difference                | -             | -                | -                 | -                | -                     | -                    | -                 | -             | -                 | -                  | -                 |
| - Borrowing Costs                    | -             | -                | -                 | -                | -                     | -                    | -                 | -             | -                 | -                  | -                 |
| As at 31-03-2011                     | 720.99        | 3,872.88         | 734.17            | 10,972.36        | 81,760.44             | 556.94               | 1,597.95          | 389.96        | 100,605.69        | 490.38             | 101,096.07        |
| Additions                            | -             | -                | 0.26              | 2,062.17         | 10,557.53             | 22.97                | 218.44            | 78.29         | 12,939.66         | -                  | 12,939.66         |
| Sales / Discards                     | -             | -                | -                 | -                | (267.33)              | (3.67)               | (51.83)           | (72.61)       | (395.44)          | -                  | (395.44)          |
| Other Adjustments                    |               |                  |                   |                  |                       |                      |                   |               |                   |                    |                   |
| - Exchange Difference                | -             | -                | -                 | -                | -                     | -                    | -                 | -             | -                 | -                  | -                 |
| - Borrowing Costs                    | -             | -                | -                 | -                | -                     | -                    | -                 | -             | -                 | -                  | -                 |
| <b>As at 31-03-2012</b>              | <b>720.99</b> | <b>3,872.88</b>  | <b>734.43</b>     | <b>13,034.53</b> | <b>92,050.64</b>      | <b>576.24</b>        | <b>1,764.56</b>   | <b>395.64</b> | <b>113,149.91</b> | <b>490.38</b>      | <b>113,640.29</b> |
| <b>B Depreciation / Amortization</b> |               |                  |                   |                  |                       |                      |                   |               |                   |                    |                   |
| As at 31-03-2010                     | 79.64         | -                | 26.33             | 2,495.03         | 30,832.07             | 346.23               | 1,043.36          | 147.52        | 34,970.18         | 104.71             | 35,074.89         |
| Charges for the year                 | 28.24         | -                | 6.34              | 326.69           | 4,816.68              | 23.90                | 107.45            | 32.70         | 5,342.00          | 111.05             | 5,453.05          |
| Deduction on sale or discards        | (94.39)       | -                | -                 | -                | (86.47)               | (1.12)               | (1.31)            | (30.17)       | (213.46)          | -                  | (213.46)          |
| Impairment for the year              | -             | -                | -                 | -                | 0.67                  | -                    | -                 | -             | 0.67              | -                  | 0.67              |
| As at 31-03-2011                     | 13.49         | -                | 32.67             | 2,821.72         | 35,562.95             | 369.01               | 1,149.50          | 150.05        | 40,099.39         | 215.76             | 40,315.15         |
| Charges for the year                 | 40.38         | -                | 6.34              | 360.02           | 5,665.76              | 23.15                | 120.49            | 34.12         | 6,250.26          | 111.05             | 6,361.31          |
| Deduction on sale or discards        | -             | -                | -                 | -                | (218.55)              | (2.40)               | (48.06)           | (46.46)       | (315.47)          | -                  | (315.47)          |
| Impairment for the year              | -             | -                | -                 | -                | -                     | -                    | -                 | -             | -                 | -                  | -                 |
| <b>As at 31-03-2012</b>              | <b>53.87</b>  | <b>-</b>         | <b>39.01</b>      | <b>3,181.74</b>  | <b>41,010.16</b>      | <b>389.76</b>        | <b>1,221.93</b>   | <b>137.71</b> | <b>46,034.18</b>  | <b>326.81</b>      | <b>46,360.99</b>  |
| <b>C Written Down Value</b>          |               |                  |                   |                  |                       |                      |                   |               |                   |                    |                   |
| <b>As at 31-03-2012</b>              | <b>667.12</b> | <b>3,872.88</b>  | <b>695.42</b>     | <b>9,852.79</b>  | <b>51,040.48</b>      | <b>186.48</b>        | <b>542.63</b>     | <b>257.93</b> | <b>67,115.73</b>  | <b>163.57</b>      | <b>67,279.30</b>  |
| As at 31-03-2011                     | 707.50        | 3,872.88         | 701.50            | 8,150.64         | 46,197.49             | 187.93               | 448.45            | 239.91        | 60,506.30         | 274.62             | 60,780.92         |
| <b>D Capital Work-in-Progress</b>    |               |                  |                   |                  |                       |                      |                   |               |                   |                    |                   |
| <b>As at 31-03-2012</b>              | <b>-</b>      | <b>-</b>         | <b>-</b>          | <b>50.87</b>     | <b>3,948.90</b>       | <b>-</b>             | <b>9.32</b>       | <b>-</b>      | <b>4,009.09</b>   | <b>-</b>           | <b>4,009.09</b>   |
| As at 31-03-2011                     | -             | -                | -                 | 16.03            | 3,124.67              | -                    | 34.66             | -             | 3,175.36          | -                  | 3,175.36          |

\* Jointly Owned

# Includes assets under operating lease to sub-contractors (Cost Rs. 1,960.39 lakhs, Accumulated Depreciation Rs. 1,095.93 lakhs, Written Down Value Rs. 864.45)

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

|  | As at<br>31-3-2012 | Rs lakhs<br>As at<br>31-3-2011 |
|--|--------------------|--------------------------------|
| <b>9 INVESTMENTS – Long-term / Non-current</b>   |                    |                                |
| <b>1. Non-Trade (Valued at Cost)</b>   |                    |                                |
| <b>Quoted equity instruments</b>   |                    |                                |
| a) 75,000 Equity Shares of Rs. 2 each in Housing Development Finance Corporation Limited, Mumbai   | <b>0.94</b>        | 0.94                           |
| b) 2,500 Equity Shares of Rs. 2 each in HDFC Bank Limited, Mumbai  | <b>0.05</b>        | 0.05                           |
| c) 20,439 Equity Shares of Rs. 10 each in IDBI Bank Limited, Mumbai  | <b>9.23</b>        | 9.23                           |
| <b>Unquoted equity instruments</b>   |                    |                                |
| a) 1,25,000 Equity Shares of Rs. 10 each in Madras Engineering Industries Private Limited, Chennai                                       | <b>12.50</b>       | 12.50                          |
| b) 100 Shares of Rs. 5 each in TVS- Co-operative Stores Limited, Madurai   | –                  | –                              |
| <b>2. Trade- (Valued at Cost unless otherwise stated)</b>  |                    |                                |
| <b>Unquoted equity instruments</b>   |                    |                                |
| <b>Investment in subsidiaries</b>  |                    |                                |
| a) 24,90,000 Equity Shares of Rs. 10 each in Sundram Fasteners Investments Limited, Chennai  | <b>249.00</b>      | 249.00                         |
| b) 14,00,000 Equity Shares of £ 1 each fully paid up in Cramlington Precision Forge Limited, Northumberland, UK                          | <b>1,117.12</b>    | 1,117.12                       |
| 5,00,000 6% Redeemable Preference shares of £ 1 each fully paid up in Cramlington Precision Forge Limited                                | <b>406.02</b>      | 406.02                         |
| c) 3,50,000 Ordinary Shares of RM 1 each Sundram RBI Sdn. Bhd. Kuala Lumpur, (Formerly RBI Auto Parts Sdn. Bhd., Kuala Lumpur, Malaysia) | <b>68.00</b>       | 68.00                          |
| Less : Provision for diminution in value of investments  | <b>(68.00)</b>     | (68.00)                        |
| d) 53,20,000 Equity Shares of Rs. 10 each in Sundram Bleistahl Limited, Chennai  | <b>532.00</b>      | 532.00                         |
| e) 18,215 Shares of US \$ 10 each in Sundram International Inc., Michigan, USA   | <b>81.46</b>       | 81.46                          |
| Less : Provision for diminution in value of investments  | <b>(81.46)</b>     | (81.46)                        |
| f) Purchase price of Equity Share Capital in Peiner Umformtechnik, GmbH, Peine, Federal Republic of Germany                              | <b>4,791.55</b>    | 4,791.55                       |
| g) Capital Contribution in PUT Grundstucks GmbH, Peine, Federal Republic of Germany  | <b>15.23</b>       | 15.23                          |
| h) Capital Contribution in Sundram Fasteners (Zhejiang) Limited, People's Republic of China  | <b>5,687.60</b>    | 5,687.60                       |

# Sundram Fasteners Limited

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

|    |   | Rs lakhs  |           |
|----|---|-----------|-----------|
| 9  | INVESTMENTS – Long-term / Non-current (Contd.)  | As at     | As at     |
|    |   | 31-3-2012 | 31-3-2011 |
|    | i) 1,18,99,674 Equity Shares of Rs. 10 each in Upasana Engineering Limited, Chennai                                       | 1,191.70  | 1,191.70  |
|    | j) 2,64,691 Equity Shares of Rs. 10 each in Sundram Non-Conventional Energy Systems Limited, Chennai                      | 92.87     | 92.87     |
|    | k) Capital Contribution in TVS Peiner Services, GmbH (Formerly Peiner Logistik, GmbH), Peine, Federal Republic of Germany | 15.34     | 15.34     |
|    | <b>Investment in Associate / Joint Venture</b>  |           |           |
|    | Capital Contribution in Windbolt, GmbH  | 22.22     | –         |
| 3. | <b>Other Investments (Valued at Cost)</b>   |           |           |
|    | <b>Unquoted</b>   |           |           |
|    | <b>Investment in Venture Capital Fund</b>   |           |           |
|    | a) Venture Capital Fund - ICICI Emerging Sectors Fund, Bangalore  | 10.56     | 10.56     |
|    | <b>Investment in Equity Shares</b>  |           |           |
|    | a) 35 Shares of Rs 100 each (Rs 65 paid up) in The Adyar Property Holding Co. Ltd.  | –         | –         |
|    | b) 10,50,000 Equity Shares of Rs 10 each fully paid up in Arkay Energy (Rameswarm) Limited, Hyderabad                     | 105.00    | 105.00    |
|    | c) 40,000 Equity Shares of Rs 10 each fully paid up in PPS Enviro Power Pvt Ltd., Hyderabad                               | 4.00      | –         |
| 4. | <b>Government Securities</b>  |           |           |
|    | Kisan Vikas Patra (Series Nos. 43AA 954864, 43AA 954863, 07EE053434)  | 0.03      | 0.03      |
|    | Total (1 + 2 + 3 + 4)   | 14,262.96 | 14,236.74 |
|    | a) Aggregate Value of Quoted investments  | 10.22     | 10.22     |
|    | b) Aggregate Value of Unquoted Investments  | 14,252.74 | 14,226.52 |
|    | Total (a + b)   | 14,262.96 | 14,236.74 |
|    | c) Aggregate provision for diminution in value of investments   | 149.46    | 149.46    |
|    | d) Market Value of Quoted Investments   | 539.37    | 566.74    |

Note : All investments are Non-current except item 3(b) above in the current year.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

|  |     | Non-current |           | Rs lakhs  |                 |
|--|-----|-------------|-----------|-----------|-----------------|
|  |     | As at       | As at     | As at     | Current         |
|  |     | 31-3-2012   | 31-3-2011 | 31-3-2012 | As at 31-3-2011 |
| <b>10. LOANS AND ADVANCES (UNSECURED, CONSIDERED GOOD UNLESS STATED OTHERWISE)</b> |     |             |           |           |                 |
| a) Capital Advance   | (A) | 999.09      | 1,828.45  | –         | –               |
| b) Security Deposits   | (B) | 937.36      | 796.98    | 51.16     | 115.52          |
| c) Loans and Advances to Related Parties (refer note on related party)             | (C) | –           | –         | 7,593.23  | 5,115.78        |
| d) Other Loans and Advances  |     |             |           |           |                 |
| Advance Income-tax (net of provision for taxation)                                 |     | 1,346.87    | –         | 146.44    | 1,411.67        |
| Prepaid Expenses   |     | –           | –         | 442.81    | 296.77          |
| Loans / Advances to Employees*   |     | 37.36       | 52.38     | 301.55    | 254.31          |
| Balance with statutory / government authorities                                    |     | –           | –         | 358.30    | 190.78          |
| Advances to suppliers  |     | –           | –         | 1,261.13  | 1,137.92        |
| Advances recoverable in Cash or in kind  |     | –           | –         | 5,389.21  | 4,829.64        |
|  | (D) | 1,384.23    | 52.38     | 7,899.44  | 8,121.09        |
| Total (A + B + C + D)  |     | 3,320.68    | 2,677.81  | 15,543.83 | 13,352.39       |
| * Includes Loans and Advances due from Officer                                     |     |             |           | 4.75      | 4.75            |

## 11 OTHER ASSETS (UNSECURED, CONSOLIDATED GOOD UNLESS STATED OTHERWISE)

|  |     |       |       |       |      |
|--|-----|-------|-------|-------|------|
| a) Non-Current Bank Balance (refer note 14b) | (A) | 45.78 | 45.78 | –     | –    |
| b) Interest receivable                       | (B) | –     | –     | 55.32 | 6.87 |
| Total (A + B)                                |     | 45.78 | 45.78 | 55.32 | 6.87 |

# Sundram Fasteners Limited

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

|  | As at<br>31-3-2012 | Rs lakhs<br>As at<br>31-3-2011 |
|--|--------------------|--------------------------------|
| <b>12 INVENTORIES (VALUED AT LOWER OF COST AND NET REALIZABLE VALUE) * #</b> |                    |                                |
| a) Stores & Spares   | 1,213.75           | 1,157.21                       |
| b) Stores & Spares in Transit  | 0.11               | 0.46                           |
| c) Loose Tools   | 1,694.08           | 1,555.46                       |
| d) Loose Tools in Transit  | 2.40               | 8.33                           |
| e) Raw Materials and Components  | 9,325.60           | 10,417.82                      |
| f) Raw Materials and Components in Transit                                   | 1,400.80           | 808.43                         |
| g) Work-in-Process   | 9,650.55           | 7,945.74                       |
| h) Work-in-Process in Transit  | 88.46              | 0.35                           |
| i) Finished Goods  | 9,021.94           | 6,745.71                       |
| j) Finished Goods in Transit   | —                  | 53.60                          |
| Total  | <u>32,397.69</u>   | <u>28,693.11</u>               |

\* Certified by Chairman and Managing Director

### 13 TRADE RECEIVABLES (UNSECURED, CONSIDERED GOOD UNLESS STATED OTHERWISE) #

|   |                  |                  |
|---|------------------|------------------|
| a) Outstanding for a period exceeding 6 months from the date they are due for payment | 34.38            | 363.02           |
| b) Other Receivables  | 43,317.71        | 36,091.51        |
| Total   | <u>43,352.09</u> | <u>36,454.53</u> |

### 14 CASH AND BANK BALANCES #

#### Cash and cash Equivalents

#### a) Balances with Bank

|   |               |               |
|---|---------------|---------------|
| i) Cash Credit                            | 11.55         | —             |
| ii) Current Account                       | 113.31        | 525.00        |
| iii) Deposit Accounts*                    | 45.78         | 45.78         |
| iv) <b>Earmarked Balance with Banks –</b> |               |               |
| Dividend Warrant Accounts                 | 129.22        | 111.19        |
| Cheques / Drafts on hand                  | 400.51        | 159.58        |
| Cash on hand                              | 16.72         | 17.34         |
|   | <u>717.09</u> | <u>858.89</u> |

b) \*Deposits have been lodged with electricity board to meet the security deposit requirements, hence classified under other Non-current Bank Balance

|                           |               |               |
|---------------------------|---------------|---------------|
|                           | (45.78)       | (45.78)       |
| Actual Balances with Bank | <u>671.31</u> | <u>813.11</u> |

# The details furnished above are current items and there are no non-current items.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

|   |                         | Rs lakhs                |
|---|-------------------------|-------------------------|
|   | Year ended<br>31-3-2012 | Year ended<br>31-3-2011 |
| <b>15 REVENUE FROM OPERATION</b>  |                         |                         |
| <b>a) Sales of Products (Refer Note 15A)</b>  |                         |                         |
| Domestic Sales  | <b>160,155.82</b>       | 142,710.35              |
| Export Sales  | <b>64,588.01</b>        | 47,934.83               |
| Sub Total   | <b>224,743.83</b>       | 190,645.18              |
| <b>b) Sales of Service - Sub Contract Receipts</b>  | <b>133.26</b>           | 55.70                   |
| <b>c) Other Operating Revenues (Refer Note 15B)</b>                                       | <b>5,201.34</b>         | 4,012.80                |
| Sub Total (a + b + c)   | <b>230,078.43</b>       | 194,713.68              |
| Less : Excise Duty  | <b>15,414.91</b>        | 13,642.02               |
| Total   | <b>214,663.52</b>       | 181,071.66              |
| <b>15A DETAILS OF PRODUCTS SOLD</b>   |                         |                         |
| a) High tensile fasteners   | <b>91,655.74</b>        | 81,517.11               |
| b) Automotive & other miscellaneous cold formed / extruded parts / precision formed gears | <b>15,442.08</b>        | 12,656.06               |
| c) Powder metal parts   | <b>21,231.95</b>        | 19,306.23               |
| d) Iron powder  | <b>635.85</b>           | 370.83                  |
| e) Radiator caps  | <b>4,963.85</b>         | 4,123.69                |
| f) Gear Shifters  | <b>685.85</b>           | 639.29                  |
| g) Tyre Carriers  | <b>136.21</b>           | 88.26                   |
| h) Hot and warm forged parts  | <b>822.14</b>           | 1,168.09                |
| i) Pump Assemblies (Water / Oil / Fuel Pumps)   | <b>39,190.92</b>        | 29,668.37               |
| j) Engine Components  | <b>37,081.23</b>        | 25,891.52               |
| k) Water / Oil Pumps Kits and Spares  | <b>2,052.91</b>         | 3,393.62                |
| l) Shafts   | <b>4,162.63</b>         | 3,731.33                |
| m) Hubs   | <b>5,184.18</b>         | 4,523.33                |
| n) Sprockets  | <b>553.32</b>           | —                       |
| o) Others   | <b>944.97</b>           | 3,567.77                |
| Sub Total   | <b>224,743.83</b>       | 190,645.18              |
| <b>15B OTHER OPERATING REVENUE</b>  |                         |                         |
| Scrap Sales   | <b>4,973.43</b>         | 3,741.51                |
| Lease Income  | <b>75.06</b>            | 75.07                   |
| Export Incentives   | <b>152.85</b>           | 196.22                  |
| Sub Total   | <b>5,201.34</b>         | 4,012.80                |

