



Fenner (India) Limited

Forging Ahead



ANNUAL REPORT 2010

Remembering A Visionary

The Company is celebrating the birth centenary of its Founder, Lala Lakshmi Pat Singhania, one of the key architects of JK Organization. As a true visionary, he laid the foundation for taking the Organization to new heights in the journey of building a self-reliant India. He was a dynamic leader who championed the cause of domestic industry with Indian ownership and management.

The JK Organization became one of the top four private sector Groups in the country during his lifetime. He pioneered the manufacturing of many products, for the first time in India. Through a plant set up in West Bengal in 1944, he started the production of aluminium metal in India from Indian Bauxite for the first time. This metal was further converted into complete range of aluminium products including aluminium foils. The company, Aluminium Corporation of India Limited, was one of the few integrated Aluminium plants in the world.

Lala Lakshmi Pat Singhania set up many successful companies in different parts of the country, which provided thousands of job opportunities, particularly in the backward areas of rural India. These include, Straw Products Ltd in Bhopal in 1938 which commenced production of straw boards and later on paper boards. Production of high quality writing and printing paper was started in 1962 in Orissa and the company is now operating under the name of JK Paper Limited, known for its high value added products. He was also instrumental in setting up various other plants for the manufacture of Automobile Tyres (JK Tyre & Industries Ltd.) and Cement (JK Lakshmi Cement Ltd.), amongst many other initiatives of the group.

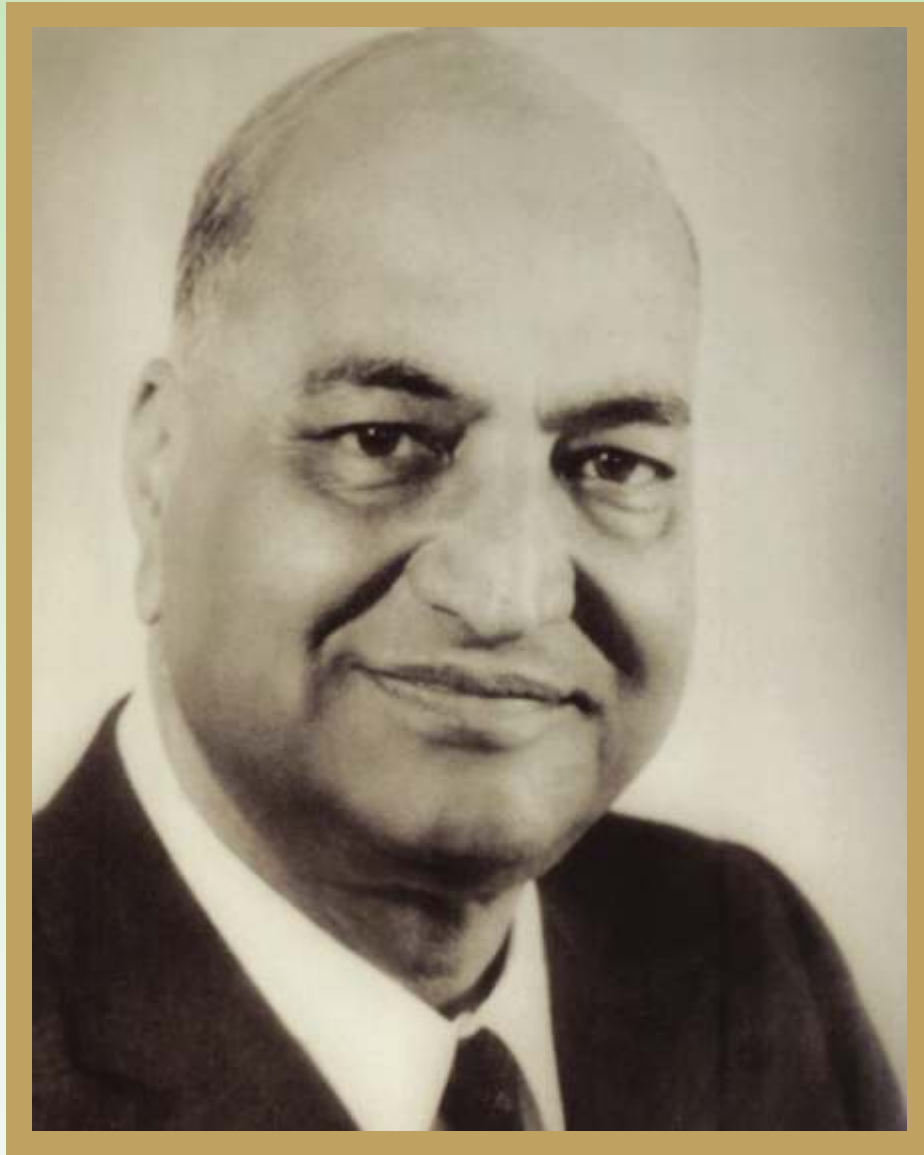
He was the Chairman of National Insurance Company for several years. The Company covered both life and general insurance activities. He made it grow as the 3rd largest insurance company of the country with largest overseas network. Unfortunately Insurance – Life and General as well as Aluminium were nationalized in India as a matter of the then policy of the Government.

