

THIRTY EIGHTH ANNUAL REPORT 2012



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
K S Ranganathan - Director
K S D Sambasivam - Director

Export-Import Bank of India
UTI House, 29, Rajaji Salai
Chennai - 600 001

HDFC Bank Ltd.
ITC Centre, Anna Salai
Chennai - 600 002

STATUTORY AUDITORS

Sundaram & Srinivasan
Chartered Accountants
Chennai 600 018

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

T Kannan
P S Raman
Ashok V Chowgule
K S Ranganathan
K S D Sambasivam

COST AUDITORS

Raman & Associates
Cost Accountants
Chennai 600 042

REGISTERED OFFICE

180 Anna Salai, Chennai 600 006

2. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

P S Raman
K Mahesh
T Kannan
K S D Sambasivam

FACTORIES

Padi, Chennai 600 050
Phone Nos. 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 & 5 - Mahindra World City (SEZ)
Natham Sub-Post, Chengalpet
Kancheepuram District
Pin code 603 002
Phone No. 044 - 47490005

CHIEF OPERATING OFFICER

Krishna Mahesh

SENIOR MANAGEMENT

R Ramasubramanian - President
G R Chandramouli - President (Marketing & Market Development)
S Ramabadran - Financial Controller & Secretary and Compliance Officer

SHARE DEPARTMENT

At Factory Office
PADI, CHENNAI - 600 050
Phone No. 42205300, 42205407
E-Mail : finance@tvssbl.com

BANKERS

State Bank of India
Industrial Finance Branch
Chennai 600 002

WEBSITE:

www.tvsbrakelinings.com

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HIGHLIGHTS OF FIVE YEAR PERFORMANCE

Rs in lacs

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1 Sales & Other income	18,804	17,179	20,046	23,747	25,638
2 Export Sales	6,199	6,650	7,506	8,126	8,366
3 Profit before int, depn and Tax	2,719	1,843	2,336	2,431	2,264
4 Profit before extraordinary item & tax	1,862	1,025	1,523	1,528	1,116
5 Profit after tax	708	451	617	630	56
6 Net fixed assets	7,462	7,113	7,181	8,522	8,803
7 Share capital	271.35	271.35	393.46	393.46	393.46
8 Reserves & Surplus	6,737	7,061	8,862	9,309	9,228
9 Net worth	7,008	7,332	9,255	9,702	9,622
10 Return on Net Worth (RONW) - PAT/Networth	10.1%	6.2%	6.7%	6.5%	0.6%
11 Return on Avg. Capital Employed (ROCE)	11.5%	5.3%	8.1%	8.6%	1.9%
12 Cash earnings per share (Rs)	47.33	38.08	32.36 @	32.09	20.81
13 Earnings per share (Rs.)	26.08	16.63	16.49 @	16.01	1.44
14 Dividend per share (Rs)	6.00	4.00	4.00	4.00	3.00
15 Book value per share (Rs)	258.27	270.22	235.23 @	246.59	244.54 *
16 Sundry Debtors - No. of days	81	71	72	71	67
17 Turnover/Avg Inventory (Times)	17.6	16.0	18.7	19.3	16.6
18 Current Ratio	1.47	1.66	1.73	1.72	1.49
19 R & D Expenses - as % on Net Income	2.0%	1.5%	2.0%	1.3%	1.4%
20 Debt-Equity Ratio (Total debts / Networth)	0.48	0.31	0.32	0.38	0.30

@ Calculated based on Weighted average number of Equity Shares & considering the adjustment factor for the bonus element in Rights Issue for FY 2009-10

* Calculated on the expanded capital of 39,34,575 equity shares for FY 2010-11 & 2011-12.

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Thirty Eighth Annual General Meeting of the Company will be held at SRI P OBUL REDDY HALL, Vani Mahal, No. 103, G N Chetty Road, T Nagar, Chennai - 600 017 on **Saturday the 28th July 2012, at 11.00 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 2012, the Profit & Loss Account for the year ended 31st March 2012, Cash Flow Statement for the year ended 31st March 2012 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 pursuant to the recommendation of the Directors, a dividend of Rs 3 per share absorbing a sum of Rs 137.19 lacs (including dividend distribution tax of Rs 19.15 lacs) be and is hereby declared on the 39,34,575 equity shares of Rs10 each fully paid-up for the year ended 31st March 2012 to those members whose names appear in the Register of Members on 28th July 2012".