# Sundram Fasteners Limited

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

|   | Year ended<br>31-3-2012 | Rs lakhs<br>Year ended<br>31-3-2011 |
|---|-------------------------|-------------------------------------|
| <b>16 OTHER INCOME</b>  |                         |                                     |
| Interest Income on deposits   | 375.67                  | 293.00                              |
| Net Foreign exchange gain (net off loss)  | 891.41                  | —                                   |
| Dividends - Subsidiary Company  | 208.11                  | 13.23                               |
| Dividend - From Others Companies  | 32.96                   | 31.08                               |
| Misc Income   | 235.24                  | 23.07                               |
| Profit on Sale of Assets  | 11.35                   | 46.59                               |
| Profit on Sale of Investment  | 52.69                   | 29.78                               |
| Sub Total   | <u>1,807.43</u>         | <u>436.75</u>                       |
| <b>17 RAW MATERIALS INCLUDING PACKING MATERIALS CONSUMED</b>                              |                         |                                     |
| Opening Stock of Raw Materials  | 10,417.82               | 6,125.72                            |
| Add : Purchase of Materials   | 104,230.59              | 90,780.13                           |
| Less : Closing Stock of Raw Material  | 9,325.60                | 10,417.82                           |
| Sub Total   | <u>105,322.81</u>       | <u>86,488.03</u>                    |
| <b>Consumption of Raw Materials under Broad Head</b>                                      |                         |                                     |
| Steel   | 58,252.40               | 49,603.97                           |
| Metal Powder  | 6,328.30                | 6,670.99                            |
| Aluminium ingots  | 1,612.51                | 1,521.19                            |
| MS Scrap  | 1,694.66                | 1,338.71                            |
| Other Components  | 37,675.07               | 27,530.78                           |
| Sub Total   | <u>105,562.94</u>       | <u>86,665.64</u>                    |
| Less: Amount relating to research & Development Exp                                       | 240.13                  | 177.61                              |
| Consumption Total   | <u>105,322.81</u>       | <u>86,488.03</u>                    |
| <b>18 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROCESS</b>                    |                         |                                     |
| Opening Stock :   |                         |                                     |
| Work-in-Process   | 7,945.74                | 7,121.71                            |
| Finished Goods  | 6,745.71                | 4,970.55                            |
|   | <u>14,691.45</u>        | <u>12,092.26</u>                    |
| Less : Closing Stock :  |                         |                                     |
| Work-in-Process   | 9,650.55                | 7,945.74                            |
| Finished Goods  | 9,021.94                | 6,745.71                            |
|   | <u>18,672.49</u>        | <u>14,691.45</u>                    |
| Sub Total   | <u>(3,981.04)</u>       | <u>(2,599.19)</u>                   |
| <b>18A WORK-IN-PROCESS – UNDER BROAD HEADS</b>  |                         |                                     |
| a) High tensile fasteners   | 4,911.78                | 4,078.77                            |
| b) Automotive & other miscellaneous cold formed / extruded parts / precision formed gears | 1,087.63                | 1,042.61                            |
| c) Powder and metal parts   | 553.85                  | 514.84                              |
| d) Iron powder  | 29.39                   | 15.50                               |
| e) Radiator caps  | 103.60                  | 66.63                               |
| f) Hot and warm forged parts  | 176.41                  | 206.21                              |
| g) Pump Assemblies & Engine Components (Water / Oil / Fuel Pumps Kits & Spares)           | 1,761.25                | 1,391.96                            |
| h) Shafts, Hubs & Sprockets   | 479.23                  | 232.20                              |
| i) Others   | 547.41                  | 397.02                              |
| Sub Total   | <u>9,650.55</u>         | <u>7,945.74</u>                     |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

|   |                         | Rs lakhs                |
|---|-------------------------|-------------------------|
|   | Year ended<br>31-3-2012 | Year ended<br>31-3-2011 |
| <b>19 EMPLOYEE BENEFIT EXPENSES</b>   |                         |                         |
| Salaries, Wages, Bonus and Allowances   | 15,175.29               | 13,131.29               |
| Provident and Other Funds   | 1,410.92                | 1,216.21                |
| Welfare expenses  | 1,838.10                | 1,549.12                |
| Sub Total   | 18,424.31               | 15,896.62               |
| <b>20 FINANCE COST</b>  |                         |                         |
| a) Interest expense   | 3,308.84                | 2,390.10                |
| b) Other borrowing costs  | 181.42                  | 307.69                  |
| c) Applicable net gain/loss on foreign currency transaction<br>and translation including borrowing cost | 5,729.74                | 868.95                  |
| Sub Total   | 9220.00                 | 3,566.74                |
| <b>21 OTHER EXPENSES</b>  |                         |                         |
| a) Stores and Tools consumed  | 23,703.66               | 19,988.72               |
| b) Power & Fuel   | 9,037.07                | 8,694.76                |
| c) Rent   | 323.59                  | 297.17                  |
| d) Rates & Taxes  | 709.83                  | 639.95                  |
| e) Insurance  | 381.72                  | 317.58                  |
| f) Repairs & Maintenance - Building   | 1,526.06                | 1,102.82                |
| g) Repairs & Maintenance - Machinery  | 2,181.09                | 1,782.31                |
| h) Miscellaneous Expenses (refer note no.22)  | 27,526.09               | 25,454.67               |
| Sub Total   | 65,389.11               | 58,277.98               |
| <b>22 MISCELLANEOUS EXPENSES</b>  |                         |                         |
| a) Sub-contractor   | 15,945.92               | 15,033.19               |
| b) Freight & Cartage Inward   | 1,824.64                | 1,749.94                |
| c) Repairs & Maintenance - Other Assets   | 324.56                  | 282.57                  |
| d) Commission on Sales  | 551.18                  | 521.24                  |
| e) Directors' Sitting Fees  | 6.60                    | 6.30                    |
| f) Remuneration to Auditors (Refer Note 23)   | 43.75                   | 40.56                   |
| g) Loss on Sale of Assets   | 46.54                   | 20.09                   |
| h) Loss on Sale of Investment   | –                       | 0.34                    |
| i) Research and Development Expenditure (Refer Note 28)   | 1,111.52                | 857.45                  |
| j) Freight & Cartage Outward  | 4,288.67                | 4,032.35                |
| k) Travel Expenses  | 833.11                  | 907.01                  |
| l) Postage & Telephone Expenses   | 314.74                  | 281.34                  |
| m) Warranty Claims  | 141.62                  | 137.13                  |
| n) Consultancy  | 590.71                  | 353.11                  |
| o) Bad Debts  | 77.10                   | 65.55                   |
| p) Net Foreign Exchange Loss (Net off gain)   | –                       | 33.92                   |
| q) Sundry Expenses  | 1,425.43                | 1,132.58                |
| Sub Total   | 27,526.09               | 25,454.67               |



# Sundram Fasteners Limited

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

|            |   | Rs lakhs                |                         |
|------------|---|-------------------------|-------------------------|
|            |   | Year ended<br>31-3-2012 | Year ended<br>31-3-2011 |
| <b>22A</b> | An instance of fraud by one of the employees was detected during the year and the matter has been fully investigated. The amount involved is around Rs 200 lakhs including Rs 11.17 lakhs for the year under review. Recovery steps and legal action are in progress. |                         |                         |
| <b>23</b>  | <b>REMUNERATION TO AUDITORS CONSIST OF</b>  |                         |                         |
|            | a) As Auditor   | 30.50                   | 26.50                   |
|            | b) Taxation Matters   | 5.30                    | 4.80                    |
|            | c) Company Law Matters  | 0.41                    | 0.61                    |
|            | d) Management Services  | —                       | —                       |
|            | e) Other Services   | —                       | —                       |
|            | f) Reimbursement of Expenses  | 7.54                    | 8.65                    |
|            | Sub Total   | 43.75                   | 40.56                   |
| <b>24</b>  | <b>REPAIRS INCLUDE STORES CONSUMED</b>  | 3.20                    | 3.49                    |
| <b>25</b>  | <b>CIF VALUE OF IMPORTS</b>   |                         |                         |
|            | a) Raw Materials  | 34,802.90               | 31,976.77               |
|            | b) Components & Spare Parts   | 2,315.45                | 1,041.01                |
|            | c) Capital Goods  | 5,216.85                | 3,799.44                |
|            | d) Tool Steel, Tools, Gauges, etc.  | 3,704.43                | 3,309.55                |
|            | e) Others   | 4.51                    | 14.20                   |
|            | Sub Total   | 46,044.14               | 40,140.97               |
| <b>26</b>  | <b>EARNINGS IN FOREIGN EXCHANGE</b>   |                         |                         |
|            | a) FOB Value of Exports   | 64,588.01               | 47,934.83               |
|            | b) Others   | 275.28                  | —                       |
|            | Sub Total   | 64,863.29               | 47,934.83               |
| <b>27</b>  | <b>EXPENDITURE IN FOREIGN CURRENCY</b>  |                         |                         |
|            | a) Agency Commission  | 193.64                  | 63.20                   |
|            | b) Consultancy Fee  | 95.73                   | 33.69                   |
|            | c) Interest on Foreign Currency Loans   | 1,761.12                | 1,113.96                |
|            | d) Royalty  | 78.82                   | 88.92                   |
|            | e) Others   | 685.28                  | 623.73                  |
|            | Sub Total   | 2,814.59                | 1,923.50                |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

|   |                         | Rs lakhs                |
|---|-------------------------|-------------------------|
|   | Year ended<br>31-3-2012 | Year ended<br>31-3-2011 |
| <b>28 DETAILS OF RESEARCH AND DEVELOPMENT EXPENDITURE</b>   |                         |                         |
| <b>i) Capital Expenditure</b>   | <b>76.61</b>            | 127.37                  |
| <b>ii) Revenue Expenditure</b>  |                         |                         |
| a) Raw Material and Components consumed   | <b>240.13</b>           | 177.61                  |
| b) Salaries, Wages, Bonus and Allowances  | <b>340.16</b>           | 256.06                  |
| c) Staff and Labour Welfare Expenses  | <b>4.99</b>             | 7.30                    |
| d) Stores and Tools consumed  | <b>263.51</b>           | 325.33                  |
| e) Travelling Expenses  | <b>18.74</b>            | 15.52                   |
| f) Freight and Cartages   | <b>0.04</b>             | 0.03                    |
| g) Sub-Contract Expenses  | <b>187.84</b>           | 38.18                   |
| h) Repairs and Maintenance  |                         |                         |
| i) Building   | <b>1.76</b>             | 0.28                    |
| ii) Machinery   | <b>38.51</b>            | 7.65                    |
| iii) Other Assets   | <b>0.69</b>             | 0.01                    |
| i) Product Development Expenses   | <b>1.26</b>             | 3.77                    |
| j) Consultancy  | <b>0.21</b>             | 19.97                   |
| k) Other Expenses   | <b>13.68</b>            | 5.74                    |
| Sub Total   | <b>1,111.52</b>         | 857.45                  |
| <b>Out of the above Revenue Expenditure</b>   |                         |                         |
| a) On Projects Approved by DSIR   | <b>1,111.52</b>         | 532.81                  |
| b) Others   | <b>–</b>                | 324.64                  |
| Sub Total   | <b>1,111.52</b>         | 857.45                  |
| <b>29 DISCLOSURE IN RESPECT OF DERIVATIVE INSTRUMENTS</b>   |                         |                         |
| a) Derivative Instruments outstanding* :  |                         |                         |
| Forward Contracts   | <b>48,272.45</b>        | 27,395.54               |
| Principal Only Swap**   | <b>–</b>                | 1,445.73                |
| * The Company has entered into derivative contracts to hedge against exchange risk.                               |                         |                         |
| ** Hedged by means of Principal Only Swap from JPY to USD. USD-INR leg is unhedged and is included at (b) below : |                         |                         |
| b) Foreign Currency exposures that are not hedged by derivative instruments :                                     |                         |                         |
| – Loans   | <b>15,877.01</b>        | 24,622.78               |
| – Interest on Foreign Currency Loans  | <b>325.73</b>           | 274.22                  |
| – Others  | <b>13,367.35</b>        | 10,165.39               |

# Sundram Fasteners Limited

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 30 VALUE OF IMPORTED AND INDIGENOUS RAW MATERIALS CONSUMED AND THEIR PERCENTAGE TO TOTAL CONSUMPTION

|  | Rs lakhs             |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | Year ended 31-3-2012 |                      | Year ended 31-3-2011 |                      |
|  | Value<br>Rs in lakhs | % to total<br>consn. | Value<br>Rs in lakhs | % to total<br>consn. |
| <b>A) Raw Materials, Components<br/>&amp; Finished Goods</b> |                      |                      |                      |                      |
| <b>1. Imported :</b>   |                      |                      |                      |                      |
| a) Steel   | 18,318.76            | 17.40                | 16,554.21            | 19.10                |
| b) Metal Powder  | 2,768.72             | 2.60                 | 1,387.22             | 1.60                 |
| c) Aluminium Ingots  | 1,522.57             | 1.40                 | 1,271.53             | 1.47                 |
| d) Other Components @  | 5,759.00             | 5.50                 | 7,061.51             | 8.15                 |
|  | <u>28,369.05</u>     | <u>26.90</u>         | <u>26,274.47</u>     | <u>30.32</u>         |
| <b>2. Indigenous :</b>                                       |                      |                      |                      |                      |
| a) Steel   | 39,933.64            | 37.80                | 33,049.75            | 38.13                |
| b) Metal Powder*   | 3,559.58             | 3.40                 | 5,283.77             | 6.10                 |
| c) Aluminium Ingots  | 89.94                | 0.10                 | 249.66               | 0.29                 |
| d) Other Components @  | 31,916.07            | 30.20                | 20,469.27            | 23.62                |
| e) M.S. Scrap  | 1,694.66             | 1.60                 | 1,338.72             | 1.54                 |
|  | <u>77,193.89</u>     | <u>73.10</u>         | <u>60,391.17</u>     | <u>69.68</u>         |
|  | <u>105,562.94</u>    | <u>100.00</u>        | <u>86,665.64</u>     | <u>100.00</u>        |
| <b>B) Spares :</b>   |                      |                      |                      |                      |
| a) Imported  | 365.63               | 9.80                 | 250.99               | 7.80                 |
| b) Indigenous  | 3,363.46             | 90.20                | 2,972.42             | 92.20                |
|  | <u>3,729.09</u>      | <u>100.00</u>        | <u>3,223.41</u>      | <u>100.00</u>        |

@ Do not individually account for more than 10% of the total consumption.

\* The above particulars excludes inter unit transfers.

**31** Figures for the previous year have been re-classified / re-arranged / re-grouped, wherever necessary to conform to current year classification as per the requirement of Revised Schedule VI to the Companies Act, 1956.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 32. Accounting policies / compliance of Accounting Standards issued by the Institute of Chartered Accountants of India

#### (1) AS 1: Disclosure on accounting policies

The accounts are maintained on accrual basis as a going concern.

#### (2) AS 2: Valuation of inventories

Inventories are valued at lower of cost or net realisable value. Cost is ascertained on weighted average basis in accordance with the method of valuation prescribed by the Institute of Chartered Accountants of India. Raw materials are valued at cost of purchase and includes all expenses incurred in bringing the materials to their present location and condition. Work-in-Process and finished goods include conversion costs in addition to the landed cost of raw materials.

#### (3) AS 3: Cash flow statements

Pursuant to the listing agreement with Stock Exchanges, Cash Flow statement is attached to the Balance Sheet and Statement of Profit and Loss.

#### (4) AS 5: Net profit or loss for the period, prior period items and changes in accounting policies

##### (i) Net profit for the period

All items of income and expense in the period are included in the determination of net profit for the period, unless specifically mentioned elsewhere in the financial statements or is required by an Accounting Standard.

|  |                      | Rs lakhs       |
|--|----------------------|----------------|
| (ii) Prior period items                          | <u>2011-12</u>       | <u>2010-11</u> |
| a) Prior Period Income :                         |                      |                |
| 1) Raw materials and Consumption                 | <b>123.10</b>        | –              |
| 2) Gain on Exchange Fluctuation                  | <b>30.40</b>         | –              |
| Sub Total  | <u><b>153.50</b></u> | <u>–</u>       |
| b) Prior Period Expenses :                       |                      |                |
| 1) Staff & Labour Welfare Expenses               | <b>5.64</b>          | 9.34           |
| 2) Stores & Tools Consumed                       | –                    | 1.19           |
| 3) Rates & Taxes                                 | <b>0.16</b>          | –              |
| 4) Freight & Cartage                             | <b>77.97</b>         | 18.40          |
| 5) Sub-Contract Expenses                         | <b>26.83</b>         | 1.96           |
| 6) Sales Discount                                | <b>1.28</b>          | –              |
| 7) Repairs and Maintenance - Plant and Machinery | <b>5.26</b>          | 1.25           |
| 8) Repairs and Maintenance - Building            | <b>14.04</b>         | 0.62           |
| 9) Repairs and Maintenance - Others              | <b>3.29</b>          | –              |
| 10) Sales  | –                    | 0.27           |
| 11) Others                                       | <b>15.03</b>         | 12.09          |
| Sub Total  | <u><b>149.50</b></u> | <u>45.12</u>   |

#### (5) AS 6: Depreciation Accounting

Depreciation is provided under Straight Line Method as per the amended Schedule XIV of the Companies Act, 1956, after identifying the units constituting continuous process plants for applying appropriate rates of depreciation. The specified period for assets as on April 1, 1993 has been calculated by allocating unamortised value as on that date as per the books over the recomputed specified period.

With respect to the assets of Autolec Division, Chennai, acquired by the Company under the Scheme of Amalgamation, depreciation has been charged under Straight Line/Written Down Value Method as follows:

- a) For Assets acquired before 31st March 1991, depreciation has been charged at Written Down Value Method as per Schedule XIV rates prevailing during that period.

# Sundram Fasteners Limited

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

b) For assets acquired after 1st April 1991 but before 31st March 1993, depreciation has been charged at Straight Line Method as per Schedule XIV rates prevailing during that period.

c) With regard to additions to assets after 1st April 1993, depreciation is charged on Straight Line Method at the new rates prescribed.