He was the guiding spirit for the JK Group to set up several medical and educational institutions across the country including scores of primary schools in the rural areas.

Lala Lakshmi Pat Singhania embodied the rare qualities that transcend time through their single-minded purpose, simplicity, vision and the constant working of an enquiring mind that rejects the status quo. Apart from being a philanthropist entrepreneur he believed in upliftment of the society at large. He has left behind a value system based on Trust, Nationalism and Care which serves as a beacon for the Group Companies to charter their course into future. The core values are:

- Caring for people
- Integrity including intellectual honesty, openness, fairness and trust
- Commitment to Excellence

Centenary Year



LALA LAKSHMIPAT SINGHANIA
1910 - 1976

KEY ARCHITECT OF JK ORGANISATION

*"We seek a society which is proud of its past,
conscious of the present and full of hope for the future."*

CHAIRMAN'S MESSAGE



Indian economy recovered faster than most of the world from slow down of the recent past. Thanks to the Government's policy initiatives along with the stimulus package for revival. Automotive sector, a major contributor to the economy, rebounded with a healthy growth during the year. Fenner rose up to this challenge and met the ensuing demand.

It is a matter of great satisfaction that Fenner achieved all time high turnover and profits during the year, which happens to be the Centenary year of our Founder, Lala Lakshmipat Singhania. Higher demand for Company's products along with all around cost containment improved operating margins significantly.

Your Company further consolidated and grew its market leadership during the year with aggressive market generation activities across segments and enrichment of its product mix. The new state-of-the-art Belt plant at Nilakottai, near Madurai was commissioned during the year, which will enable the Company to meet the growing demand for its products. Engineering product division was shifted to a new facility near Hyderabad.

Fenner continues to pursue a systematic approach towards achieving technological excellence for its products and processes with a view to offer better value to its customers. Towards this end, sizeable investments were made in the state-of-the-art R&D Centre for Oil Seals.

Industrial sector in India and in particular the Automotive sector, is on a healthy growth track and this augurs well for the Company's range of products. A further expansion of Oil Seals capacity has been undertaken at both Sriperumbudur and Hyderabad Plants to meet these growing requirements. This will go a long way in further strengthening Fenner's market leadership.

I would like to thank all our stake holders i.e., channel partners, suppliers, banks and the entire Team Fenner for their whole hearted support.

Raghupati Singhania



BOARD OF DIRECTORS

DR. RAGHUPATI SINGHANIA - Chairman

H.V. LODHA

HARSH PATI SINGHANIA

L.R.PURI

SURENDRA MALHOTRA

VIKRAMPATI SINGHANIA - Managing Director

A.N. RAVICHANDRAN - President & Director

REGISTERED OFFICE

3, Madurai – Melakkal Road, Madurai-625 016

CORPORATE OFFICE

Khivraj Complex II, 480, Anna Salai, Nandanam, Chennai-600 035

BANKERS

State Bank of India, State Bank of Travancore, Canara Bank

AUDITORS

Messrs S.S. Kothari Mehta & Co., Chartered Accountants

PLANTS

Madurai • Sriperumbudur • Nilakottai • Patancheru • Pashamailaram
• Aralvoimozhi - Kanyakumari District

DIRECTORS' REPORT

TO THE MEMBERS

The Directors are pleased to present their Annual Report and Audited Accounts of the Company for the year ended 31st March, 2010.

