

THIRTY FIFTH ANNUAL REPORT 2009



SUNDARAM BRAKE LININGS LIMITED

**BOARD OF DIRECTORS**

K Mahesh
Chairman and Managing Director
 K Ramesh - Director
 T Kannan - Director
 P S Raman - Director
 Ashok V Chowgule - Director

AUDITORS

Sundaram & Srinivasan
 Chartered Accountants
 Chennai 600 018

REGISTERED OFFICE

180, Anna Salai, Chennai 600 006

BOARD'S SUB-COMMITTEES**1. AUDIT COMMITTEE**

T Kannan
 P S Raman
 Ashok V Chowgule

2. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

P S Raman
 K Mahesh
 T Kannan

FACTORIES

Padi, Chennai 600 050
 Phone Nos. 044-42205300, 42205407
 Fax No. 044 - 42205572
 E-Mail : sbl@tvssbl.com

TSK Puram - Plant I & II
 Mustakurichi Post
 Kamarajar District
 Pin code 626 106
 Phone Nos. 04566 - 250290 to 250295

Plant 4 - Mahindra World City (SEZ)
 Natham Sub-Post, Chengalpet
 Kancheepuram District
 Pin code 603 002
 Phone No. 044 - 47490005

CHIEF OPERATING OFFICER

V R Janardhanam

PRESIDENT

R Ramasubramanian

SHARE DEPARTMENT

At Factory Office
 Padi, Chennai - 600 050
 Phone Nos. 044-42205300, 42205407
 E-Mail : finance@tvssbl.com

FINANCIAL ADVISOR & SECRETARY AND COMPLIANCE OFFICER

R Mani Parthasarathy

WEBSITE

www.tvbrakelinings.com

BANKERS

State Bank of India
 Industrial Finance Branch
 Chennai 600 002

SUNDARAM BRAKE LININGS LIMITED

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HIGHLIGHTS OF FIVE YEAR PERFORMANCE

Rs in lacs

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1 Sales & Other income	13,367	14,560	18,963	18,804	17,179
2 Export Sales	5,878	5,482	5,490	6,199	6,650
3 Profit before int, depn and Tax	2,065	2,260	2,899	2,719	1,843
4 Profit before extraordinary item & tax	1,536	1,634	2,166	1,862	1,025
5 Profit after tax	1,015	1,039	1,377	708	451
6 Net fixed assets	5,612	6,156	7,441	7,462	7,113
7 Share capital	271.35	271.35	271.35	271.35	271.35
8 Reserves & Surplus	4,542	5,247	6,220	6,737	7,061
9 Net worth	4,814	5,518	6,491	7,008	7,332
10 Return on Net Worth (RONW) - PAT/Networth	21.1%	18.8%	21.2%	10.1%	6.2%
11 Return on Avg. Capital Employed (ROCE)	19.9%	19.2%	21.8%	11.5%	5.3%
12 Cash earnings per share (Rs)	51.59	53.83	68.24	47.33	38.08
13 Earnings per share (Rs.)	37.41	38.30	50.76	26.08	16.63
14 Dividend per share (Rs)	10.00	10.00	13.00	6.00	4.00
15 Book value per share (Rs)	177.39	203.37	239.21	258.27	270.22
16 Sundry Debtors - No. of days	84	88	85	81	71
17 Turnover/Avg Inventory (Times)	21.3	19.1	20.7	17.6	16.0
18 Current Ratio	1.52	1.59	1.45	1.47	1.66
19 R & D Expenses - as % on Net Income	3.9%	2.2%	1.8%	2.0%	1.5%
20 Debt-Equity Ratio (=Total debts / Networth)	0.61	0.58	0.68	0.48	0.31

SUNDARAM BRAKE LININGS LIMITED

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Thirty Fifth Annual General Meeting of the Company will be held at RANI SEETHAI HALL, No. 603, Anna Salai, Chennai - 600 006 on **Wednesday the 12th August 2009, Chennai - 600 006 at 10.00 A.M.** to transact the following business:

ORDINARY BUSINESS:

1. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:

RESOLVED THAT the Audited Balance Sheet as at 31st March 2009, the Profit & Loss Account for the year ended 31st March 2009, Cash Flow Statement for the year ended 31st March 2009 and the Report of the Directors and the Auditors of the Company, be and are hereby approved and adopted.

2. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:

RESOLVED THAT Mr. K.Ramesh, Director, who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a Director of the Company.

3. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:

RESOLVED THAT Mr.T.Kannan, Director, who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a Director of the Company.

4. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:

RESOLVED THAT the retiring auditors Messrs. Sundaram & Srinivasan, Chartered Accountants, Chennai be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company, on such remuneration as may be determined by the Board of Directors of the Company in addition to service tax, travelling and other out-of-pocket expenses actually incurred by them in connection with audit and fees, if any, for the professional services rendered by them in any other capacity from time to time.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution.

RESOLVED THAT, in supersession of the ordinary resolution passed by the shareholders in the 21st Annual General Meeting of the Company held on 29th September 1995, consent of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as the Board) under Section 293(1)(d) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and the Articles of Association of the Company, for borrowing, from time to time, as it may consider fit, any sum or sums of moneys from any person, whether or not the moneys so borrowed together with the moneys already borrowed by the Company and remaining outstanding at any one time (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the Company and its free reserves that is to say reserves not set apart for any specific purpose provided that the total amount so borrowed and outstanding at any one time (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) shall not exceed Rs 100 crores (Rupees one hundred crores only) and that the Board be and is hereby empowered and authorized to arrange and fix the terms and conditions of all such moneys to be borrowed, from time to time, as to interest, repayment, security or otherwise as it may think fit.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board or a duly constituted committee thereof, be and is hereby authorized to finalise, settle and execute such documents/deeds/papers/agreements, as may be required and to do all such acts, deeds, matters and things, as it may in its discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard.

6. To consider, and if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution.

RESOLVED THAT consent of the Company be and is hereby accorded, pursuant to Section 293 (1)(a) and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment there of, for the time being in force) to the Board of Directors of the Company (hereinafter referred to as the "Board") to create security by way of mortgage and/or charge or otherwise in respect of all or any part of the Company's undertaking(s)/immovable properties and fixed assets including lands, buildings, plant and machineries, both present and future and a floating charge over the whole or any part of the undertaking(s) of the Company including moveable/current assets to secure the repayment of loan(s) (in foreign currency and/or rupee currency) and securities (comprising fully/partly convertible debentures and/or non-convertible debentures with or without detachable or non-detachable warrants and/or secured premium notes and/or floating rates notes/bonds or other debt instruments) borrowed or issued by the Company from time to time, to or in favour of banks, trustees and/or financial institutions/other entities in such manner and or such terms and conditions as the Board may think fit, together with interest at the respective agreed rates, additional interest, commitment charges, premia on prepayment or on redemption, costs, charges and expenses, and all other monies payable by the Company in terms of loan agreement(s), heads of agreement(s), debenture trust deed, security or other document(s) entered into by the Company in respect of the foregoing.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board or a duly constituted committee thereof, be and is hereby authorized to finalise, settle and execute such documents/deeds/papers/agreements, as may be required and to do all such acts, deeds, matters and things, as it may in its discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating a mortgage and/or charge as aforesaid.

(On behalf of the Board)

Madurai
June 29, 2009

K MAHESH
Chairman & Managing Director

Annexure : Explanatory Note

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of himself. Such proxy need not be a member of the Company. The instrument of proxy duly stamped and executed for use at the meeting must be lodged at the Factory and Office of the Company at **PADI, CHENNAI – 600 050** not less than 48 hours before the time fixed for the meeting.
2. Information about the Directors seeking re-appointment in this Annual General Meeting is furnished in the Corporate Governance Section of Directors Report to Shareholders forming part of this Annual Report.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 11-8-2009 to 12-8-2009 (both days inclusive).
4. Intimation to Shareholders concerned pursuant to Rule 4A of the Companies Unpaid Dividend (Transfer to General Reserve Account of the Central Government) Rules, is furnished elsewhere in this Report.

SUNDARAM BRAKE LININGS LIMITED

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 ANNEXED TO THE NOTICE DATED 29TH JUNE 2009 IN RESPECT OF SPECIAL BUSINESS

The following explanatory statement sets out all the material facts relating to the special business mentioned in the notice dated 29th June 2009 and shall be taken as forming part of the notice.