Cost of Leasehold lands are amortised over the period of lease. Technical know-how fees has been amortised over the agreement period.

(6) **AS 7: Accounting for Construction Contracts**

This standard is not applicable to the Company as it is not engaged in the business of construction.

(7) **AS 8: Accounting for Research and Development**

This standard was withdrawn with effect from 1-4-2003 consequent to Accounting Standard AS 26 on Accounting for Intangible Assets becoming mandatory.

(8) **AS 9: Revenue recognition**

Income of the Company is derived from sale of products and includes excise duty and realised exchange fluctuations on exports and is net of sales returns, trade and cash discounts. Domestic sales are recognised on the basis of sale invoices raised which is after physical clearance of goods sold.

Export sales are recognised on the basis of date of bills of lading. Export sales are accounted including / deducting exchange gain or loss and export benefits are recognised on post shipment basis.

The revenue and expenditure are accounted on a going concern basis.

Interest incomes/expenses are recognised using the time proportion method based on the rates implicit in the transaction.

Dividend income is recognised when the right to receive dividend is established.

(9) **AS 10: Accounting for fixed assets**

The gross blocks of fixed assets are disclosed at the cost of acquisition, which includes taxes, duties (net of excise duty credit availed) and other identifiable direct expenses incurred upto the date the asset is put to use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Details of expenditure incurred during construction was Capitalized during the year in respect of Sprocket Plant at SEZ and Wind Energy Fasteners Plant at Mittamandagapattu, earlier years these were classified under Capital Work in Progress :

|   | <b>2011-12</b> | <b>2010-11</b> |
|---|----------------|----------------|
|   |                | Rs lakhs       |
| a) Raw Material Consumption                           | <b>6.90</b>    | 4.99           |
| b) Salaries, Wages, Bonus & Allowance                 | <b>40.44</b>   | 17.26          |
| c) Contribution to Employees' provident & other funds | <b>1.81</b>    | 1.35           |
| d) Staff & Labour Welfare Expenses                    | <b>2.23</b>    | –              |
| e) Stores & Tools consumed                            | <b>43.33</b>   | 23.41          |
| f) Power & Fuel                                       | <b>70.32</b>   | 9.02           |
| g) Rent   | <b>0.77</b>    | –              |
| h) Rates & Taxes                                      | <b>2.65</b>    | 1.47           |
| i) Freight & Cartages                                 | <b>7.98</b>    | –              |
| j) Interest & Exchange fluctuation                    | <b>(1.06)</b>  | (1.06)         |
| k) Insurance  | <b>1.10</b>    | –              |
| l) Repairs & Maintenance                              | <b>42.07</b>   | 0.62           |
| m) Travel expenses                                    | <b>2.57</b>    | 0.10           |
| n) Miscellaneous Expenses                             | <b>11.24</b>   | 1.50           |
| o) Sales  | <b>(72.33)</b> | (23.91)        |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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**(10) AS 11: Accounting for effects in foreign exchange rates**

Transaction on account of import of raw materials and other inputs are accounted based on the actual liability incurred if the transactions are settled within the accounting year. Such transactions not settled during the accounting year are accounted on rates prevailing on close of the accounting year.

Export sale realisations are accounted at actuals and those not realised within the accounting year are stated at rates prevailing on close of the accounting year.

Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of transaction.

Gain or loss arising due to repayment or restatement of liabilities incurred for the purpose of acquiring fixed assets have been recognised in the profit and loss account.

Net exchange difference is recognised in the Statement of Profit and Loss - Loss of Rs 4,838.33 lakhs (Rs 902.88 lakhs loss in the previous year.)

**(11) AS 12: Accounting for Government grants**

The Company has not received any grant from the Government.

**(12) AS 13: Accounting of Investments**

(a) Investments are accounted at the cost of acquisition which includes stamp fees, etc. All the investments are long term investments. Diminution in the market value of long term investments is provided for only when there is a permanent diminution in the value of such investments.

(b) Provision made towards diminution in the value of investments in subsidiaries.

|  | 2011-12       | 2010-11       |
|--|---------------|---------------|
|  |               | Rs lakhs      |
| (i) Sundram International Inc., Michigan, USA    | 81.46         | 81.46         |
| (ii) Sundram RBI Sdn Bhd, Kuala Lumpur, Malaysia | 68.00         | 68.00         |
|  | <u>149.46</u> | <u>149.46</u> |

**(13) AS 14: Accounting for amalgamations**

This standard is not applicable as there was no amalgamation during the year.

**(14) AS 15: Accounting for Employee Benefits**

**(A) Defined Contribution Plan**

a. Contribution to Provident Fund is in the nature of defined contribution plan and are made to a recognised fund.

b. Contribution to Superannuation Fund is in the nature of defined contribution plan and is remitted to Life Insurance Corporation of India in accordance with the scheme framed by the Corporation.

Contribution to Defined Contribution Plan, recognised as expense for the year are as under :

|  | 2011-12 | 2010-11  |
|--|---------|----------|
|  |         | Rs lakhs |
| Employer's Contribution to Provident Fund      | 767.83  | 674.43   |
| Employer's Contribution to Superannuation Fund | 92.14   | 72.83    |

# Sundram Fasteners Limited

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### (B) Defined Benefit Plan

#### (i) Gratuity

Retirement benefit in the form of Gratuity Liability (being administered by LIC) is a defined benefit obligation and is provided for on the basis of an actuarial valuation made at the end of each financial year.

The following tables summarise the components of net benefit expenses recognized in the Statement of Profit and Loss and the funded status and amounts recognized in the balance sheet for the Gratuity.

|  |                        | Rs lakhs        |
|--|------------------------|-----------------|
|  | <u>2011-12</u>         | <u>2010-11</u>  |
| <b>1) Statement of Profit and Loss</b>   |                        |                 |
| <b>Net employee benefit expense (recognised in Employee Cost)</b>                    |                        |                 |
| Current Service cost   | <b>145.60</b>          | 96.60           |
| Interest cost on benefit obligation  | <b>172.81</b>          | 131.11          |
| Expected return on plan assets   | <b>(166.58)</b>        | (147.28)        |
| Net actuarial loss recognised in the year  | <b>226.72</b>          | 249.44          |
| Past service cost  | –                      | –               |
| Liability not accounted as on March 31, 2012   | –                      | –               |
| <b>Net benefit expense</b>   | <b><u>378.55</u></b>   | <u>329.87</u>   |
| <b>Actual return on plan assets</b>  | <b><u>166.58</u></b>   | <u>147.28</u>   |
| <b>2) Balance sheet</b>  |                        |                 |
| <b>Details of Provision for Gratuity</b>   |                        |                 |
| Defined benefit obligation   | <b>2,302.12</b>        | 1,936.82        |
| Fair value of plan assets  | <b>(1,923.57)</b>      | (1,939.51)      |
| Less: Unrecognised past service cost   | –                      | –               |
| Less: Liability not funded as on March 31, 2012                                      | –                      | –               |
| <b>Plan Liability (adjusted from operating revenue/retained earning)</b>             | <b><u>378.55</u></b>   | <u>(2.69)</u>   |
| <b>3) Changes in present value of the defined benefit obligation are as follows:</b> |                        |                 |
| Defined benefit obligation as at April 1, 2011                                       | <b>1,936.82</b>        | 1,638.86        |
| Interest cost  | <b>172.81</b>          | 131.11          |
| Current service cost   | <b>145.60</b>          | 96.60           |
| Benefits paid  | <b>(181.22)</b>        | (179.19)        |
| Actuarial loss on obligation   | <b>228.11</b>          | 249.44          |
| <b>Defined benefit obligation as at March 31, 2012</b>                               | <b><u>2,302.12</u></b> | <u>1,936.82</u> |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

|  |                        | Rs lakhs        |
|--|------------------------|-----------------|
|  | <u>2011-12</u>         | <u>2010-11</u>  |
| <b>4) Changes in the fair value of plan assets are as follows:</b> |                        |                 |
| Fair value of plan assets as at April 1, 2011                      | <b>1,939.51</b>        | 1,639.22        |
| Expected return  | <b>166.58</b>          | 147.28          |
| Contribution by employer   | –                      | 332.20          |
| Benefits paid  | <b>(181.22)</b>        | (179.19)        |
| Actuarial gain   | <b>(1.30)</b>          | –               |
| Fair value of plan assets as at March 31, 2012                     | <b><u>1,923.57</u></b> | <u>1,939.51</u> |

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows :

|                                     |                      |               |
|-------------------------------------|----------------------|---------------|
| % of Investment with insurer        | <b>99.95</b>         | 99.95         |
| % of Investment in Government Bonds | –                    | –             |
| % of Balance with Bank              | <b>0.05</b>          | 0.05          |
| Total                               | <b><u>100.00</u></b> | <u>100.00</u> |

The principal plan assets consists of a scheme of insurance taken by the Trust, which is a qualifying policy. Break-down of individual investments that comprise the total plan assets is not supplied by the insurer.

### (ii) Leave Salary - Compensated Absences

The Company also extends defined benefit plans in the form of Compensated absences to employees. Provision for Compensated absences is made on actuarial valuation basis.

The Employee Benefits towards Compensated absences are provided based on actuarial valuation made at the end of the year.

Employee benefits towards Compensated absences recognised in the Profit and Loss Account as follows :

|                                 |                     | Rs lakhs       |
|---------------------------------|---------------------|----------------|
|                                 | <u>2011-12</u>      | <u>2010-11</u> |
| (a) Current service cost        | <b>44.96</b>        | 44.92          |
| (b) Interest cost               | <b>34.45</b>        | 34.30          |
| (c) Net actuarial (gain) / loss | <b>(42.25)</b>      | –              |
| (d) Total                       | <b><u>37.16</u></b> | <u>79.22</u>   |

### Actuarial Assumptions

The Principal assumptions used in determining gratuity benefit obligation and determining company's liability towards employee benefits under Compensated absences are furnished below :

|                                  |             |      |
|----------------------------------|-------------|------|
| Discount rate - Gratuity - %     | <b>9.35</b> | 8.00 |
| Discount rate - Leave Salary - % | <b>8.00</b> | 8.00 |

The estimates of future salary increases, considered in actuarial valuation taking into account of inflation, seniority, promotion, attrition and relevant factors, such as supply and demand in the employment market.



# Sundram Fasteners Limited

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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### (15) AS 16: Borrowing cost

Interest on borrowings to finance fixed assets are capitalised only if the borrowing costs are attributable to the acquisition of fixed assets that take a substantial period of time to get ready for its intended use. Expenditure incurred on alteration/temporary constructions is charged off as expenditure under appropriate heads of expenditure in Profit and Loss account in the year in which it is incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

There is no borrowing cost capitalised during the period.

### (16) AS 17: Segment reporting

The Company operates in the same segment which are subject to similar risks and returns.

### (17) AS 18: Related party disclosure

#### (I) Where Control exists:

##### (A) Subsidiary Companies

1. Sundram Fasteners Investments Ltd., Chennai, 2. Cramlington Precision Forge Ltd., Northumberland, United Kingdom, 3. Sundram RBI Sdn. Bhd, Kuala Lumpur, Malaysia, 4. Upasana Engineering Ltd., Chennai, 5. Sundram Fasteners (Zhejiang) Ltd., Peoples Republic of China, 6. Sundram Non-Conventional Energy Systems Ltd., Chennai, 7. Sundram Bleistahl Ltd, Chennai, 8. Sundram International Inc, Michigan, USA, 9. TVS Peiner Services, GmbH (formerly Peiner Logistik GmbH), Peine, Federal Republic of Germany, 10. Peiner Umformtechnik GmbH, Peine, Federal Republic of Germany and 11. PUT Grundstücks GmbH, Peine, Federal Republic of Germany.

##### (B) Associate

1. TVS Infotech Ltd., Chennai, 2. TVS Infotech Inc, Michigan, USA, 3. T V Sundram Iyengar & Sons Ltd., Madurai and 4. Southern Roadways Ltd., Madurai.

##### (C) Joint Venture

Windbolt GmbH, Germany

#### (II) Other Related Parties with whom transactions have been entered into during the year :

##### (A) Key Management Personnel

Mr Suresh Krishna

Ms Arathi Krishna

Ms Arundathi Krishna

##### (B) Relatives of Key Management Personnel

Ms Usha Krishna

Ms Preethi Krishna

##### (C) Enterprise in which Key Management Personnel have significant influence

Upasana Finance Limited, Chennai

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### (III) Transactions with related parties referred in (I) and (II) above, in ordinary course of business:

Rs lakhs

| Nature of transaction                                   | Subsidiary Companies          | Associate                     | Joint Venture   | Key Management Personnel  | Relatives of Key Management Personnel | Enterprise in which key management personnel have significant influence |
|---|-------------------------------|-------------------------------|-----------------|---------------------------|---------------------------------------|---|
| <b>Purchases</b>  |                               |                               |                 |                           |                                       |   |
| Goods and Materials                                     | <b>1429.81</b><br>(2055.89)   | <b>137.19</b><br>(5.91)       | –               | –                         | –                                     | –   |
| <b>Shares</b>   | –<br>–                        | –<br>–                        | <b>22.22</b>    | –                         | –                                     | –   |
| Fixed Assets  | <b>10.52</b><br>–             | –                             | –               | –                         | –                                     | –   |
| <b>Sales</b>  |                               |                               |                 |                           |                                       |   |
| Goods and Materials                                     | <b>700.70</b><br>(989.40)     | <b>8,340.91</b><br>(8,621.30) | –               | –                         | –                                     | –   |
| Fixed Assets  | –<br>(15.22)                  | –<br>–                        | –               | –                         | –                                     | –   |
| <b>Services Rendered</b>                                | <b>167.71</b><br>(139.63)     | <b>7.49</b><br>–              | –               | –                         | –                                     | –   |
| Received  | <b>737.63</b><br>(99.81)      | <b>1,110.08</b><br>(305.42)   | –               | –                         | –                                     | <b>35.44</b>  |
| <b>Finance*</b>   |                               |                               |                 |                           |                                       |   |
| Inter Corporate Deposit                                 | <b>2,812.57</b><br>(2,283.62) | –                             | <b>1,995.19</b> | –                         | –                                     | –   |
| Interest on Inter Corporate Deposit                     | <b>249.37</b><br>(158.09)     | –                             | <b>24.54</b>    | –                         | –                                     | –   |
| Dividend Received                                       | <b>208.11</b><br>(13.23)      | –                             | –               | –                         | –                                     | –   |
| Dividend Paid   | –                             | <b>1,353.11</b><br>(1,062.90) | –               | –                         | –                                     | –   |
| <b>Others</b>   |                               |                               |                 |                           |                                       |   |
| Leasing or hire purchase arrangements                   | <b>71.75</b><br>(77.74)       | –                             | –<br>–          | <b>6.24</b><br>(6.24)     | <b>1.88</b><br>(1.88)                 | –   |
| Guarantees & Collaterals                                | <b>2,276.00</b><br>(1,474.72) | –                             | –               | –                         | –                                     | –   |
| Management contracts, including deputation of employees | –                             | –                             | –<br>–          | <b>970.73</b><br>(955.19) | –                                     | –   |
| <b>Outstanding balances</b>                             |                               |                               |                 |                           |                                       |   |
| Due to the Company                                      | <b>5,739.80</b><br>(5,459.56) | <b>690.32</b><br>(518.92)     | <b>2,109.73</b> | –                         | –                                     | –   |
| Due by the Company                                      | <b>244.22</b><br>(423.69)     | <b>98.35</b><br>(3.07)        | –<br>–          | <b>775.00</b><br>(767.33) | –                                     | –   |

\* Finance includes loans (Previous year figures are in brackets)

# Sundram Fasteners Limited

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

|  | <u>2011-12</u>  | <u>2010-11</u> |
|--|-----------------|----------------|
|  |                 | Rs lakhs       |
| <b>(IV) Transactions with related parties required to be disclosed pursuant to listing agreement:</b>  |                 |                |
| <b>Loans and advances (without repayment schedule) given to Subsidiaries:</b>  |                 |                |
| (i) Sundram Fasteners Investments Limited, Chennai<br>(maximum outstanding during the year - Rs 1,690.55 lakhs<br>(Rs 1,497.03 lakhs) (includes interest free loan of Rs 952.50 lakhs<br>(Rs 61.61 lakhs))                   | <b>1,190.00</b> | 1,497.03       |
| (ii) Sundram Non-Conventional Energy Systems, Chennai<br>(maximum outstanding during the year - Rs 24.90 lakhs)  | —               | —              |
| (iii) Sundram Bleistahl Limited, Chennai<br>(maximum outstanding during the year Rs 1,543.01 lakhs<br>(Rs 1,391.45 lakhs))<br>There is no interest free loan during the year (Nil)   | <b>540.12</b>   | 1,391.45       |
| (iv) Upasana Engineering Limited, Chennai<br>(maximum outstanding during the year Rs 2,267.30 lakhs<br>(Rs 2,227.30 lakhs) (includes interest free loan of Rs Nil lakhs<br>(Rs 2,227.30 lakhs))                              | <b>2,200.00</b> | 2,227.30       |
| (v) Peiner Umformtechnik GmbH, Peine, Germany<br>(maximum outstanding during the year - Rs 1,648.72 lakhs<br>There is no interest free loan during the year (Nil)  | <b>1,648.72</b> | —              |
| <b>(18) AS 19: Leases</b>  |                 |                |
| The Company has entered into lease agreements for a period upto five years, which are in the nature of operating leases as defined in the Accounting Standard prescribed by The Institute of Chartered Accountants of India. |                 |                |
| (a) Future minimum lease payments under non cancellable operating leases in respect of lease agreements entered into on or after 1.4.2001:   |                 |                |
| Upto One year  | <b>57.20</b>    | 60.58          |
| Two to Five years  | <b>131.01</b>   | 118.11         |
| Total  | <b>188.21</b>   | 178.69         |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

|   | <u>2011-12</u> | <u>2010-11</u> |
|---|----------------|----------------|
|   |                | Rs lakhs       |
| (b) Lease payments recognised in the statement of Profit and Loss Account, in respect of operating lease agreements entered into on or after 1.4.2001 | <b>148.53</b>  | 136.71         |

(c) Significant Leasing arrangements :

The Company has entered into leasing arrangements in respect of vehicles and data processing equipments.