The Company is observing this year as the **Birth Centenary Year** to pay humble respects to Late Lala Lakshmiapat Singhania (1910-1976), who was a great visionary and a Key Architect of JK Organisation. He believed in the philosophy of inclusive growth encompassing all sections of the Society. The Company's all time high Sales and Profits this year is a befitting tribute to the great Founder.

FINANCIAL RESULTS

Sales and Other Income during the year under review was ₹ 355.21 Crore, recording an increase of 15% over the previous year. The Operating Profit increased by 54% to ₹ 80.81 Crore. Profit Before Tax for the year was ₹ 55.36 Crore and Profit After Tax increased to ₹ 39.11 Crore from earlier ₹ 16.50 Crore.

India is one of the few countries which recovered early from economic slowdown and recorded GDP growth of 7.2% during the year 2009-10. Automobile Sector made a smart recovery and grew at about 28% during the year. Other business segments in which the Company operates also registered healthy growth.

Your Company achieved a commendable performance during the year under review. Fenner further strengthened its position in various business segments. Stronger demand for Company's products along with lower interest cost and all round cost reduction improved operating margins.

DIVIDEND

The Directors have recommended a final dividend of ₹ 20 per share which together with the Interim Dividend of ₹ 20 per share aggregates to ₹ 40 per share for the year. The total dividend outgo will be ₹ 11.58 Crore (inclusive of Dividend Tax of ₹ 1.65 Crore)

APPROPRIATIONS

The amount available for appropriations including surplus from previous year is ₹ 62.88 Crore. The Directors propose the following appropriation:

	₹ Crore
General Reserve	25.00
Dividend	9.93
Corporate Dividend Tax	1.65
Surplus carried to Balance Sheet	26.30
	<hr/>
	62.88



Speciality Belts Plant, Tamilnadu



OPERATIONS

BELTS

The new state-of-the-art belt plant at Nilakottai, near Madurai was commissioned, which will enable the Company to meet the growing demand for its products. Various market generation activities across segments helped your Company to continue the growth momentum in the Indian market against global competition. Your Company achieved 17% increase in domestic Belt sales over the previous year. The Cogged and Poly V belts sale registered a growth of 25% and 38% respectively in the domestic market. Special focus on untapped rural markets helped the Company reach-out to these emerging potential areas.

The product range was further expanded with the introduction of 37 new types and sizes of belts including banded Cogged Belts, EPDM Belts for both domestic and export markets, elastic Poly V Belts, Timing Belts for various Industrial and Automotive applications.

During the year, Fenner belts were introduced to several global OEMs in India, thus creating further opportunities to take part in their global programs.



new entrants who have started their operations in India. Fenner enjoys a privileged position of being a major / single source supplier to a large number of new vehicle launches, such as Mahindra Navistar, John Deere, Daimler CV etc.

OIL SEALS

Your Company achieved an impressive growth of 37% in Oil Seals sales. In order to meet increasing demand for its Oil Seals in various segments of the automotive industry, the Company responded by developing & introducing new range of Oil Seals for various applications, which helped the Company to achieve higher growth.

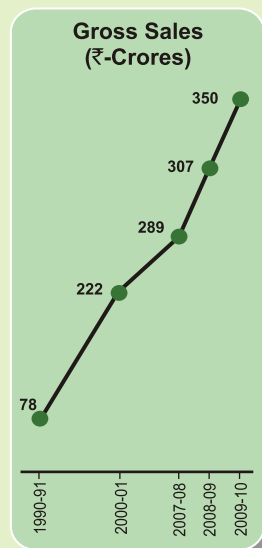
The Indian automotive industry is becoming increasingly globalised and is operating in a highly dynamic environment with rising customer expectations. Fenner is proud to be associated with leading automotive manufacturers of the country including several

ENGINEERING PRODUCTS

The Engineering products division was shifted to a new state-of-the-art facility near Hyderabad. It is equipped with modern lines for SMSR production and Dynamic balancing test equipment. This division achieved 8% growth in sales turnover despite a slowdown in infrastructure growth.