Item No 5

In terms of Section 293(1)(d) of the Companies Act, 1956, the Board of Directors of the Company (the Board) have the powers to borrow moneys, where the moneys to be borrowed together with the moneys already borrowed (other than the temporary loans obtained from the company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital and free reserves of the Company, with the consent of the shareholders of the Company.

The shareholders of the Company at the 21st Annual General meeting held on 29th September 1995, fixed the monetary ceiling for borrowings by the Board in terms of Section 293 (1)(d) of the Companies Act 1956, at Rs 50 crores.

The Board has felt that it would be desirable to enhance the existing borrowing limit to a level of Rs 100 crores to meet the needs for capital expenditure and working capital in line with the increase in the volume of business. Accordingly, the Board at its meeting held on 29th June 2009, approved the proposal to enhance its borrowing powers to Rs 100 crores.

The Board therefore recommends the passing of the resolution by the shareholders of the Company as set out in Item No 5 of the notice.

None of the Directors of the Company is in any way concerned or interested in the said Ordinary resolution.

Item No 6

To secure the borrowings / loans availed by the Company, it may be necessary to mortgage / hypothecate / pledge the assets of the Company or part thereof as security. Hence, consent of the shareholders is sought pursuant to the Section 293(1)(a) of the Companies Act 1956.

The Board therefore recommends the passing of the resolution by the Shareholders of the Company as set out in Item No 6 of the notice.

None of the Directors of the Company is in any way concerned or interested in the said Ordinary resolution.

(On behalf of the Board)

Madurai
June 29, 2009

K MAHESH
Chairman & Managing Director

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Thirty Fifth Annual Report of the Company together with the audited accounts for the year ended 31st March 2009.

FINANCIAL RESULTS

	Year ended 31.03.2009	(Rs. in lacs) Year ended 31.03.2008
NET SALES	17,133.79	18,764.71
Profit before interest, depreciation and tax	1,842.76	2,719.07
Less: Interest	235.43	280.77
Profit before depreciation and tax	1,607.33	2,438.30
Less: Depreciation	581.97	576.57
Profit before tax & extraordinary items	1,025.36	1,861.73
Less: Extraordinary item – Amount paid to various banks	667.05	769.83
Profit before tax	358.31	1,091.90
Less: Provision for taxation		
- Current Tax	171.00	315.25
- Previous Years' Tax	(233.00)	-
- Deferred Tax	(48.00)	38.00
- Fringe Benefit Tax	17.00	31.00
Profit after tax	451.31	707.65
Add: Surplus/(Deficit) brought forward	416.25	469.84
Total available for appropriation	867.56	1,177.49
APPROPRIATIONS		
General Reserve – I	45.13	70.76
General Reserve – II	0.00	500.00
Interim Dividend	108.54	162.81
Tax on Dividend	18.45	27.67
Surplus carried over	695.44	416.25
Total	867.56	1,177.49

AUGMENTATION OF PAID UP CAPITAL

To infuse long term funds into the Working Capital, Your Directors, at their meetings held on 5/6th February 2009 and 4th May 2009 have approved issue of 12,21,075 equity shares of Rs 10/= each on Rights Basis to the existing Shareholders of the Company at a price Rs 122/= per share (including a premium of Rs. 112/= per share) in the ratio of 9 Equity Shares of Rs. 10/= each for every 20 Equity Shares of Rs. 10/= each held in the Company on the Record Date, 21st May 2009. The issue has been completed and the paid up capital of the Company which was at Rs. 2,71,35,000/= as on 31-3-2009 will stand enhanced at Rs. 3,93,45,750/= when the Rights Issue allotment is completed. The new shares would rank for dividend, if any, declared for the year 2009-10.

SUNDARAM BRAKE LININGS LIMITED

DIVIDEND

Your Directors consider that the interim dividend of Rs 4/= per share for the year 2008-09 declared by the Board, in their meeting held on 29th June 2009 would be reasonable and commensurate with the performance for the year 2008-09. Accordingly the interim dividend is considered as final dividend. The interim dividend of Rs. 4/- per share (as compared to a dividend of Rs.6/= per share for the previous year) would absorb a sum of Rs. 108.54 lacs and Rs. 18.45 lacs towards dividend distribution tax together with cess & surcharge thereon payable by the Company.