(i) Basis of determining contingent rent :

Contingent rents are payable for excessive, improper or unauthorised use of the asset, beyond the terms of the lease agreement, prejudicially affecting the resale value of the asset, either by way of increase in lease rentals or by way of lump-sum amount, as agreed between the parties.

(ii) Renewal/purchase options and escalation clauses :

Lease agreements are renewable for further period or periods on terms and conditions mutually agreed between the parties. Variations in lease rentals are made in the event of a change in the basis of computation of lease rentals by the lessor.

(iii) There are no restrictions imposed by the lease arrangements, concerning dividends, additional debt and further leasing.

|  | <u>2011-12</u> | <u>2010-11</u> |
|--|----------------|----------------|
|  |                | Rs lakhs       |

(19) **AS 20: Earnings per share**

Basic earnings per share are disclosed in the Profit and Loss account. There is no diluted earnings per share as there are no dilutive potential equity shares.

|   |                     |              |
|---|---------------------|--------------|
| Basic/Diluted EPS before considering Extra-ordinary items | <b>5.36</b>         | 5.02         |
| Basic/Diluted EPS after considering Extra-ordinary items  | <b>5.36</b>         | 5.02         |
| Weighted average number of shares                         | <b>21,01,28,370</b> | 21,01,28,370 |
| Face Value per share (fully paid up)                      | <b>Re 1</b>         | Re 1         |

(20) **AS 21: Consolidated financial statements**

Consolidated financial statements of the Company and its subsidiaries, viz.

a) Sundram Fasteners Investments Ltd., Chennai, b) Upasana Engineering Ltd., Chennai c) Sundram Fasteners (Zhejiang) Ltd., People's Republic of China, d) Cramlington Precision Forge Ltd., Northumberland, UK, e) Sundram Non-Conventional Energy Systems Ltd., Chennai, f) Sundram RBI Sdn. Bhd, Kuala Lumpur, Malaysia, g) Sundram International Inc, Michigan, USA, h) Peiner Umformtechnik GmbH, Peine, Federal Republic of Germany, i) PUT Grundstücks, GmbH, Peine, Federal Republic of Germany, j) Sundram

# Sundram Fasteners Limited

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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Bleistahl Ltd., Chennai and k) TVS Peiner Services GmbH (formerly Peiner Logistik GmbH), Peine, Federal Republic of Germany are annexed.

(21) **AS 22: Accounting for taxes on income**

Refer Note 4 to the Financial Statements

Tax expense comprises of current and deferred. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income-tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

(22) **AS 23: Accounting for Investments in associates**

TVS Infotech Ltd, Chennai and TVS Infotech Inc, Michigan, USA (formerly TVS International Inc) are associates of the Company and have been considered in the preparation of the Consolidated Financial Statements of the Company.

(23) **AS 24: Discontinuing Operations**

The Company has not discontinued any operation during the year.

(24) **AS 25: Interim Financial Reporting**

Quarterly financial results are published in accordance with the guidelines given by SEBI. The recognition and measurement principles as laid down in the standard are followed with respect to such results. The Quarterly results are also subjected to a limited review by the auditors as required by SEBI.

(25) **AS 26: Intangible Assets**

The Company has not acquired any intangible asset during the year. With respect to fees paid for acquiring Technical Know-how before 1-4-2003, the amount capitalised has been amortised over the currency of the collaboration agreement.

The Company had entered into a Technical agreement for manufacture of Valve Lifters, the technical know-how fees paid for acquiring Technical Know-how has been grouped under Technical Know-how fees.

(26) **AS 27: Financial Reporting of Interests in Joint Ventures**

A) The Company has entered into joint venture agreement with TV Sundram Iyengar & Sons Ltd, Madurai and Madras Cements Ltd, Chennai for utilisation of Aircraft for business purposes. The agreement

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

involves joint control and ownership of the aircraft by the venturers. The Company's share of jointly controlled asset and expenditure have been recognised in the books of accounts as detailed below :

### Information on Joint Venture

#### i) Jointly Controlling entities with reporting entity

| Sl No. | Name of the Joint Venturers                 | Country of Incorporation | Share of Ownership interest |
|--------|---|--------------------------|-----------------------------|
| 1      | T V Sundram Iyengar & Sons Ltd.,<br>Madurai | India                    | 1/3                         |
| 2      | Madras Cements Ltd., Chennai                | India                    | 1/3                         |

#### ii) Share of Interest in the transactions with respect to Jointly Controlled entities

|  |                | Rs lakhs       |
|--|----------------|----------------|
| A) Assets                              | <u>2011-12</u> | <u>2010-11</u> |
| WDV of Aircraft                        | <b>667.12</b>  | 707.50         |
| Current Assets - Advances              | <b>28.45</b>   | 28.48          |
| Current Assets - Deposits              | <b>1.50</b>    | 1.50           |
| <b>B) Liabilities</b>                  |                |                |
| Current liabilities                    | <b>32.37</b>   | 7.13           |
| <b>C) Income</b>                       | -              | -              |
| <b>D) Expenditure</b>                  |                |                |
| Subscription                           | -              | 0.03           |
| Consultancy fees                       | <b>47.77</b>   | 61.30          |
| Travelling Expenses                    | <b>10.13</b>   | 8.97           |
| Postage, Courier and Telephone charges | <b>0.23</b>    | 0.20           |
| Insurance                              | -              | 2.91           |
| Aircraft Maintenance                   | <b>108.68</b>  | 90.16          |
| Depreciation                           | <b>40.68</b>   | 28.24          |

- B) During the year, the Company has invested EUR 33,332 (Rs 22.22 lakhs) in Windbolt GmbH, Hohenstein-Ernstthal, Germany for manufacture of special bolts for wind energy applications under 50:50 Joint Venture arrangement with Mr. Wolfgang Walter Naumann. The share of interest in Joint Venture has been accounted in consolidated accounts by using the proportionate consolidation method as per Accounting Standard (AS) 27 - "Financial Reporting of Interest in Joint Ventures".

# Sundram Fasteners Limited

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### (27) AS 28: Impairment of Assets

At the Balance Sheet date, an assessment is done to determine whether there is any indication of impairment in the carrying amount of the Company's fixed assets. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. After recognition of impairment loss, the depreciation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value, if any, on straight line basis over its remaining useful life.

During the year there is no impairment of assets accounted where as in the previous year Rs 0.67 lakhs had been accounted.

### (28) AS 29: Provisions, Contingent Liabilities and Contingent Assets

|  | Rs lakhs        |                |
|--|-----------------|----------------|
|  | <u>2011-12</u>  | <u>2010-11</u> |
| <b>(i) Contingent Liabilities :</b>  |                 |                |
| a) On Letters of Guarantee   | <b>2,276.00</b> | 1,474.72       |
| b) On Letters of Credit  | <b>659.52</b>   | 171.88         |
| c) On Guarantee issued to Housing Development Finance Corporation on behalf of employees   | <b>1.70</b>     | 6.01           |
| d) On partly paid shares of The Adyar Property Holding Co. Ltd.  | <b>0.01</b>     | 0.01           |
| e) The Company has given guarantees to fulfill various obligations of Cramlington Precision Forge Limited, UK and Sundram Fasteners (Zhejiang) Limited, People's Republic of China, wholly-owned subsidiaries of the Company the amount of which is to the extent of non-fulfilment of obligations of the subsidiaries which is not ascertainable. |                 |                |
| f) Estimated contingent liability for stamp duty in respect of leased land at Uttarakhand  | —               | 3.62           |
| <b>(ii) Liabilities disputed and not provided for :</b>  |                 |                |
| a) Sales Tax / entry tax - under appeal  | <b>691.07</b>   | 33.33          |
| b) Excise Duty/Customs Duty/Service Tax - under appeal   | <b>599.50</b>   | 586.09         |
| c) Income-tax - under appeal   | <b>72.22</b>    | 41.46          |
| d) Others  | <b>50.67</b>    | 6.87           |
| <b>(iii) Estimated amount of contracts remaining to be executed on capital account and not provided for</b>  | <b>1,953.34</b> | 1,903.01       |
| <b>(iv) Contingent Assets :</b>  |                 |                |
| Claim of additional compensation against land acquisition  | <b>23.29</b>    | 23.29          |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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### (29) (AS 30) : Financial Instruments : Recognition and Measurement

- a) AS 30 was issued by the Institute of Chartered Accountants of India (ICAI) in 2007 but has not yet been notified by the Government under Section 211 (3C) of the Companies Act, 1956.
- b) The Institute of Chartered Accountants of India has clarified that to the extent of accounting treatments covered by any of the existing notified accounting standards (for eg. AS 11, AS 13 etc.) the existing accounting standards would continue to prevail over AS 30.
- c) Since the Company follows the accounting treatment specified in the AS 30 through the accounting treatment under existing accounting standards i.e., AS 11 & AS 13 etc., AS 30 is not followed.

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ARUNDATHI KRISHNA  
Whole-Time Director

ARATHI KRISHNA  
Joint Managing Director

SURESH KRISHNA  
Chairman & Managing Director

V G JAGANATHAN  
Secretary

VENU SRINIVASAN  
V NARAYANAN  
R SRINIVASAN  
R RAMAKRISHNAN  
Directors

As per our report annexed  
For SUNDARAM & SRINIVASAN  
Regn. No. 004207S  
Chartered Accountants  
M BALASUBRAMANIAM  
Partner  
Membership No. F7945

Chennai  
May 28, 2012



# Sundram Fasteners Limited

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

| Particulars   | Sundram Fasteners Investments Limited, India | Cramlington Precision Forge Limited, United Kingdom                          | Sundram RBI Sdn. Bhd., Malaysia  | Sundram International Inc Michigan, USA                                    |
|---|--|--|--|--|
| 1 No. of shares issued by the subsidiary:<br>Equity / Ordinary / Common Shares<br><br>6% Preference Shares              | 24,90,000 shares of Rs 10 each               | 14,00,000 ordinary shares of GBP 1 each<br><br>5,00,000 shares of GBP 1 each | 5,00,000 ordinary shares of MYR 1 each                                 | 18,215 shares of US \$10 each  |
| 2 No. of shares held by the Company:<br>Equity / Ordinary / Common Shares<br>6% Preference Shares                       | 24,90,000                                    | 14,00,000<br>5,00,000  | 3,50,000   | 18,215   |
| 3 Number of equity shares held by subsidiary company  | Not applicable                               | Not applicable   | Not applicable   | Not applicable   |
| 4 Financial period of the subsidiary  | 01/04/2011 to 31/03/2012                     | 01/01/2011 to 31/12/2011   | 01/04/2011 to 31/03/2012   | 01/04/2011 to 31/03/2012   |
| 5 Net aggregate amount of the subsidiary's profits/(losses) not dealt with in the holding company's accounts (Rs lakhs) |  |  |  |  |
| i) For the financial year of the subsidiary   | Rs.(0.87) lakhs                              | GBP 913,409<br>Rs. 722.76 lakhs<br>(GBP 5204,918)<br>(Rs.169.26 lakhs)       | MYR 236,207<br>Rs. 37.16 lakhs<br>(MYR 18,21,747)<br>(Rs.302.59 lakhs) | (US \$ 51,765)<br>(Rs. 17.65 lakhs)<br>US \$ (44,361)<br>(Rs. 19.78 lakhs) |
| ii) For the previous financial years  | Rs. 173.40 lakhs                             |  |  |  |
| 6 Net aggregate amount of the subsidiary's profits/(losses) dealt with in the holding company's accounts (Rs lakhs)     |  |  |  |  |
| i) For the financial year of the subsidiary   | —  | Rs 198.24 lakhs  | —  | —  |
| ii) For the previous financial years  | Rs. 173.40 lakhs                             | —  | —  | —  |

ARUNDATHI KRISHNA  
Whole-Time Director

ARATHI KRISHNA  
Joint Managing Director

SURESH KRISHNA  
Chairman & Managing Director

Chennai  
May 28, 2012

VENU SRINIVASAN  
V NARAYANAN  
R SRINIVASAN  
R RAMAKRISHNAN  
Directors

V G JAGANATHAN  
Secretary

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 (Contd.)

| Particulars  | Sundram Bleistahl Limited, India      | Peiner Umformtechnik GmbH Peine, Germany | Upasana Engineering Limited, India (UEL) | Sundram Fasteners Zhejiang) Limited, China | PUT Grundstücks GmbH Peine, Germany | TVS Peiner Services GmbH Peine, Germany | Sundram Non-Conventional Energy Systems Limited, India |
|--|---------------------------------------|--|--|--|-------------------------------------|---|--|
| 1 No. of shares issued by the subsidiary: Equity / Ordinary / Common Shares<br>6% Preference Shares                      | 70,00,000 equity Shares of Rs.10 each | 67,74,617 Euro Capital Stock             | 1,18,99,674 Shares of Rs.10 each         | 10,04,77,945 Capital Stock                 | 25,000 Euro Capital Stock           | 25,000 Euro Capital Stock               | 4,99,993 Shares of Rs 10 each                          |
| 2 No. of shares held by the Company: Equity / Ordinary / Common Shares   | 53,20,000                             | 100 % held by the Company                | 100 % held by the Company                | 100% held by the Company                   | 100% held by the Company            | 100% held by the Company                | 2,64,691   |
| 3 Number of equity shares held by subsidiary company   | Not applicable                        | Not applicable                           | Not applicable                           | Not applicable                             | Not applicable                      | Not applicable                          | Not applicable   |
| 4 Financial period of the subsidiary   | 1/04/2011 to 31/03/2012               | 1/1/2011 to 31/12/2011                   | 1/04/2011 to 31/03/2012                  | 1/1/2011 to 31/12/2011                     | 1/1/2011 to 31/12/2011              | 1/1/2011 to 31/12/2011                  | 1/4/2011 to 31/3/2012                                  |
| 5 Net aggregate amount of the subsidiary's profits/ (losses) not dealt with in the holding company's accounts (Rs lakhs) |                                       |  |  |  |                                     |   |  |
| i) For the financial year of the subsidiary  | Rs 198.20 lakhs                       | (Euro 4,718,065)<br>(Rs 3,172.16 lakhs)  | Rs 393.55 lakhs                          | RMB 5,010,761<br>Rs 341.13 Lakhs           | Euro 503,064<br>Rs 326.96 lakhs     | Euro (54.67)<br>(Rs 36.71 lakhs)        | Rs 138.47 lakhs  |
| ii) For the previous financial years   | (Rs 145.01 lakhs)                     | Euro (1,102,525)<br>(Rs.722.71 lakhs)    | Rs 1.90 lakhs                            | (RMB 11,549,346)<br>(Rs 975.92 lakhs)      | Euro 230,397<br>Rs 158.58 lakhs     | Euro 20,393<br>Rs 14.04 lakhs           | Rs 197.31 lakhs  |
| 6 Net aggregate amount of the subsidiary's profits/ (losses) dealt with in the holding company's accounts (Rs lakhs)     |                                       |  |  |  |                                     |   |  |
| i) For the financial year of the subsidiary  | —                                     | —  | —  | —  | —                                   | —                                       | Rs 13.23 lakhs   |
| ii) For the previous financial years   | —                                     | —  | —  | —  | —                                   | —                                       | Rs 23.26 lakhs   |

ARUNDATHI KRISHNA  
Whole-Time Director

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Joint Managing Director

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Chairman & Managing Director

Chennai  
May 28, 2012

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V NARAYANAN  
R SRINIVASAN  
R RAMAKRISHNAN  
Directors

V G JAGANATHAN  
Secretary

# Sundram Fasteners Limited

## FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES

(As per general exemption under Section 212(8) of the Companies Act, 1956)