The engine mounting business recorded a growth of 68% during this period.

The new industrial products segment under "JK Pioneer" brand achieved healthy growth in sales. A new line i.e. Bearings, was added to the product portfolio of Chains, Rice Rolls, Hoses.





MOVING UP THE TECHNOLOGY LADDER

In the back drop of globalisation of the Indian automotive industry, and the ever increasing expectation of our customers, the Company has continued its thrust on technology leadership. Towards this end, the Company has made sizeable investment in the R & D infrastructure by setting up a state-of-the-art R & D Centre for Oil Seals at Sriperumbudur. The design capabilities in both Belts & Oil Seals were further enhanced by adoption of latest design & validation software, catering to the highly demanding needs of OEMs. As a result of these, the Company developed & launched more than 70 new Oil Seals for varying applications.

Over the last two years, the Company has successfully launched anti vibration products for the automotive after-market which have been developed internally at the R & D Centre.

CORPORATE SOCIAL RESPONSIBILITY

Your Company has been conscious of its obligations towards welfare of the Society at large. Over the years, Fenner has been initiating various programmes for sections of society who are less privileged as also environmental protection measures in the vicinity of its plants.

Fenner believes that quality of life improves with literacy. During the year 26 Adult Literacy Centres were organized benefitting nearly one thousand people.

The Company supports education to leprosy home inmates and under privileged students of various schools. It also assists in providing education to the deprived children of inmates of prison, with the help of an NGO.

This apart, the Company conducts training programmes for students for higher management and technical studies. It has also adopted an ITI in Madurai for its

EXPORTS

The demand in international markets saw a subdued revival during the year. The Company's export during the year stood at ₹ 32.47 Crore.

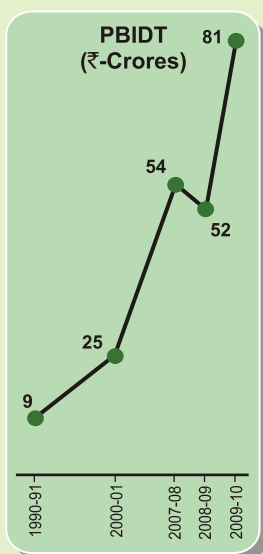
The Company entered into several new markets like Mexico, Brazil in South America and Taiwan, Korea in South East Asian Countries and commenced supplies to a global major after-market company.

The Company is actively engaged in strengthening its presence in China and Mexico as well as focusing on developing its product range for the agricultural segment.

EXPANSION

Encouraged by positive response to its development efforts with various customer groups, the Company has undertaken a major investment programme to cater to the growing demand for its Oil Seals.

Substantial expansion of capacity of Oil Seals both at the Sriperumbudur plant as well as the Hyderabad plant will be completed by first quarter of 2011 at a capital outlay of ₹ 29 crore.





upgradation under the Public Private Partnership (PPP) mode.

The Company is also encouraging employment of under privileged and reserved categories of people, offering opportunity to physically challenged in selective areas, and women operators as part of Women Empowerment initiative.

Fenner is committed to maintaining a Green environment. Industry benchmark practices are followed at all our plants and conservation of natural resources is given importance. Extensive tree plantations have been undertaken in and around the manufacturing facilities to enhance the ecological balance.



NON-CONVENTIONAL ENERGY DIVISION

Company's Windmills operated at optimum levels of efficiency and continue to generate green power at low cost thereby saving energy costs.

HUMAN RESOURCE

Your Company continues to enhance both functional and behavioural skills of its people in line with business priorities. Identified employees are groomed through development centres and exposed to Management Development Programs as part of on going HRD activity. Specific training and development initiatives have been undertaken with the prime motive of nurturing employees commensurate with the needs of their carrier growth and Company goals.