OPERATIONS

As could be seen from the attached accounts, the net sales for the year were lower at Rs.171.34 crores as against Rs.187.65 crores in the previous year. The domestic market witnessed substantial drop in the sale due to slump in commercial vehicle sector which resulted in lower off-take in this segment. Consequently the domestic turnover in 2008-09 was Rs. 104.84 crores as compared to Rs. 125.66 crores in 2007-08. However there was increase in exports which to some extent compensated the drop in domestic market.

EXPORTS

Your company continued its efforts in the export market segment and achieved an export turnover of Rs. 66.50 crores - almost 39 % of its total turnover during 2008-09 as compared to Rs. 61.99 crores – 33 % of the total turnover for the year 2007-08. Your Company could achieve a growth of 7.2 % in export turnover as compared to the export turnover of the previous year. The worldwide economic slowdown has pushed some of our customers into a difficult situation and the Company has made adequate provision for doubtful debts. The Company continues to add new customers in export market which allows a prudent management of the risk factors by eliminating dependence on a few customers.

EXTRA-ORDINARY EXPENDITURE

As reported in earlier publications and Annual Report, certain derivative transactions were purported to have been entered into on behalf of the Company with some banks. The disputes relating to such transactions with all banks have been settled. The Company does not foresee any problem in complying with the terms of such settlements. The net amount paid by the Company relating to the period has been shown as Extraordinary expenditure.

PUBLIC DEPOSITS

Your Company has only one (1) deposit for a total value of Rs.0.06 lac which was not claimed by the depositor.

DIRECTORS

Mr Krishna Mahesh resigned from the office of Executive Director and his Directorship effective 1st February 2009. The Board places on record the excellent contribution made by Mr Krishna Mahesh for the growth of the Company during the period he was holding the office as Executive Director and Director of the Company.

Mr. K Ramesh and Mr T Kannan, Directors, retire by rotation at this Annual General Meeting and, being eligible, offer themselves for reappointment.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, EXPORTS AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The details regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, pursuant to Section 217 (1) (e) of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are given in Annexure I which forms part of this report.

PARTICULARS UNDER SEC 217 (2A) OF THE COMPANIES ACT, 1956

The particulars required to be disclosed under the provisions of Section 217 (2A) of the Companies Act 1956 read with the Companies (Particulars of Employees) Rules 1975 are furnished in Annexure II forming part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors confirm:

- (a) that in the preparation of the annual accounts, the applicable Accounting Standards have been followed
- (b) that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give 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
- (c) that they have taken proper and sufficient care 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 frauds and other irregularities
- (d) that the appended annual accounts for the year ended 31st March 2009 are on a going concern basis

AUDITORS

The Auditors, M/s Sundaram & Srinivasan, Chartered Accountants, Chennai, retire at the Thirty fifth Annual General Meeting and are eligible for reappointment.

HUMAN RESOURCE DEVELOPMENT

The Industrial Relations in all the four plants of the Company continue to be cordial. As a part of HR initiatives, Employees Training and Development are being given the necessary focus.

CORPORATE GOVERNANCE

As a listed company, in accordance with the provisions contained in the Listing Agreement with Stock Exchanges, your company has continued compliance with Corporate Governance norms. A report on Corporate Governance along with a certificate of compliance from the Auditors in Annexure III forms part of this Report.

SECRETARIAL AUDIT

In compliance with the directives issued by the Securities and Exchange Board of India (SEBI), Secretarial Audit is being conducted by a practising company secretary at specified periodicity and the reports are being submitted to stock exchanges.

GENERAL

Your Directors wish to thank M/s State Bank of India and HDFC Bank for their continued support and assistance.

Your Directors also wish to thank all the wholesalers both in India and worldwide for the significant support given by them.

Your Directors wish to place on record their sincere appreciation for the good work of all the employees.

(On behalf of the Board)

Madurai
June 29, 2009

K MAHESH
Chairman & Managing Director