| Rupees  |                                       |                                     |                        |                             |                            |   |                           |                                      |                           |                          |                      |
|---|---------------------------------------|-------------------------------------|------------------------|-----------------------------|----------------------------|---|---------------------------|--------------------------------------|---------------------------|--------------------------|----------------------|
| Particulars   | Sundram Fasteners Investments Limited | Cramlington Precision Forge Limited | Sundram RBI Sdn. Bhd., | Upasana Engineering Limited | Sundram International Inc. | Sundram Non Conventional Energy Systems Limited | Sundram Bleistahl Limited | Sundram Fasteners (Zhejiang) Limited | Peiner Umformtechnik GmbH | TVS Peiner Services GmbH | PUT Grundstücks GmbH |
| (a) Financial Year Ended                              | 31-03-2012                            | 31-12-2011                          | 31-03-2012             | 31-03-2012                  | 31-03-2012                 | 31-03-2012                                      | 31-03-2012                | 31-12-2011                           | 31-12-2011                | 31-12-2011               | 31-12-2011           |
| (b) Country of Incorporation                          | India                                 | United Kingdom                      | Malaysia               | India                       | USA                        | India   | India                     | China                                | Germany                   | Germany                  | Germany              |
| (c) Share Capital                                     | 24,900,000                            | 156,940,000                         | 8,305,000              | 118,996,740                 | 8,120,513                  | 4,999,930                                       | 70,000,000                | 849,038,638                          | 466,296,918               | 1,720,750                | 1,720,750            |
| (d) Reserves  | 22,989,739                            | 38,697,378                          | (26,335,819)           | 39,544,909                  | (3,743,658)                | 32,794,017                                      | 34,321,000                | (55,251,048)                         | (296,814,179)             | (2,357,658)              | 15,484,309           |
| (e) Loan Funds  | 119,000,132                           | 10,575,691                          | –                      | 347,985,060                 | 1,908,000                  | –   | 113,450,000               | 175,743,756                          | 69,914,337                | –                        | 195,154,998          |
| (f) Deferred Government Grants                        | –                                     | 6,959,711                           | –                      | –                           | –                          | –   | –                         | –                                    | –                         | –                        | –                    |
| (g) Deferred Tax Liability (Asset)                    | –                                     | 21,335,580                          | –                      | 21,823,989                  | –                          | 126,755   | 2,536,000                 | –                                    | –                         | –                        | –                    |
| (h) Current Liabilities & Provisions                  | 454,901                               | 152,377,387                         | 18,512,044             | 118,496,952                 | –                          | 10,649,798                                      | 12,058,000                | 291,838,340                          | 1,020,108,517             | 79,721,285               | 33,704,628           |
| <b>(i) Total Liabilities</b>                          | <b>167,344,772</b>                    | <b>386,885,747</b>                  | <b>481,225</b>         | <b>646,847,650</b>          | <b>6,284,855</b>           | <b>48,570,500</b>                               | <b>232,365,000</b>        | <b>1,261,369,686</b>                 | <b>1,259,505,593</b>      | <b>79,084,397</b>        | <b>281,064,685</b>   |
| (j) Fixed Assets                                      | 35,275,799                            | 163,623,580                         | –                      | 229,604,858                 | –                          | 21,579,941                                      | 123,435,000               | 645,195,187                          | 273,240,060               | 60,851,846               | 277,622,359          |
| (k) Investments                                       | 97,166,885                            | –                                   | –                      | 1,139,854                   | –                          | 4,572,387                                       | –                         | –                                    | –                         | –                        | –                    |
| (l) Current Assets, Loans & Advances                  | 34,902,088                            | 223,262,167                         | 481,225                | 416,102,938                 | 6,284,855                  | 22,418,172                                      | 108,930,000               | 616,174,499                          | 986,265,533               | 18,232,531               | 3,442,326            |
| <b>(m) Total Assets</b>                               | <b>167,344,772</b>                    | <b>386,885,747</b>                  | <b>481,225</b>         | <b>646,847,650</b>          | <b>6,284,855</b>           | <b>48,570,500</b>                               | <b>232,365,000</b>        | <b>1,261,369,686</b>                 | <b>1,259,505,593</b>      | <b>79,084,397</b>        | <b>281,064,685</b>   |
| (n) Revenue/Income                                    | 4,520,653                             | 703,641,819                         | 3,799,912              | 802,603,169                 | 1,576,407                  | 26,200,845                                      | 235,209,000               | 855,966,093                          | 3,986,267,852             | 326,713,434              | 75,625,138           |
| (o) Profit/(Loss) before taxation                     | (87,043)                              | 94,930,913                          | 3,715,536              | 62,480,035                  | (1,132,866)                | 19,646,668                                      | 29,358,000                | 34,113,190                           | (308,968,519)             | (3,782,445)              | 43,585,280           |
| (p) Provision for Taxation                            | –                                     | 22,654,761                          | –                      | 23,124,991                  | 632,325                    | 5,799,296                                       | 9,538,000                 | –                                    | (8,247,765)               | (111,435)                | 10,889,119           |
| (q) Profit/(Loss) after Taxation                      | (87,043)                              | 72,276,152                          | 3,715,536              | 39,355,044                  | (1,765,191)                | 13,847,372                                      | 19,820,000                | 34,113,190                           | (317,216,284)             | (3,671,010)              | 32,696,161           |
| (r) Proposed Dividend                                 | –                                     | 19,824,000                          | –                      | –                           | –                          | 4,999,930                                       | –                         | –                                    | –                         | –                        | –                    |
| (s) Details of Investment                             |                                       |                                     |                        |                             |                            |   |                           |                                      |                           |                          |                      |
| Quoted - Non Trade - Current                          | 15,535                                |                                     |                        | 1,142,480                   |                            | 4,636,163                                       |                           |                                      |                           |                          |                      |
| Quoted - Non Trade - Long Term                        | 1,204,650                             |                                     |                        | –                           |                            |   |                           |                                      |                           |                          |                      |
| Unquoted - Subsidiaries                               |                                       |                                     |                        |                             |                            |   |                           |                                      |                           |                          |                      |
| Unquoted - Non Trade - Others                         | 95,946,700                            |                                     |                        | –                           |                            | –   |                           |                                      |                           |                          |                      |
|   | 97,166,885                            |                                     |                        | 1,142,480                   |                            | 4,636,163                                       |                           |                                      |                           |                          |                      |
| Less: Provision for diminution in value of investment | –                                     |                                     |                        | 2,626                       |                            | 63,776  |                           |                                      |                           |                          |                      |
| Total Investments                                     | 97,166,885                            |                                     | –                      | 1,139,854                   |                            | 4,572,387                                       |                           | –                                    | –                         | –                        | –                    |
| Market Value of Quoted Investments                    | 1,918,860                             |                                     | –                      | 6,725,746                   |                            | 4,572,387                                       | –                         | –                                    | –                         | –                        | –                    |

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**AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF SUNDARAM FASTENERS LIMITED, CHENNAI ON THE CONSOLIDATED FINANCIAL STATEMENTS INCLUDING ITS SUBSIDIARIES FOR THE YEAR ENDED 31ST MARCH 2012**

1. We have audited the attached consolidated balance sheet of M/s Sundram Fasteners Limited, Chennai and its subsidiary companies as at 31st March 2012, the consolidated statement of profit and loss for the year ended as on that date annexed thereto, and the consolidated cash flow statement for the year ended on that date. These consolidated financial statements are the responsibility of Sundram Fasteners Limited's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiaries viz. Sundram Fasteners (Zhejiang) Limited, China, Cramlington Precision Forge Limited, United Kingdom, Sundram RBI Sdn. Bhd., Malaysia, Peiner Umformtechnik GmbH, Germany, PUT Grundstücks GmbH, Germany, TVS Peiner Services GmbH, Germany, Sundram International Inc., USA and Joint Venture - Windbolt GmbH, Germany. These Financial Statements and other information of subsidiaries have been audited by other Auditors except Sundram International Inc., USA and Joint Venture Windbolt GmbH, Germany. The financial statements of three subsidiaries in Germany have been certified by the respective Managements since the audit of these companies are in progress. We have relied on the audit reports and certificates of Managements which have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries is based solely on the audit reports of other auditors and certificates of Managements.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS21) on Consolidated Financial Statements and Accounting Standard (AS23) on Accounting for Investments in Associates, issued by the Institute of Chartered Accountants of India, on the basis of the individual financial statements of Sundram Fasteners Limited and its subsidiaries included in the consolidated financial statements.
5. On the basis of informations and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of Sundram Fasteners Limited, its subsidiaries and its associates, in our opinion, the consolidated financial statements give a true and fair view in conformity with accounting principles generally accepted in India:
  - (a) in the case of the consolidated balance sheet, of the consolidated state of affairs of Sundram Fasteners Limited and its subsidiaries as at 31st March 2012;
  - (b) in the case of the consolidated statement of profit and loss, of the consolidated results of operations of Sundram Fasteners Limited and its subsidiaries for the year ended on that date; and
  - (c) in the case of the cash flow statement, of the consolidated cash flow of Sundram Fasteners Limited and its subsidiaries for the year ended on that date.

For SUNDARAM & SRINIVASAN  
Regn. No. 0042075  
Chartered Accountants

P MENAKSHISUNDARAM  
Partner  
Membership No. 217914

Chennai  
May 28, 2012

# Sundram Fasteners Limited

## CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2012

|                                    |      |           |             |           | Rs lakhs    |
|------------------------------------|------|-----------|-------------|-----------|-------------|
|                                    | Note |           | As at       |           | As at       |
| I EQUITY AND LIABILITIES           |      |           | 31-3-2012   |           | 31-3-2011   |
| 1. Shareholders' Funds             |      |           |             |           |             |
| (a) Share Capital                  | 1    | 2,101.28  |             | 2,101.28  |             |
| (b) Reserves and Surplus           | 2    | 62,140.91 | 64,242.19   | 53,120.96 | 55,222.24   |
| 2. Minority Interest               |      |           |             |           |             |
| (a) Share Capital                  |      | 216.45    |             | 213.64    |             |
| (b) Reserves and Surplus           |      | 180.64    | 397.09      | 96.19     | 309.83      |
| 3. Non-current Liabilities         |      |           |             |           |             |
| (a) Long-term Borrowings           | 3    | 26,359.41 |             | 28,719.01 |             |
| (b) Deferred Tax Liabilities (Net) | 4    | 9,397.82  |             | 8,645.39  |             |
| (c) Other Long-term Liabilities    | 6    | 488.09    |             | 107.60    |             |
| (d) Long-term Provisions           | 7    | 389.85    | 36,635.17   | 440.18    | 37,912.18   |
| 4. Current Liabilities             |      |           |             |           |             |
| (a) Short-term Borrowings          | 3    | 49,615.75 |             | 38,927.19 |             |
| (b) Trade Payables                 | 5    | 23,494.22 |             | 20,013.77 |             |
| (c) Other Current Liabilities      | 6    | 21,673.15 |             | 17,858.13 |             |
| (d) Short-term Provisions          | 7    | 7,800.76  | 102,583.88  | 5,374.23  | 82,173.32   |
| Total                              |      |           | 2,03,858.33 |           | 175,617.57  |
| II ASSETS                          |      |           |             |           |             |
| 1. Non-Current Assets              |      |           |             |           |             |
| (a) Fixed Assets                   |      |           |             |           |             |
| i) Tangible Assets                 | 8    | 84,724.18 |             | 74,669.30 |             |
| ii) Intangible Assets              | 8    | 199.76    |             | 302.07    |             |
| iii) Capital work-in-progress      | 8    | 5,210.92  |             | 3,682.15  |             |
| (b) Non-current Investments        |      | 846.60    |             | 150.36    |             |
| (c) Long-term Loans and Advances   | 9    | 3,920.94  |             | 3,530.69  |             |
| (d) Other Non-current Assets       | 10   | 46.41     | 94,948.81   | 86.03     | 82,420.60   |
| 2. Current Assets                  |      |           |             |           |             |
| (a) Current Investments            |      | 162.28    |             | 63.18     |             |
| (b) Inventories                    | 11   | 44,680.50 |             | 39,048.74 |             |
| (c) Trade Receivables              | 12   | 48,867.78 |             | 40,081.85 |             |
| (d) Cash and Cash Equivalents      | 13   | 1,603.80  |             | 1,138.55  |             |
| (e) Short-term Loans and Advances  | 9    | 11,760.85 |             | 10,793.72 |             |
| (f) Other Current Assets           | 10   | 1,834.31  | 1,08,909.52 | 2,070.93  | 93,196.97   |
| Total                              |      |           | 2,03,858.33 |           | 1,75,617.57 |

The notes form an integral part of the Financial Statements.

ARUNDATHI KRISHNA  
Whole-Time Director

ARATHI KRISHNA  
Joint Managing Director

SURESH KRISHNA  
Chairman & Managing Director

V G JAGANATHAN  
Secretary

Chennai  
May 28, 2012

As per our report annexed  
For SUNDARAM & SRINIVASAN  
Regn. No. 004207S  
Chartered Accountants  
P MENAKSHISUNDARAM  
Partner  
Membership No. 217914

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2012

|  |      |                         | Rs lakhs                |
|--|------|-------------------------|-------------------------|
|  | Note | Year ended<br>31-3-2012 | Year ended<br>31-3-2011 |
| I. Revenue from Operations   | 14   | 2,77,015.61             | 2,28,385.92             |
| II. Other Income   | 15   | 3,051.62                | 1,555.50                |
| III. Total Revenue   |      | <u>2,80,067.23</u>      | <u>2,29,941.42</u>      |
| IV. <b>EXPENSES</b>  |      |                         |                         |
| Cost of Materials Consumed   | 16   | 1,34,228.22             | 1,05,105.78             |
| Changes in Inventories of FG, WIP and Stock-in-Trade                               | 17   | (3,219.86)              | (3,750.25)              |
| Employee Benefit Expense   | 18   | 33,625.20               | 27,641.59               |
| Finance Costs  | 19   | 9,816.14                | 4,189.85                |
| Depreciation and Amortization Expenses   | 8    | 8,367.10                | 7,198.02                |
| Other Expenses   | 20   | 81,883.91               | 73,988.79               |
| Share of Loss / (Profits) of Associate Company                                     |      | 54.82                   | –                       |
| Total Expenses   |      | <u>2,64,755.53</u>      | <u>2,14,373.78</u>      |
| V. <b>Profit before exceptional and extraordinary items and tax (III - IV)</b>     |      | <u>15,311.70</u>        | <u>15,567.64</u>        |
| VI. Exceptional Items  |      | (0.20)                  | (0.01)                  |
| VII. <b>Profit before extraordinary items and tax (V - VI)</b>                     |      | <u>15,311.90</u>        | <u>15,567.65</u>        |
| VIII. Extraordinary Items  |      | 7.46                    | 6.86                    |
| IX. <b>Profit before tax (VII - VIII)</b>  |      | <u>15,304.44</u>        | <u>15,560.79</u>        |
| X. Tax expense :   |      |                         |                         |
| 1. Current Tax   |      | 4,560.61                | 3,602.49                |
| 2. Deferred Tax  |      | 809.80                  | 757.28                  |
| 3. MAT Credit  |      | (78.69)                 | (170.45)                |
| 4. Earlier years   |      | (6.95)                  | (21.31)                 |
| XI. <b>Profit / (Loss) for the period from continuing operations (IX - X)</b>      |      | <u>10,019.67</u>        | <u>11,392.78</u>        |
| XII. Profit / (Loss) from discontinuing operations                                 |      | 37.16                   | 16.74                   |
| XIII. Tax expense of discontinuing operations                                      |      | –                       | (0.22)                  |
| XIV. <b>Profit / (Loss) from Discontinuing operations (after tax) (XII - XIII)</b> |      | 37.16                   | 16.96                   |
| XV. <b>Profit / (Loss) for the period before Minority Interest (XI + XIV)</b>      |      | <u>10,056.83</u>        | <u>11,409.74</u>        |
| XVI. Minority's share of profit for the current year                               |      | 99.87                   | 137.84                  |
| XVII. Profit (Loss) for the period after Minority Interest (XV - XVI)              |      | <u>9,956.96</u>         | <u>11,271.90</u>        |
| XVIII. Earnings per equity share :   |      |                         |                         |
| 1. Basic   |      | 4.74                    | 5.36                    |
| 2. Diluted   |      | 4.74                    | 5.36                    |
| Weighted average No. of Equity Shares of Re 1/- each.                              |      | <u>21,01,28,370</u>     | <u>21,01,28,370</u>     |

The notes form an integral part of the Financial Statements.

ARUNDATHI KRISHNA  
Whole-Time Director

ARATHI KRISHNA  
Joint Managing Director

SURESH KRISHNA  
Chairman & Managing Director

V G JAGANATHAN  
Secretary

Chennai  
May 28, 2012

As per our report annexed  
For SUNDARAM & SRINIVASAN  
Regn. No. 004207S  
Chartered Accountants  
P MENAKSHISUNDARAM  
Partner  
Membership No. 217914

# Sundram Fasteners Limited

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

|  | As at<br>31-3-2012 | Rs lakhs<br>As at<br>31-3-2011 |
|--|--------------------|--------------------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>              |                    |                                |
| Net Profit before Tax                                      | 15,304.44          | 15,560.79                      |
| <b>Adjustments for:</b>                                    |                    |                                |
| Add : Profit / (loss) on Discontinuing operation           | 37.16              | 16.74                          |
| Add : Write back by fiscal authorities (Accumulated depn.) | 244.58             | —                              |
| Add : Share of Loss of Associate                           | 54.82              | —                              |
| Add : Provision for Diminution in Investments              | 0.44               | (0.01)                         |
| <b>Adjusted net profit</b>                                 | <b>15,641.44</b>   | <b>15,577.52</b>               |
| <b>Adjustments for :</b>                                   |                    |                                |
| Depreciation   | 8,367.10           | 7,198.02                       |
| Exchange loss / (gain) arising on Application of AS 11     | 97.12              | 34.94                          |
| Unrealised Profit on Closing Stock                         | 2.21               | 18.14                          |
| Interest expense (Net)                                     | 5,916.15           | 4,205.06                       |
| (Profit) / loss on Sale of Investments                     | (53.30)            | (29.44)                        |
| (Profit) / Loss on Sale of Assets (Net)                    | 16.18              | (49.83)                        |
| Dividend received  | (37.86)            | (32.76)                        |
| Unrealised Exchange (gain) / loss - Loans                  | 3,795.31           | (347.30)                       |
| Unrealised Exchange (gain) / loss - Others                 | —                  | (2.50)                         |
|  | <b>18,102.91</b>   | <b>10,994.33</b>               |
| <b>Operating Profit before Working Capital changes:</b>    | <b>33,744.35</b>   | <b>26,571.85</b>               |
| <b>Adjustments for Changes in Working Capital:</b>         |                    |                                |
| Trade and other receivables                                | (9,746.89)         | (17,547.69)                    |
| Inventories  | (5,631.75)         | (7,696.71)                     |
| Trade and other payables                                   | 6,861.59           | 4,507.39                       |
| Cash Generated From Operations                             | <b>25,227.30</b>   | <b>5,834.84</b>                |
| Less: Direct Taxes Paid (Net)                              | 4,635.16           | 3,017.42                       |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>                  | <b>20,592.14</b>   | <b>2,817.42</b>                |

## CONSOLIDATED CASH FLOW STATEMENT (Contd.)

|   | As at<br>31-3-2012 | Rs lakhs<br>As at<br>31-3-2011 |
|---|--------------------|--------------------------------|
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>                 |                    |                                |
| Purchase of Fixed Assets                                      | (17,780.56)        | (12,726.50)                    |
| Sale of Fixed Assets  | 181.75             | 346.06                         |
| Sale of Investments   | 49,072.69          | 40,857.12                      |
| Purchase of Investments                                       | (49,817.43)        | (40,825.81)                    |
| Interest received   | 104.68             | 332.10                         |
| Dividend received   | 37.86              | 32.76                          |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                  | <b>(18,201.01)</b> | <b>(11,984.27)</b>             |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>                 |                    |                                |
| Term Loans raised#  | 8,527.86           | 17,649.11                      |
| Term Loans Repaid   | (10,606.41)        | (5,509.81)                     |
| Proceeds from other borrowings (net of repayments)#           | 9,288.94           | 4,386.87                       |
| Interest paid   | (5,972.64)         | (4,376.82)                     |
| Dividend & Corporate Dividend Taxes Paid                      | (3,203.63)         | (2,559.57)                     |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>                  | <b>(1,965.88)</b>  | <b>9,589.78</b>                |
| <b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b> | <b>425.25</b>      | <b>422.93</b>                  |
| <b>CASH AND CASH EQUIVALENTS - Opening Balance</b>            | <b>1,224.33</b>    | <b>801.40</b>                  |
| <b>CASH AND CASH EQUIVALENTS - Closing Balance</b>            | <b>1,649.58</b>    | <b>1,224.33</b>                |
| <b>Notes :</b>  |                    |                                |
| <b>CASH AND CASH EQUIVALENTS include</b>                      |                    |                                |
| a) Cash and Cheques on hand                                   | 490.90             | 180.58                         |
| b) With Scheduled Banks:                                      |                    |                                |
| i) Current Account & Cash Credit a/c                          | 834.97             | 791.78                         |
| ii) Deposit Accounts  | 194.49             | 140.78                         |
| iii) Dividend warrant Accounts                                | 129.22             | 111.19                         |
|   | <b>1,649.58</b>    | <b>1,224.33</b>                |

# Excludes unrealised exchange Loss of Rs 2371.43 lakhs on term loans (last year gain Rs 323.00 lakhs)

# Excludes unrealised exchange Loss of Rs 1423.88 lakhs on other borrowings (last year gain Rs 24.30 lakhs)

Excludes unrealised exchange gain on Rs Nil (last year gain Rs 3.26 lakhs) on trade payables and exchange gain of Rs Nil (last year loss Rs 0.76 lakhs) in trade and other receivables.