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

"RESOLVED THAT Mr.P.S.Raman, 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 Mr. Ashok V Chowgule , Director, who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a Director of the Company".

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

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

6. 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

7. To consider and, if thought fit, to pass, with or without modification, the following resolution as a special resolution.

"RESOLVED THAT pursuant to Section 314 (1) of the Companies Act, 1956 , the Company hereby accords its approval and consent for the appointment of Mr Krishna Mahesh, son of Mr K.Mahesh, Chairman & Managing Director of the Company, as Chief Operating Officer with effect from 01-09-2011 on a monthly salary of Rs 2,00,000/- and other benefits as approved by the Board of Directors in the meeting held on 01-09-2011".

(On behalf of the Board)

Chennai
May 23, 2012
Annexure: Explanatory Note

K MAHESH
Chairman & Managing Director

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/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 21st July 2012 to 28th July 2012 (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.
5. The soft copy of the 38th Annual Report is uploaded in the Company's website www.tvbrakelinings.com. The shareholders who have opted to receive e-copy of the Notice and the Annual Report have been sent the soft copy and the other shareholders have been sent hard copy.
6. In terms of Clause 49(IV)(G) of the Listing Agreement with the Stock Exchanges, a brief resume of the Directors, who are proposed to be re-appointed in this meeting, nature of their expertise in specific functional areas, their other Directorships and committee memberships, their shareholdings and relationships with other Directors of the Company, are given below:

Mr P S Raman

Mr P S Raman, aged 52 years is a Commerce Graduate holding Bachelor Degree in Law from Madras University. He started his practice in law in 1984 at the Madras High Court under the late Mr V P Raman, former Advocate General of Tamil Nadu and Additional Solicitor General of India. Mr P S Raman has completed more than 28 years of practice in the Supreme Court, High Court and other judicial forum in various fields particularly in Constitutional law, Corporate Law, Contracts, Intellectual Property, Civil Law, Service Law and Indirect taxation. He is a Legal Advisor to several corporate bodies, banks, associations and prominent individuals. He is a Member of the Executive Committee of the Tamil Nadu Cricket Association as well as the Madras Management Association.

He is a member of the Audit Committee of Directors of the Company. He holds 169 equity shares in the Company and he is not related to any other Director of the Company.

Directorship	Committee Membership
As Director : Celebrity Fashions Limited	Audit Committee Member

Mr Ashok V Chowgule

Mr Ashok V Chowgule, aged 64 years, is a Graduate in Economics and Statistics from Bristol University in England and has studied business in Case Western Reserve University in Cleveland, USA. He joined Chowgule Group of Companies with responsibilities for Finance and Administration and was the Managing Director of Narmada Cement Company Limited. He was in charge of the ship building activity of Chowgule Group that had interest in Mineral Processing, Shipping, Ship Building, Industrial Salt, Auto Agencies, Construction Materials, Industrial Explosives, Industrial Oxygen, etc. He is actively associated with various social, educational and charitable institutions.

Directorship	Committee Membership
<p>As Chairman:</p> <ul style="list-style-type: none"> * Chowgule Industries Private Limited * Keltech Energies Limited 	<p>Share Transfer Committee</p>
<p>As Executive Director</p> <ul style="list-style-type: none"> * Chowgule & Company Private Limited 	<p>Audit Committee</p>
<p>As Director :</p> <ul style="list-style-type: none"> * Chowgule Ports & Infrastructure Private Ltd * Cartybon Private Limited * Chowgule Ship Building Private Limited * Dolphin Extrusions Private Limited * Dolphin Ore Extraction Private Ltd * Dolphin Mining Services Private Ltd * Minas e Minerais de-Goa Private Limited * Ghatge Patil Industries Limited * Lavgan Terminals Private Limited * Chowgule Mining Private Limited 	

He is a member of the Audit Committee of Directors of the Company. He does not hold any share in the Company and he is not related to any other Director of the Company.