As part of the initiative to unleash creativity and innovation, the 'Fennoation' programme was launched with extensive participation.

Conscious efforts towards providing safe working places in its units, helped the Madurai plant to win the "Tamil Nadu Government Factory Inspectorate Safety Award" for the third consecutive year.

Company's Hyderabad Unit has bagged the "Best Management Award" from the Government of Andhra Pradesh.

CONSERVATION OF ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

The particulars of conservation of energy, technology absorption, foreign exchange outgo and earnings, required to be disclosed under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are annexed hereto and form part of this report.

PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217(2A) of the Companies Act 1956, read with the Companies (Particulars of Employees) Rules 1975 is given in Annexure.

SUBSIDIARY COMPANY

During the year, the Company re-acquired 3,01,989 Equity Shares (99.99%) of BMF Investments Ltd. which has thus become a subsidiary company.

The particulars required under the provisions of the Companies Act, 1956 in respect of the subsidiary companies are appended.

ACCOLADES



Best Management Award



Best Supplier Award



Best Presentation Award



Quality Circle Award



State Safety Award

DIRECTORS

During the year, the Board appointed Shri Vikrampati Singhania as Managing Director of the Company for a term of five years w.e.f. 1st June 2010. Earlier, the Board appointed Shri Vikrampati Singhania as an Additional Director w.e.f. 13th October 2009, pursuant to Section 260 of the Companies Act, 1956. In terms of Section 260 of the said Act, Shri Singhania will hold office as a Director up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing candidature of Shri Vikrampati Singhania for the office of a Director. The Board recommends appointment of Shri Singhania as a Director. Shri Harsh Pati Singhania and Shri A.N.Ravichandran, retire by rotation and being eligible, offer themselves for re-appointment at the Annual General Meeting.

AUDITORS

Messrs S. S. Kothari Mehta & Co., Chartered Accountants, New Delhi, the Auditors of the Company, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act 1956, your Directors state that :

- i) in the preparation of annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- ii) the accounting policies have been selected and applied consistently and judgments and estimates made were 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;
- iii) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the said Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENTS

The Board places on record its appreciation of the valued services and dedicated efforts of the employees of the Company, as also the co-operation and support extended by Company's bankers, customers, dealers, vendors, various Government agencies and other stakeholders.

On Behalf of the Board

Place: New Delhi

Raghupati Singhania

Date: 26th July, 2010

Chairman



ANNEXURE TO THE DIRECTORS' REPORT

The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988.

A) CONSERVATION OF ENERGY

The Company has implemented various Energy Saving Measures across the Units to reduce Furnace Oil Consumption by installing Energy Efficient Vapour Absorption Chiller and Steam Boiler. To reduce the Power Consumption, a number of energy conservation initiatives were undertaken and thereby consumption of Units per tonne of Rubber has been brought down. Periodic Energy Audits are conducted with the help of External Agencies to identify the Areas for Improvement.

B) RESEARCH & DEVELOPMENT AND TECHNOLOGY

i) Areas of R&D Activities

The Company successfully launched new products for the industrial market for applications such as submersible water pumps, washing machines and other home appliances.

Using Finite Element Analysis techniques, the Company was able to develop Engine Mounts for a prestigious OEM.

Special belts such as Aramid Reinforced Poly-V Belts, Lawnmower Belts, etc. were commercialized during the year.



Shri D.J. Ravikumar receiving best management Award from Shri Rosaiah, Hon'ble Chief Minister of Andhra Pradesh

ii) Research & Development Expenses

The capital expenditure incurred on R & D during the year was ₹ 203.39 lacs and recurring expenditure amounted to ₹ 638.53 lacs, the total expenditure being 2.40% of the turnover.

C) EXPORTS, FOREIGN EXCHANGE EARNINGS AND OUTGO

	₹. in lacs	
	2009-10	2008-09
Earnings in Foreign Exchange	3121.54	3029.87
Foreign Exchange Outgo	3316.71	5664.66



Engineering Products Division - Andhra Pradesh