ARUNDATHI KRISHNA  
Whole-Time Director

ARATHI KRISHNA  
Joint Managing Director

SURESH KRISHNA  
Chairman & Managing Director

V G JAGANATHAN  
Secretary

Chennai  
May 28, 2012

As per our report annexed  
For SUNDARAM & SRINIVASAN  
Regn. No. 004207S  
Chartered Accountants  
P MENAKSHISUNDARAM  
Partner  
Membership No. 217914



# Sundram Fasteners Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

Rs lakhs

As at  
31-3-2012

As at  
31-3-2011

### 1 SHARE CAPITAL

#### a) Authorised

25,00,00,000 Equity Shares of Re 1 each 2,500.00 2,500.00

#### b) Issued

21,01,28,370 Equity Shares of Re 1 each 2,101.28 2,101.28

#### c) Subscribed and Paid-up

21,01,28,370 Equity Shares of Re 1 each fully paid-up 2,101.28 2,101.28

#### d) Reconciliation of number of shares Equity Shares

| Equity Shares                          | As at 31-3-2012 |                 | As at 31-3-2011 |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | No. of Shares   | Value Rs. lakhs | No. of shares   | Value Rs. lakhs |
| 1 Balance at the beginning of the year | 21,01,28,370    | 2,101.28        | 21,01,28,370    | 2,101.28        |
| 2 Add: Shares issued during the year   | —               | —               | —               | —               |
| 3 Bonus Shares issued during the year  | —               | —               | —               | —               |
| 4 Balance as the end of the year       | 21,01,28,370    | 2,101.28        | 21,01,28,370    | 2,101.28        |

#### e) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

| Name of the Shareholder                     | As at 31-3-2012 |                                    | As at 31-3-2011 |                                    |
|---|-----------------|------------------------------------|-----------------|------------------------------------|
|   | No. of Shares   | Shares as % of Total No. of Shares | No. of shares   | Shares as % of Total No. of Shares |
| 1. T V Sundram Iyengar & Sons Ltd., Madurai | 5,33,12,000     | 25.37                              | 5,33,12,000     | 25.37                              |
| 2. Southern Roadways Limited, Madurai       | 5,07,73,280     | 24.16                              | 5,07,73,280     | 24.16                              |

#### f) Bonus Shares / Buy Back / Shares for consideration other than cash issued during the period of five years immediately preceding the financial year ended 31<sup>st</sup> March, 2012

- (i) Aggregate number of equity shares allotted as fully paid up pursuant to contracts without payment being received in cash : Nil
- (ii) Aggregate number of equity shares allotted as fully paid up by way of Bonus Shares.  
10,50,64,185 equity shares of Re 1 each were issued as fully paid up Bonus Shares in the proportion of 1 : 1 by capitalisation of General Reserve on 29th January, 2007.
- (ii) Aggregate number of equity shares bought back : Nil

#### g) Terms / rights attached to shares

The Company has only one class of equity shares having a face value of Rs 1 each. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

|  | As at<br>31-3-2012 | Rs lakhs<br>As at<br>31-3-2011 |
|--|--------------------|--------------------------------|
| <b>2 RESERVES AND SURPLUS</b>  |                    |                                |
| <b>a) General Reserve</b>  |                    |                                |
| 1. Balance as at the beginning of the year                             | 50,097.35          | 43,072.18                      |
| 2. Add : Transfer from Surplus in Statement of Profit and Loss         | 5,007.33           | 7,007.03                       |
| Sub Total  | 55,104.68          | 50,079.21                      |
| 3. Stock Reserve   | 2.21               | 18.14                          |
| 4. Balance as at the end of the year                                   | 55,106.89          | 50,097.35                      |
| <b>b) Surplus in Statement of Profit and Loss</b>                      |                    |                                |
| 1. Balance as at the beginning of the year                             | 1,413.99           | 263.91                         |
| 2. Exchange variation- balance brought forward in foreign subsidiaries | 287.95             | 35.90                          |
| 3. Adjusted balance as at the beginning of the year (1 - 2)            | 1,126.04           | 228.01                         |
| 4. Profit for the year   | 9,956.96           | 11,271.90                      |
| 5. Balance available for appropriation (3 + 4)                         | 11,083.00          | 11,499.91                      |
| <b>Appropriations :</b>  |                    |                                |
| 6. Interim Dividend paid   | 1,260.77           | 1,142.48                       |
| 7. Tax paid there on   | 198.41             | 191.95                         |
| 8. Second Interim Dividend payable                                     | 1,731.03           | 1,495.90                       |
| 9. Tax payable there on  | 280.82             | 248.56                         |
| 10. Transfer to General Reserve  | 5,007.33           | 7,007.03                       |
| 11. Amount appropriated during the year                                | 8,478.36           | 10,085.92                      |
| 12. Balance as the end of the year (5-11)                              | 2,604.64           | 1,413.99                       |
| <b>c) Capital Reserve</b>  | 75.50              | —                              |
| <b>d) Special Reserve</b>  | 44.77              | 44.77                          |
| <b>e) Foreign Exchange Translation Reserve / (Asset)</b>               |                    |                                |
| Balance as at the beginning of the year                                | 1,564.85           | 2,269.22                       |
| Current year foreign exchange gain / (loss)                            | 2,744.26           | (704.37)                       |
|  | 4,309.11           | 1,564.85                       |
| Total Reserves and Surplus (a + b + c + d + e)                         | 62,140.91          | 53,120.96                      |

# Sundram Fasteners Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

|          |   | Rs lakhs                |           |                      |           |
|----------|---|-------------------------|-----------|----------------------|-----------|
|          |   | Long-term / Non-current |           | Short-term / Current |           |
|          |   | As at                   | As at     | As at                | As at     |
|          |   | 31-3-2012               | 31-3-2011 | 31-3-2012            | 31-3-2011 |
| <b>3</b> | <b>BORROWINGS</b>   |                         |           |                      |           |
|          | <b>a) Secured</b>   |                         |           |                      |           |
|          | i) Term Loans   | <b>23,912.74</b>        | 25,577.39 | —                    | —         |
|          | ii) Working Capital Loans*  | —                       | —         | <b>16,611.80</b>     | 19,601.55 |
|          | * Secured by hypothecation of current assets viz., stocks of raw materials, work-in-progress and finished goods |                         |           |                      |           |
|          | iii) Hire Purchase Agreement  | <b>28.92</b>            | 4.66      | <b>18.89</b>         | 13.09     |
|          | (A)   | <b>23,941.66</b>        | 25,582.05 | <b>16,630.69</b>     | 19,614.64 |
|          | <b>b) Unsecured</b>   |                         |           |                      |           |
|          | i) Term Loans   | <b>2,417.75</b>         | 3,136.96  | <b>235.00</b>        | 235.00    |
|          | ii) Working Capital Loans   | —                       | —         | <b>32,750.06</b>     | 19,077.55 |
|          | (B)   | <b>2,417.75</b>         | 3,136.96  | <b>32,985.06</b>     | 19,312.55 |
|          | Total (A + B)   | <b>26,359.41</b>        | 28,719.01 | <b>49,615.75</b>     | 38,927.19 |
| <b>4</b> | <b>DEFERRED TAX LIABILITY / ASSETS - NON-CURRENT</b>  |                         |           |                      |           |
|          | <b>a) Deferred Tax Liability</b>  |                         |           |                      |           |
|          | On Depreciation   | <b>9,746.21</b>         | 9,172.07  |                      |           |
|          | <b>b) Deferred Tax Asset :</b>  |                         |           |                      |           |
|          | i) On Provision for Leave Salary  | <b>(166.88)</b>         | (165.24)  |                      |           |
|          | ii) Others  | <b>(181.51)</b>         | (361.44)  |                      |           |
|          | <b>Net Deferred Tax Liability (a + b)</b>   | <b>9,397.82</b>         | 8,645.39  |                      |           |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Rs lakhs

|  | Long-term / Non-current |                    | Short-term / Current    |                         |
|--|-------------------------|--------------------|-------------------------|-------------------------|
|  | As at<br>31-3-2012      | As at<br>31-3-2011 | As at<br>31-3-2012      | As at<br>31-3-2011      |
| <b>5 TRADE PAYABLES</b>                                    |                         |                    |                         |                         |
| Sundry Creditors for Goods purchased /<br>Services availed | —                       | —                  | <b>23,494.22</b>        | <b>20,013.77</b>        |
|  | <u>—</u>                | <u>—</u>           | <u><b>23,494.22</b></u> | <u><b>20,013.77</b></u> |
| <b>6 OTHER LIABILITIES</b>                                 |                         |                    |                         |                         |
| 1. Current Maturities of Long-Term Debt                    | —                       | —                  | <b>13,283.15</b>        | 10,606.41               |
| 2. Interest accrued but not due                            | —                       | —                  | <b>407.88</b>           | 359.68                  |
| 3. Unclaimed Dividend                                      | —                       | —                  | <b>129.22</b>           | 111.19                  |
| 4. Statutory Dues  | —                       | —                  | <b>803.31</b>           | 713.09                  |
| 5. Trade deposits  | —                       | —                  | <b>7.19</b>             | 3.19                    |
| 6. Unclaimed Wages & Salaries                              | —                       | —                  | <b>210.57</b>           | 159.07                  |
| 7. Unclaimed Bonus   | —                       | —                  | <b>5.36</b>             | 20.02                   |
| 8. Bonus Payable   | —                       | —                  | <b>196.64</b>           | 150.55                  |
| 9. Outstanding Liabilities                                 | —                       | —                  | <b>5,566.85</b>         | 4,627.79                |
| 10. Customer Advances                                      | —                       | —                  | <b>177.06</b>           | 192.47                  |
| 11. Non-Statutory dues                                     | <b>418.49</b>           | —                  | <b>626.43</b>           | 762.35                  |
| 12. Provision for Income Tax less Advance Tax              | —                       | —                  | <b>181.57</b>           | 70.75                   |
| 13. Income Received in Advance                             | —                       | —                  | <b>5.25</b>             | 4.69                    |
| 14. Tool Amortisation                                      | —                       | —                  | —                       | 9.09                    |
| 15. Government grant                                       | <b>69.60</b>            | 107.60             | <b>31.31</b>            | 26.43                   |
| 16. Interest on Income Tax Payable                         | —                       | —                  | <b>41.36</b>            | 41.36                   |
|  | <u><b>488.09</b></u>    | <u>107.60</u>      | <u><b>21,673.15</b></u> | <u>17,858.13</u>        |
| <b>7 PROVISIONS</b>  |                         |                    |                         |                         |
| a) Leave Salary  | <b>364.38</b>           | 414.18             | <b>98.69</b>            | 48.53                   |
| b) Gratuity  | <b>25.47</b>            | 26.00              | <b>377.77</b>           | 0.36                    |
| c) Dividend Payable  | —                       | —                  | <b>2,210.08</b>         | 1,744.45                |
| d) Expenses  | —                       | —                  | <b>5,114.22</b>         | 3,580.89                |
|  | <u><b>389.85</b></u>    | <u>440.18</u>      | <u><b>7,800.76</b></u>  | <u>5,374.23</u>         |

# Sundram Fasteners Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

### 8 FIXED ASSETS

Rs lakhs

| Particulars                          | Tangible  |                    |                   |           |                      |                      |                   |          | Intangible  |                    | Total   |             |
|--------------------------------------|-----------|--------------------|-------------------|-----------|----------------------|----------------------|-------------------|----------|-------------|--------------------|---------|-------------|
|                                      | Aircraft* | Land - Free Hold** | Land - Lease Hold | Buildings | Plant and Equipment# | Furniture & Fixtures | Office Equip-ment | Vehicles | Total       | Technical Know-how |         | Soft-ware   |
| <b>A Cost of Assets</b>              |           |                    |                   |           |                      |                      |                   |          |             |                    |         |             |
| As at 31-03-2010                     | 276.23    | 4,539.04           | 2,870.68          | 13,956.81 | 1,00,736.41          | 7,369.58             | 1,602.71          | 412.56   | 1,31,764.02 | 490.38             | 254.74  | 1,32,509.14 |
| Additions                            | 720.99    | -                  | (1,834.29)        | 2,460.36  | 9,302.65             | 143.35               | 159.07            | 107.11   | 11,059.24   | -                  | 17.34   | 11,076.58   |
| Sales / Discards                     | (276.23)  | -                  | -                 | -         | (343.39)             | (154.21)             | (1.66)            | (58.69)  | (834.18)    | -                  | (17.08) | (851.26)    |
| Other Adjustments                    | -         | -                  | -                 | -         | -                    | -                    | -                 | -        | -           | -                  | -       | -           |
| - Exchange Difference                | -         | -                  | -                 | -         | -                    | -                    | -                 | -        | -           | -                  | -       | -           |
| - Borrowing Costs                    | -         | -                  | -                 | -         | -                    | -                    | -                 | -        | -           | -                  | -       | -           |
| As at 31-03-2011                     | 720.99    | 4,539.04           | 1,036.39          | 16,417.17 | 1,09,695.67          | 7,358.72             | 1,760.12          | 460.98   | 1,41,989.08 | 490.38             | 255.00  | 1,42,734.46 |
| Additions                            | -         | -                  | 0.26              | 2,153.43  | 13,409.91            | 326.73               | 253.08            | 78.29    | 16,221.70   | -                  | 30.09   | 16,251.79   |
| Sales / Discards                     | -         | -                  | (38.47)           | (34.42)   | (329.03)             | (16.46)              | (51.83)           | (87.28)  | (557.49)    | -                  | (9.57)  | (567.06)    |
| Other Adjustments                    | -         | -                  | -                 | -         | -                    | -                    | -                 | -        | -           | -                  | -       | -           |
| - Exchange Difference                | -         | -                  | 73.89             | 868.57    | 4,020.99             | 1,025.37             | 35.37             | 11.48    | 6,035.67    | -                  | 41.14   | 6,076.81    |
| - Borrowing Costs                    | -         | -                  | -                 | -         | -                    | -                    | -                 | -        | -           | -                  | -       | -           |
| As at 31-03-2012                     | 720.99    | 4,539.04           | 1,072.07          | 19,404.75 | 1,26,797.54          | 8,694.36             | 1,996.74          | 463.47   | 1,63,688.96 | 490.38             | 316.66  | 1,64,496.00 |
| <b>B Depreciation / Amortization</b> |           |                    |                   |           |                      |                      |                   |          |             |                    |         |             |
| As at 31-03-2010                     | 79.64     | -                  | 276.02            | 2,910.86  | 50,628.29            | 5,613.39             | 1,100.38          | 190.74   | 60,799.32   | 104.71             | 216.04  | 61,120.07   |
| Charges for the year                 | 28.24     | -                  | 79.12             | 474.68    | 6,068.69             | 235.26               | 129.56            | 43.95    | 7,059.50    | 111.05             | 26.80   | 7,197.35    |
| Deduction on sale or discards        | (94.39)   | -                  | (267.51)          | 267.51    | (278.34)             | (130.23)             | (1.30)            | (35.45)  | (539.71)    | -                  | (15.29) | (555.00)    |
| Impairment for the year              | -         | -                  | -                 | -         | 0.67                 | -                    | -                 | -        | 0.67        | -                  | -       | 0.67        |
| As at 31-03-2011                     | 13.49     | -                  | 87.63             | 3,653.05  | 56,419.31            | 5,718.42             | 1,228.64          | 199.24   | 67,319.78   | 215.76             | 227.55  | 67,763.09   |
| Charges for the year                 | 40.38     | -                  | 12.68             | 535.54    | 7,173.28             | 283.39               | 147.97            | 45.38    | 8,238.62    | 111.05             | 17.43   | 8,367.10    |
| Deduction on sale or discards        | -         | -                  | -                 | (14.33)   | (232.09)             | (15.19)              | (48.05)           | (59.47)  | (369.13)    | -                  | -       | (369.13)    |
| Write Back by Fiscal Authorities     | -         | -                  | -                 | (244.58)  | -                    | -                    | -                 | -        | (244.58)    | -                  | -       | (244.58)    |
| Loss on sale assets not recognised   | -         | -                  | -                 | -         | (16.06)              | -                    | -                 | -        | (16.06)     | -                  | -       | (16.06)     |
| Exchange difference                  | -         | -                  | 13.44             | 128.78    | 3,059.42             | 808.89               | 17.88             | 7.74     | 4,036.15    | -                  | 35.49   | 4,071.64    |
| As at 31-03-2012                     | 53.87     | -                  | 113.75            | 4,058.46  | 66,403.86            | 6,795.51             | 1,346.44          | 192.89   | 78,964.78   | 326.81             | 280.47  | 79,572.06   |
| <b>C Written Down Value</b>          |           |                    |                   |           |                      |                      |                   |          |             |                    |         |             |
| As at 31-03-2012                     | 667.12    | 4,539.04           | 958.32            | 15,346.29 | 60,393.68            | 1,898.85             | 650.30            | 270.58   | 84,724.18   | 163.57             | 36.19   | 84,923.94   |
| As at 31-03-2011                     | 707.50    | 4,539.04           | 948.76            | 12,764.12 | 53,276.36            | 1,640.30             | 531.48            | 261.74   | 74,669.30   | 274.62             | 27.45   | 74,971.37   |
| <b>D Capital Work-in-Progress</b>    |           |                    |                   |           |                      |                      |                   |          |             |                    |         |             |
| As at 31-03-2012                     | -         | -                  | -                 | 518.31    | 4,179.36             | -                    | 9.32              | -        | 4,706.99    | -                  | 503.93  | 5,210.92    |
| As at 31-03-2011                     | -         | -                  | -                 | 16.03     | 3,631.46             | -                    | 34.66             | -        | 3,682.15    | -                  | -       | 3,682.15    |

\* Joint owned \*\* Free hold land of Rs 256.33 lakhs pending registration.