Mr K S Ranganathan

Mr K S Ranganathan, aged 74 years, had a banking career for a period of 25 years with State Bank of India and retired as Deputy General Manager of SBI in the year 1986. He was the Managing Director of India Equipment Leasing Limited promoted by Sundaram Finance Limited, State Bank of India and International Finance Corporation, Washington DC (subsidiary of World Bank).

He does not hold any directorship or committee membership in any other company.

He is a member of the Audit Committee of Directors of the Company. He does not hold any share in the Company. He is not related to any other Director of the Company.

ANNEXURE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 7

Mr Krishna Mahesh, son of Mr K Mahesh, Chairman & Managing Director of the Company was appointed by the Board of Directors in their meeting held on 01-09-2011 as Chief Operating Officer effective 01-09-2011 subject to the approval of the shareholders by a special resolution.

Mr Krishna Mahesh, aged 38 years, is MS(Mechanical Engineering) from Stanford University, Stanford, CA and MBA from Harvard Business School.

He was with Mckinsey for three years from 1998 to 2001 and had hands on experience in lean manufacturing techniques. He had an intensive training from 2001 to 2003 in Toyota Production System(TPS) in M/S Toyota Motor Manufacturing, North America, USA. He held the position of Executive Director in Sundaram Brake Linings Limited from 2005 to 2009.

The Board of Directors while appointing him as Chief Operating Officer effective 01-09-2011, fixed the following remuneration:

1. Consolidated Monthly Salary:- Rs 2,00,000 /-.
2. Company's contribution to Provident Fund - 12% of the above salary.
3. Company Maintained car and Telephone facility at residence.
4. Other normal perquisites as applicable to senior officers of the company.

The above stated remuneration is within the maximum permissible limit as notified by Ministry of Corporate Affairs, vide notification GSR 303(E) dated 6th April 2011, titled Director's Relatives (office or place of profit) Amendment Rules, 2011.

Mr Krishna Mahesh holds 1,11,913 equity shares in the Company.

Mr Krishna Mahesh is the son of Mr K Mahesh, Chairman & Managing Director of the Company and his appointment as Chief Operating Officer requires the consent of the Company by a Special Resolution.

Accordingly, the Special Resolution is placed before the members for their consent.

None of the Directors except Mr K Mahesh, Chairman & Managing Director is interested in the subject as father of Mr Krishna Mahesh.

(On behalf of the Board)

Chennai
May 23, 2012

K MAHESH
Chairman & Managing Director

SUNDARAM BRAKE LININGS LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Thirty Eighth Annual Report of the Company together with the audited accounts for the year ended 31st March 2012.

FINANCIAL RESULTS

	Year ended 31.03.2012	Year ended 31.03.2011
		(Rs. in lacs)
Revenue from Operations	25,570.82	23,751.50
Profit before interest, depreciation and tax	2,264.44	2,431.27
Less: Interest	386.39	270.59
Profit before depreciation and tax	1,885.33	2,160.68
Less: Depreciation	762.50	632.57
Profit before tax & extraordinary items	1,115.55	1,528.11
Add: Extraordinary income - Compensation received under a settlement from a supplier	(168.77)	-
Less: Extraordinary item - Amount paid to a bank	1,400.00	700.00
Profit before tax	(115.68)	828.11
Less: Provision for taxation		
- Current Tax	(0.25)	(178.00)
- Deferred Tax Liability (net)	-	(20.00)
- Deferred Tax Asset (net)	172.39	-
Profit after tax	56.46	630.11
Add: Surplus/(Deficit) brought forward	650.91	666.72
Total available for appropriation	707.37	1,296.83
APPROPRIATIONS		
General Reserve - I	5.65	63.01
General Reserve - II	-	400.00
Dividend for the year	118.04	157.38
Tax on Dividend	19.15	25.53
Surplus carried over	564.54	650.91
Total	707.37	1,296.83

It may be noted that in view of the charge of the final amount of extraordinary expenditure to the Statement of Profit & Loss, the profit for the year is Rs. 56.46 lacs. However, Your Directors recommend a dividend of Rs. 3/- per share (30%) for the year 2011-12 out of the balance available in Surplus. Accordingly the dividend of