# Includes assets under operating lease to sub-contractors (cost Rs 1,960.39 lakhs, accumulated depreciation Rs 1,095.93 lakhs and written down value Rs 864.46 lakhs)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

|   |  | Rs lakhs              |           |                    |           |
|---|--|-----------------------|-----------|--------------------|-----------|
|   |  | Long-term Non-current |           | Short-term Current |           |
|   |  | As at                 | As at     | As at              | As at     |
|   |  | 31-3-2012             | 31-3-2011 | 31-3-2012          | 31-3-2011 |
| <b>9. LOANS AND ADVANCES (UNSECURED, CONSIDERED GOOD UNLESS STATED OTHERWISE)</b> |  |                       |           |                    |           |
| A) Capital Advance  |  | <b>1,032.30</b>       | 1,829.46  | —                  | —         |
| (A)   |  | <b>1,032.30</b>       | 1,829.46  | —                  | —         |
| B) Security Deposits  |  | <b>978.79</b>         | 834.16    | <b>51.16</b>       | 115.52    |
| (B)   |  | <b>978.79</b>         | 834.16    | <b>51.16</b>       | 115.52    |
| C) Loans and Advances to Related Parties (refer note on related party)            |  | <b>342.28</b>         | 650.00    | <b>2,375.84</b>    | 1,086.95  |
| (C)   |  | <b>342.28</b>         | 650.00    | <b>2,375.84</b>    | 1,086.95  |
| D) Other Loans and Advances   |  |                       |           |                    |           |
| Advance Income-tax (net of provision for taxation)                                |  | <b>1,378.83</b>       | 39.13     | <b>175.64</b>      | 1,433.97  |
| Prepaid Expenses  |  | —                     | —         | <b>567.93</b>      | 369.45    |
| Loans / Advances to Employees   |  | <b>49.53</b>          | 58.68     | <b>304.81</b>      | 259.72    |
| Balance with statutory / government authorities                                   |  | <b>21.98</b>          | 21.98     | <b>1,083.80</b>    | 780.87    |
| Advances to suppliers   |  | <b>7.92</b>           | 7.92      | <b>1,595.98</b>    | 1,793.16  |
| Advances recoverable in Cash or in kind   |  | <b>0.05</b>           | 0.05      | <b>5,465.68</b>    | 4,872.94  |
| Minimum Alternate Tax Credit Entitlement  |  | <b>109.26</b>         | 89.31     | <b>140.01</b>      | 81.14     |
| (D)   |  | <b>1,567.57</b>       | 217.07    | <b>9,333.85</b>    | 9,591.25  |
| Total (A + B + C + D)   |  | <b>3,920.94</b>       | 3,530.69  | <b>11,760.85</b>   | 10,793.72 |
| <b>10 OTHER ASSETS (UNSECURED, CONSIDERED GOOD UNLESS STATED OTHERWISE)</b>       |  |                       |           |                    |           |
| a) Non-Current Bank Balance (refer note 13b)                                      |  | <b>45.78</b>          | 85.78     | —                  | —         |
| b) Other Assets   |  | —                     | —         | <b>1,770.08</b>    | 2,061.50  |
| c) Interest receivable  |  | <b>0.63</b>           | 0.25      | <b>64.23</b>       | 9.43      |
|   |  | <b>46.41</b>          | 86.03     | <b>1,834.31</b>    | 2,070.93  |

# Sundram Fasteners Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

|  |  | Rs lakhs         |                  |
|--|--|------------------|------------------|
|  |  | As at            | As at            |
|  |  | 31-3-2012        | 31-3-2011        |
| <b>11 INVENTORIES (VALUED AT LOWER OF COST AND NET REALIZABLE VALUE) - CURRENT</b>   |  |                  |                  |
| a) Stores & Spares   |  | 1,687.50         | 1,378.62         |
| b) Stores & Spares in Transit  |  | 0.11             | 0.46             |
| c) Loose Tools   |  | 1,997.56         | 1,795.09         |
| d) Loose Tools in Transit  |  | 2.40             | 8.33             |
| e) Raw Materials and Components  |  | 11,617.24        | 11,683.70        |
| f) Raw Materials and Components in Transit   |  | 1,400.80         | 808.43           |
| g) Work-in-Process   |  | 13,554.29        | 11,321.91        |
| h) Work-in-Process in Transit  |  | 88.46            | 0.35             |
| i) Finished Goods  |  | 14,332.14        | 11,998.25        |
| j) Finished Goods in Transit   |  | —                | 53.60            |
| Total  |  | <u>44,680.50</u> | <u>39,048.74</u> |
| <b>12 TRADE RECEIVABLES (UNSECURED, CONSIDERED GOOD UNLESS STATED OTHERWISE) - CURRENT</b>   |  |                  |                  |
| a) Outstanding for a period exceeding 6 months from the date they are due for payment  |  | 4,384.90         | 3,022.63         |
| b) Other Receivables   |  | 44,702.73        | 37,177.37        |
| Sub Total (a + b)  |  | <u>49,087.63</u> | <u>40,200.00</u> |
| c) Provision for Doubtful Debts  |  | (219.85)         | (118.15)         |
| Total  |  | <u>48,867.78</u> | <u>40,081.85</u> |
| <b>13 CASH AND BANK BALANCES</b>   |  |                  |                  |
| <b>Cash and cash Equivalents</b>   |  |                  |                  |
| <b>a) Balances with Bank - Current</b>   |  |                  |                  |
| i) Cash Credit   |  | 11.55            | —                |
| ii) Current Account  |  | 823.42           | 791.78           |
| iii) Deposit Accounts*   |  | 45.78            | 45.78            |
| iv) Deposits with maturity less than 3 months  |  | 10.00            | —                |
| v) Earmarked Balances with Banks – Dividend Warrant  |  | 129.22           | 111.19           |
| Cheques / Drafts on hand   |  | 470.31           | 159.58           |
| Cash on hand   |  | 20.59            | 21.00            |
|  |  | <u>1,510.87</u>  | <u>1,129.33</u>  |
| *Deposits have been lodged with electricity board to meet the security deposit requirements, hence classified under other Non-current Bank Balance |  | (45.78)          | (45.78)          |
| Sub Total  |  | <u>1,465.09</u>  | <u>1,083.55</u>  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

|   |   | Rs lakhs           |                    |
|---|---|--------------------|--------------------|
| 13 CASH AND CASH EQUIVALENTS (Contd.)   |   | Non-Current        | Current            |
|   |   | As at<br>31-3-2012 | As at<br>31-3-2011 |
| b) Other Bank Balances  |   |                    |                    |
| Deposits with maturity for more than 12 months  | – | 40.00              | 55.00              |
| Deposits with maturity for more than 3 months but less than 12 months                         | – | –                  | –                  |
| Deposits with maturity for more than 12 months shown under other current assets (note No. 10) | – | (40.00)            | –                  |
| Sub Total   | – | –                  | 55.00              |
| Actual Balances with Bank (a + b)   | – | –                  | 1,138.55           |

|  |  | Rs lakhs                |                         |
|--|--|-------------------------|-------------------------|
| 14 REVENUE FROM OPERATION                    |  | Year ended<br>31-3-2012 | Year ended<br>31-3-2011 |
| a) Sale of Products                          |  |                         |                         |
| Domestic Sales                               |  | 1,95,636.14             | 1,68,872.99             |
| Export Sales                                 |  | 90,768.93               | 68,812.02               |
| Sub Total                                    |  | 2,86,405.07             | 2,37,685.01             |
| b) Other Operating Revenues (Refer Note 14A) |  | 6,700.81                | 4,891.67                |
| Sub Total (a + b)                            |  | 2,93,105.88             | 2,42,576.68             |
| Less : Excise Duty                           |  | 16,090.27               | 14,190.76               |
| Total  |  | 2,77,015.61             | 2,28,385.92             |

### 14A OTHER OPERATING REVENUE

|                   |          |          |
|-------------------|----------|----------|
| Scrap Sales       | 5,804.62 | 4,348.19 |
| Export Incentives | 197.87   | 236.16   |
| Others            | 698.32   | 307.32   |
| Total             | 6,700.81 | 4,891.67 |

### 15 OTHER INCOME

|  |          |          |
|--|----------|----------|
| Interest Income                          | 104.68   | 332.10   |
| Net Foreign exchange gain (net off loss) | 992.03   | 24.27    |
| Dividend - From Others Companies         | 37.86    | 32.76    |
| Miscellaneous Income                     | 1,832.57 | 1,061.14 |
| Profit on Sale of Assets                 | 30.98    | 75.45    |
| Profit on Sale of Investment             | 53.50    | 29.78    |
| Total                                    | 3,051.62 | 1,555.50 |



# Sundram Fasteners Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

|           |  | Rs lakhs                |                         |
|-----------|--|-------------------------|-------------------------|
|           |  | Year ended<br>31-3-2012 | Year ended<br>31-3-2011 |
| <b>16</b> | <b>RAW MATERIALS INCLUDING PACKING MATERIALS CONSUMED</b>  |                         |                         |
|           | Opening Stock of Raw Materials   | <b>11,879.51</b>        | 7,718.07                |
|           | Add : Purchase of Materials  | <b>1,34,187.38</b>      | 1,09,072.11             |
|           | Less : Closing Stock of Raw Material   | <b>11,838.67</b>        | 11,684.40               |
|           | Total  | <b>1,34,228.22</b>      | 1,05,105.78             |
| <b>17</b> | <b>CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE</b>                 |                         |                         |
|           | Opening Stock :  |                         |                         |
|           | Work-in-Progress   | <b>11,833.89</b>        | 9,338.88                |
|           | Finished Goods   | <b>12,836.78</b>        | 10,227.82               |
|           | Sub Total (a)  | <b>24,670.67</b>        | 19,566.70               |
|           | Less : Closing Stock   |                         |                         |
|           | Work-in-Progress   | <b>13,557.93</b>        | 11,326.42               |
|           | Finished Goods   | <b>14,332.60</b>        | 11,990.53               |
|           | Sub Total (b)  | <b>27,890.53</b>        | 23,316.95               |
|           | Total (a-b)  | <b>(3,219.86)</b>       | (3,750.25)              |
| <b>18</b> | <b>EMPLOYEE BENEFIT EXPENSES</b>   |                         |                         |
|           | Salaries, Wages, Bonus and Allowances  | <b>27,644.68</b>        | 22,720.60               |
|           | Provident and Other Funds  | <b>3,501.35</b>         | 3,118.29                |
|           | Welfare expenses   | <b>2,479.17</b>         | 1,802.70                |
|           | Total  | <b>33,625.20</b>        | 27,641.59               |
| <b>19</b> | <b>FINANCE COST</b>  |                         |                         |
|           | a) Interest expense  | <b>3,868.33</b>         | 3,004.88                |
|           | b) Other borrowing costs   | <b>188.08</b>           | 310.02                  |
|           | c) Applicable net gain/loss on foreign currency transaction and translation including borrowing cost | <b>5,759.73</b>         | 874.95                  |
|           | Total  | <b>9,816.14</b>         | 4,189.85                |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

|   |       | Rs lakhs                |                         |
|---|-------|-------------------------|-------------------------|
|   |       | Year ended<br>31-3-2012 | Year ended<br>31-3-2011 |
| <b>20 OTHER EXPENSES</b>                        |       |                         |                         |
| a) Stores and Tools consumed                    |       | 27,405.60               | 23,689.02               |
| b) Power & Fuel                                 |       | 11,001.67               | 10,886.61               |
| c) Rent   |       | 1,413.84                | 810.41                  |
| d) Rates & Taxes                                |       | 856.66                  | 753.02                  |
| e) Insurance                                    |       | 620.04                  | 521.05                  |
| f) Repairs & Maintenance - Building             |       | 1,982.18                | 1,432.64                |
| g) Repairs & Maintenance - Plant and Equipment  |       | 3,278.26                | 2,592.69                |
| h) Miscellaneous Expenses (Refer note no. 21)   |       | 35,325.66               | 33,303.35               |
|   | Total | <u>81,883.91</u>        | <u>73,988.79</u>        |
| <b>21 MISCELLANEOUS EXPENSES</b>                |       |                         |                         |
| a) Sub-contract expenses                        |       | 19,067.56               | 19,862.18               |
| b) Freight & Cartage Inward                     |       | 2,219.10                | 2,061.68                |
| c) Repairs & Maintenance - Other Assets         |       | 1,031.19                | 654.12                  |
| d) Commission on Sales                          |       | 580.05                  | 547.44                  |
| e) Directors' Sitting Fees                      |       | 6.60                    | 6.30                    |
| f) Remuneration to Auditors (Refer note no. 22) |       | 307.47                  | 217.77                  |
| g) Loss on Sale of Investments                  |       | 0.20                    | 0.34                    |
| h) Loss on Sale of Assets                       |       | 47.16                   | 25.62                   |
| i) Research and Development Expenditure         |       | 1,111.51                | 857.45                  |
| j) Freight & Cartage Outward                    |       | 4,953.62                | 4,524.62                |
| k) Travel Expenses                              |       | 937.41                  | 952.44                  |
| l) Postage & Telecom Expenses                   |       | 314.74                  | 281.34                  |
| m) Warranty Claims                              |       | 141.62                  | 137.13                  |
| n) Consultancy                                  |       | 789.50                  | 486.41                  |
| o) Bad Debts                                    |       | 77.61                   | 87.42                   |
| p) Net Foreign Exchange loss (net off gain)     |       | 3.30                    | 33.92                   |
| q) Sundry Expenses                              |       | 3,737.02                | 2,567.17                |
|   | Total | <u>35,325.66</u>        | <u>33,303.35</u>        |
| <b>22 REMUNERATION TO AUDITORS CONSIST OF</b>   |       |                         |                         |
| a) As Auditor                                   |       | 189.47                  | 175.02                  |
| b) Taxation Matters                             |       | 6.55                    | 5.67                    |
| c) Company Law Matters                          |       | 0.66                    | 0.61                    |
| d) Other Services                               |       | 0.28                    | 0.53                    |
| e) Reimbursement of Expenses                    |       | 110.51                  | 35.94                   |
|   | Total | <u>307.47</u>           | <u>217.77</u>           |
| <b>23 REPAIRS INCLUDE STORES CONSUMED</b>       |       | <u>3.20</u>             | <u>3.49</u>             |

# Sundram Fasteners Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

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### 24 SIGNIFICANT ACCOUNTING POLICIES & OTHER INFORMATION

#### 1) CONSOLIDATION OF ACCOUNTS:

##### A. Basis of Accounting :

The Financial Statements are prepared under the historical cost convention and comply with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

##### B. Translation of Foreign Currency Statements:

The translation of foreign operations is done in accordance with Accounting Standard 11 (Revised) "The Effects of Changes in Foreign Exchange Rates". Accordingly, all assets and liabilities of non-integral operations have been translated at the rates prevailing on the date of the balance sheet and income and expenditure at average rates. The resulting exchange difference has been accumulated in Foreign Currency Translation Reserve.

As regards integral foreign operations, the balance sheet items have been translated at the closing rate except share capital and fixed assets, which have been translated at the transaction date. All income and expenditure of integral foreign operations have been translated at the average rates for the year. Exchange gain/loss is recognised in the Statement of Profit & Loss.

##### C. Principles of Consolidation:

(i) Consolidated Financial Statements relate to Sundram Fasteners Limited , Chennai and its Subsidiaries (THE COMPANY).

(ii) The Consolidated Financial Statements have been prepared on the following basis:

- The Financial Statements of the Company and its Subsidiaries have been prepared on a line by line consolidation by adding the book values of like items of assets, liabilities, income and expenses as per the respective audited financial statements of the respective companies.
- The accounts of Sundram Fasteners (Zhejiang) Limited, China, Cramlington Precision Forge Limited, United Kingdom, Sundram RBI Sdn. Bhd., Malaysia, Peiner Umformtechnik GmbH, Germany, TVS Peiner Services, GmbH, Germany, and PUT Grundstücks GmbH, Germany, have been / are being audited by auditors qualified to conduct audit in accordance with the laws of the respective countries.
- The Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's individual financial statement.
- Minority Interest consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in equity subsequent to the dates of investments.
- Equity method of AS-23 has been followed in Accounting for Investments of Associate companies viz., TVS Infotech Limited, Chennai and TVS Infotech inc., USA.
- Intra-group balances, Intra-group transactions and resulting unrealised profits have been eliminated.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(iii) The Companies considered in the Consolidated Financial Statements are :

| Name of the Company                                      | Country of Incorporation | Proportion of ownership interest/voting power | Reporting date | Difference in Reporting date |
|--|--------------------------|---|----------------|------------------------------|
| <b>Subsidiary Companies</b>                              |                          |   |                |                              |
| Sundram Fasteners Investments Limited, Chennai           | India                    | 100%  | 31.03.2012     | –                            |
| Sundram Fasteners (Zhejiang) Limited                     | China                    | 100%  | 31.12.2011     | 3 Months                     |
| Upasana Engineering Limited, Chennai                     | India                    | 100%  | 31.03.2012     | –                            |
| Cramlington Precision Forge Limited, United Kingdom      | UK                       | 100%  | 31.12.2011     | 3 Months                     |
| Sundram RBI Sdn. Bhd., Malaysia                          | Malaysia                 | 70%   | 31.03.2012     | –                            |
| Peiner Umformtechnik GmbH, Germany                       | Germany                  | 100%  | 31.12.2011     | 3 Months                     |
| PUT Grundstücks GmbH, Germany                            | Germany                  | 100%  | 31.12.2011     | 3 Months                     |
| TVS Peiner Services GmbH, Peine, Germany                 | Germany                  | 100%  | 31.12.2011     | 3 Months                     |
| Sundram Non-Conventional Energy Systems Limited, Chennai | India                    | 52.94%  | 31.03.2012     | –                            |
| Sundram International Inc                                | USA                      | 100%  | 31.03.2012     | –                            |
| Sundram Bleistahl Limited, Chennai                       | India                    | 76%   | 31.03.2012     | –                            |
| <b>Associate Companies</b>                               |                          |   |                |                              |
| TVS Infotech Limited, Chennai (TVSI)                     | India                    | 49.99%  | 31.03.2012     | –                            |
| TVS Infotech Inc., USA (TVSI Inc)                        | USA                      | 49.99%  | 31.03.2012     | –                            |
| <b>Joint Venture</b>                                     |                          |   |                |                              |
| Windbolt GmbH, Germany                                   | Germany                  | 50%   | 31.12.2011     | 3 months                     |

(iv) During the year, the Company has invested EUR 33,332 (Rs 22.22 lakhs) in Windbolt GmbH, Hohenstein-Ernstthal, Germany for manufacture of special bolts for wind energy applications under 50:50 Joint Venture arrangement with Mr. Wolfgang Walter Naumann. The share of interest in Joint Venture have been accounted in consolidated accounts by using the proportionate consolidation method as per Accounting Standard (AS) 27 - "Financial Reporting of Interest in Joint Ventures".

D. Depreciation is provided under Straight Line Method as per the amended Schedule XIV to the Companies Act, 1956 or based on the management's estimate of the useful lives of the assets, except in the case of Sundram Fasteners Investments Limited, Chennai, PUT Grundstücks GmbH, Germany, TVS Peiner Services GmbH, Peine, Germany and Peiner Umformtechnik GmbH, Germany, where depreciation is provided under the Written Down Value Method. In the case of Peiner Umformtechnik GmbH, Germany and PUT Grundstücks GmbH, Germany depreciation is provided at the rates specified in the German Tax Laws.

Leasehold land is amortised over the period of lease.

E. Other Significant Accounting Policies :

These are set out in the Notes to the Financial Statements of the Company and its Subsidiaries.

# Sundram Fasteners Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

|   | As at/<br>Year ended<br>31-3-2012 | Rs lakhs<br>As at/<br>Year ended<br>31-3-2011 |
|---|-----------------------------------|---|
| 2) Contingent Liabilities :   |                                   |   |
| a) On Letters of Guarantee  | 2,276.00                          | 1,474.72                                      |
| b) On Letters of Credit   | 659.52                            | 171.88  |
| c) On Guarantee issued to HDFC on behalf of employees   | 1.70                              | 6.01  |
| d) On partly paid shares of The Adyar Property Holding Co. Ltd.   | 0.01                              | 0.01  |
| e) Estimated contingent liability for stamp duty in respect of leased land at Uttrakhand  | –                                 | 3.62  |
| f) Claims against the Company not acknowledged as debts   | –                                 | 2.77  |
| 3) Liability disputed and not provided for :  |                                   |   |
| a) Sales Tax – under appeal   | 691.07                            | 33.33   |
| b) Excise Duty – under appeal   | 656.48                            | 586.09  |
| c) Income-tax – under appeal  | 81.38                             | 179.22  |
| d) Others   | 50.67                             | 6.87  |
| 4) Estimated amount of contracts remaining to be executed on capital account and not provided for   | 2,012.70                          | 2,156.55                                      |
| 5) Contingent Assets  |                                   |   |
| Claim of additional compensation against land acquisition   | 23.29                             | 23.29   |
| 6) The Company and its Subsidiaries operate in only one Segment as the entire operations are subject to similar risks and returns. Hence there are no reportable segments.        |                                   |   |
| 7) As required by Accounting Standard - AS 18 "Related Parties Disclosures" issued by the Institute of Chartered Accountants of India, related party disclosures are as follows : |                                   |   |
| (I) <b>Where Control exists:</b>  |                                   |   |
| (A) <b>Associate</b>  |                                   |   |
| TVS Infotech Limited, Chennai   |                                   |   |
| TVS Infotech Inc., Michigan, USA  |                                   |   |
| T V Sundram Iyengar & Sons Ltd., Madurai  |                                   |   |
| Southern Roadways Limited, Madurai  |                                   |   |
| (B) <b>Joint Venture</b>  |                                   |   |
| Windbolt GmbH, Germany  |                                   |   |
| (II) <b>Other related Parties with whom transactions have been entered into during the year:</b>  |                                   |   |
| (A) <b>Key Management Personnel</b>   |                                   |   |
| – Mr Suresh Krishna   |                                   |   |
| – Ms Arathi Krishna   |                                   |   |
| – Ms Arundhathi Krishna   |                                   |   |
| (B) <b>Relatives of Key Management Personnel</b>  |                                   |   |
| – Ms Usha Krishna   |                                   |   |
| – Ms Preethi Krishna  |                                   |   |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

|   | Rs lakhs                           |                                    |
|---|------------------------------------|------------------------------------|
|   | As at /<br>Year ended<br>31-3-2012 | As at /<br>Year ended<br>31-3-2011 |
| <b>(C) Enterprises in which Key Management Personnel have significant influence:</b>        |                                    |                                    |
| – Upasana Finance Limited, Chennai  |                                    |                                    |
| – Upasana Properties Private Limited, Chennai   |                                    |                                    |
| <b>(III) Transactions with related parties</b>  |                                    |                                    |
| <b>(A) Purchase of Goods :</b>  |                                    |                                    |
| – Associate   | 137.19                             | 5.91                               |
| – Key Management Personnel  | –                                  | –                                  |
| – Relatives of Key Management Personnel   | –                                  | –                                  |
| <b>(B) Sale of Goods :</b>  |                                    |                                    |
| – Associate   | 8,340.91                           | 8,621.30                           |
| – Key Management Personnel  | –                                  | –                                  |
| – Relatives of Key Management Personnel   | –                                  | –                                  |
| <b>(C) Services rendered :</b>  |                                    |                                    |
| – Associate - Share of expenses   | 7.49                               | –                                  |
| – Key Management Personnel  | –                                  | –                                  |
| – Relatives of Key Management Personnel   | –                                  | –                                  |
| <b>(D) Services received:</b>   |                                    |                                    |
| – Associate   | 1,159.37                           | 305.42                             |
| – Key Management Personnel  | –                                  | –                                  |
| – Relatives of Key Management Personnel   | –                                  | –                                  |
| – Enterprise in which key management personnel have significant influence                   | 35.44                              | –                                  |
| <b>(E) Leasing or hire purchase arrangements</b>  |                                    |                                    |
| – Associate   | –                                  | –                                  |
| – Key Management Personnel (Lease rent paid)  | 6.24                               | 6.24                               |
| – Relatives of Key Management Personnel (Lease rent paid)                                   | 1.88                               | 1.88                               |
| – Enterprise in which Key Management Personnel have significant influence                   | –                                  | –                                  |
| – Enterprise in which Key Management Personnel have significant influence (Lease rent paid) | –                                  | –                                  |
| <b>(F) Finance</b>  |                                    |                                    |
| – Associate   |                                    |                                    |
| – Loans   | 1,038.75                           | 991.50                             |
| – Equity  | 799.50                             | –                                  |
| – Joint Venture   |                                    |                                    |
| – Loans   | 1995.19                            | –                                  |
| – Equity Shares   | 22.22                              | –                                  |
| – Interest received   | 24.54                              | –                                  |
| – Key Management Personnel  | –                                  | –                                  |
| – Interest on loan to Associate   | 44.26                              | 62.12                              |

# Sundram Fasteners Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

|   | Rs lakhs                           |                                    |
|---|------------------------------------|------------------------------------|
|   | As at /<br>Year ended<br>31-3-2012 | As at /<br>Year ended<br>31-3-2011 |
| <b>(F) Finance* (Contd.)</b>  |                                    |                                    |
| – Dividend paid to Associate  | 1,353.11                           | 1,092.90                           |
| – Loan due to Key Management Personnel  | –                                  | –                                  |
| – Interest on loan to Key Management Personnel  | –                                  | –                                  |
| – Relatives of Key Management Personnel   | –                                  | –                                  |
| – ICD received from enterprise in which Key Management Personnel have a significant influence   | –                                  | (3.00)                             |
| – Interest on loan from enterprises in which Key Management Personnel has significant influence | 21.10                              | 21.22                              |
| * Finance includes loans  |                                    |                                    |
| <b>(G) Guarantees &amp; Collaterals</b>   |                                    |                                    |
| – Associate   | –                                  | –                                  |
| – Key Management Personnel  | –                                  | –                                  |
| – Relatives of Key Management Personnel   | –                                  | –                                  |
| – Enterprise in which Key Management Personnel have significant influence                       | –                                  | –                                  |
| <b>(H) Management contracts, including deputation of employees</b>                              |                                    |                                    |
| – Associate   | –                                  | –                                  |
| – Key Management Personnel  | 970.73                             | 955.19                             |
| – Relatives of Key Management Personnel   | –                                  | –                                  |
| <b>(I) Outstanding balances</b>   |                                    |                                    |
| <b>Due to the Company :</b>   |                                    |                                    |
| – Associate   | 931.60                             | 518.92                             |
| – Joint Venture   | 2,109.73                           | –                                  |
| – Key Management Personnel  | –                                  | –                                  |
| – Relatives of Key Management Personnel   | –                                  | –                                  |
| <b>Payable by the Company</b>   |                                    |                                    |
| – Associate   | 98.35                              | 3.07                               |
| – Key Management Personnel  | 775.00                             | 767.33                             |
| – Loan from Key Management Personnel  | –                                  | –                                  |
| – Relatives of Key Management Personnel   | –                                  | –                                  |
| – Enterprises in which Key Management Personnel has significant influence                       | 235.00                             | 235.00                             |

### 8) A. Jointly Controlled Asset

The Company has entered into joint venture agreement with T V Sundram Iyengar and Sons Limited, Madurai and Madras Cements

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Rs lakhs

### 8) A. Jointly Controlled Asset (Contd.)

As at / As at /  
Year ended Year ended  
31-3-2012 31-3-2011

Limited, Chennai, for utilisation of Aircraft for business purposes. The agreement involves joint control and ownership of the aircraft by the ventures. The Company's share of jointly controlled asset and expenditure have been recognised in the books of accounts as detailed below :

| Sl. No. | Name of the Joint Venturer     | Country of Incorporation | Share of Ownership/ interest |
|---------|--------------------------------|--------------------------|------------------------------|
| 1)      | T V Sundram Iyengar & Sons Ltd | India                    | 1/3                          |
| 2)      | Madras Cements Ltd             | India                    | 1/3                          |

#### a) Assets

|                           |               |        |
|---------------------------|---------------|--------|
| WDV of Aircraft           | <b>667.12</b> | 707.50 |
| Current Assets - Advances | <b>28.45</b>  | 28.45  |
| Current Assets - Deposits | <b>1.50</b>   | 1.50   |

#### b) Liabilities

|                                     |              |      |
|-------------------------------------|--------------|------|
| Current liabilities and Provisions: |              |      |
| Current liabilities                 | <b>32.37</b> | 7.13 |

#### c) Income

— —

#### d) Expenditure

|  |               |       |
|--|---------------|-------|
| Subscription                           | —             | 0.03  |
| Consultancy fees                       | <b>47.77</b>  | 61.30 |
| Travelling Expenses                    | <b>10.13</b>  | 8.97  |
| Postage, Courier and Telephone charges | <b>0.23</b>   | 0.20  |
| Insurance                              | —             | 2.91  |
| Aircraft Maintenance                   | <b>108.68</b> | 90.16 |
| Depreciation                           | <b>40.68</b>  | 28.24 |

### B. Jointly Controlled Entity

During the year the Company has invested EUR 33,332 (Rs 22.22 lakhs) in Windbolt GmbH, Germany for manufacture or special bolts for wind energy applications under Joint Venture agreement as per details given below :

| Name of the Joint Venturer  | Country of Incorporation | Share of Ownership / Interest |
|-----------------------------|--------------------------|-------------------------------|
| Mr. Wolfgang Walter Naumann | Germany                  | 50%                           |



# Sundram Fasteners Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

|   | Rs lakhs                           |                                    |
|---|------------------------------------|------------------------------------|
|   | As at /<br>Year ended<br>31-3-2012 | As at /<br>Year ended<br>31-3-2011 |
| <b>A) Assets</b>  |                                    |                                    |
| WDV of Tangible Assets  | 58.69                              | —                                  |
| Capital Work in Progress  | 467.44                             | —                                  |
| Current Assets - Others   | 209.97                             | —                                  |
| Cash & Cash Equivalents   | 3.23                               | —                                  |
| <b>B) Liabilities</b>   |                                    |                                    |
| Borrowings  | 550.64                             | —                                  |
| Current Liabilities and Provisions :  |                                    |                                    |
| Trade Payables  | 21.24                              | —                                  |
| Current Liabilities   | 29.35                              | —                                  |
| Provisions  | 1.72                               | —                                  |
| <b>C) Income</b>  | 46.92                              | —                                  |
| <b>D) Expenditure</b>   |                                    |                                    |
| Employee Benefit Expenses   | 3.19                               | —                                  |
| Finance Cost  | 4.78                               | —                                  |
| Other Expenses  | 8.54                               | —                                  |
| Tax   | 2.44                               | —                                  |
| 9) Discontinuing Operations :   |                                    |                                    |
| The Board of the Directors of one of the Subsidiary of the Company viz. Sundram RBI Sdn. Bhd., Malaysia has approved a plan for the discontinuance of its operations. As at 31st March 2012 the carrying amount of the assets of the subsidiary company was Rs 4.81 lakhs and liabilities were Rs 185.12 lakhs. The following statement shows the revenue and expenses of the discontinuing operations which has been included in the Statement of Profit and Loss. |                                    |                                    |
| Other income  | 38.00                              | 20.04                              |
| Other Expenses  | 0.84                               | 3.30                               |
| Pre-tax Profit/(Loss) from discontinued operations  | 37.16                              | 16.74                              |
| Interest  | —                                  | —                                  |
| Profit/(Loss) before tax  | 37.16                              | 16.74                              |
| Income Tax – Deferred Tax   | —                                  | (0.22)                             |
| Profit/(Loss) from discontinuing operations after tax   | 37.16                              | 16.96                              |
| 10) Figures for the previous year have been re-classified / re-arranged / re-grouped, wherever necessary to conform to current year classification as per the requirement of Revised Schedule VI to the Companies Act, 1956.  |                                    |                                    |

ARUNDATHI KRISHNA  
Whole-Time Director

ARATHI KRISHNA  
Joint Managing Director

SURESH KRISHNA  
Chairman & Managing Director

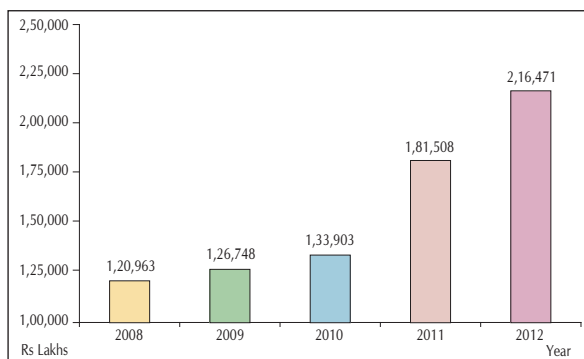
As per our report annexed  
For SUNDARAM & SRINIVASAN  
Regn. No. 004207S  
Chartered Accountants

Chennai  
May 28, 2012

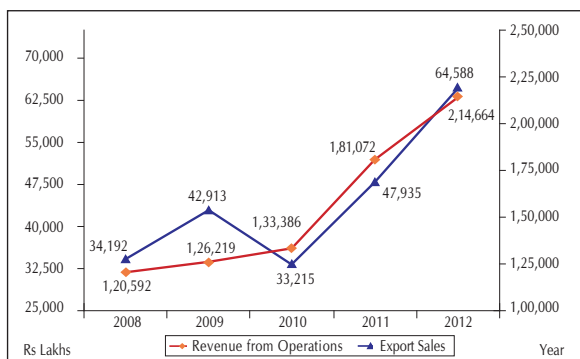
V G JAGANATHAN  
Secretary

P MENAKSHISUNDARAM  
Partner  
Membership No. 217914

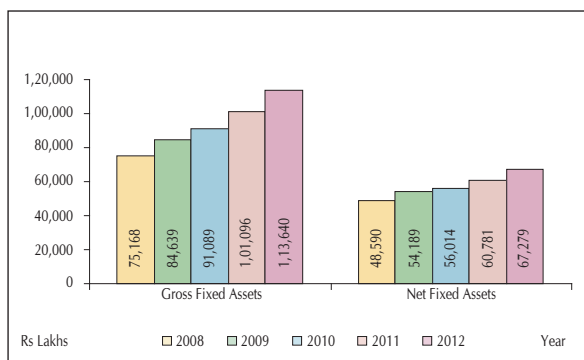
## Total Revenue



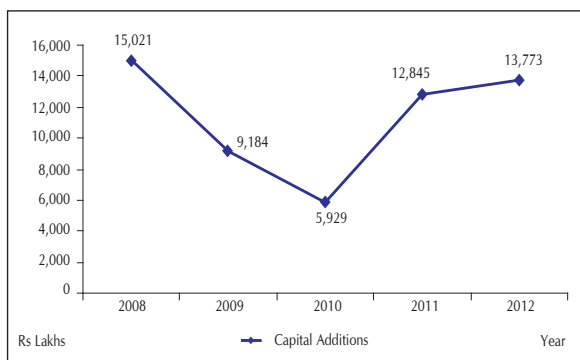
## Export Sales and Revenue from Operations



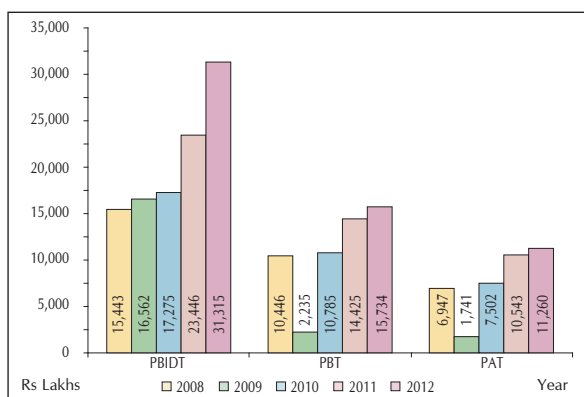
## Gross and Net Block of Fixed Assets



## Capital Expenditure



## Profits



## Funds Employed

