

TWENTY THIRD ANNUAL REPORT 1997



SUNDARAM BRAKE LININGS LIMITED





SUNDARAM BRAKE LININGS LIMITED

BOARD OF DIRECTORS

K. MAHESH

Chairman & Managing Director

K. RAMESH

D.M. NETERWALA

R.H. COLAH

T. DULIP SINGH

FINANCIAL CONTROLLER & SECRETARY

R. MANI PARTHASARATHY

BANKERS

STATE BANK OF INDIA
BANK OF BARODA

AUDITORS

SUNDARAM & SRINIVASAN
No: 23, C.P. Ramaswamy Road
Alwarpet, Chennai - 600 018

REGISTERED OFFICE

180, ANNA SALAI
CHENNAI - 600 006.

FACTORIES

PADI, CHENNAI - 600 050.
TSK PURAM - PLANT I
MUSTAKURICHI POST
KAMARAJAR DISTRICT - 626 106
TSK PURAM - PLANT II
MUSTAKURICHI POST
KAMARAJAR DISTRICT - 626 106

SUNDARAM BRAKE LININGS LIMITED

CONTENTS

| | |
|---|----|
| Notice | 3 |
| Directors' Report | 6 |
| Auditors' Report | 13 |
| Balance Sheet as at 31st March 1997 | 16 |
| Profit & Loss Account for the Year ended 31st March 1997 | 17 |
| Schedules | 18 |
| Cash Flow Statement | 30 |

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Twenty Third Annual General Meeting of the Company will be held at RANI SEETHAI HALL, No.603, Anna Salai, Chennai - 600 006 on WEDNESDAY, the 23rd JULY,1997 at 10.15 a.m., to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 1997, the Profit and Loss Account for the year ended 31st March 1997 and the Report of the Directors and the Auditors of the Company.
2. To declare a dividend.
3. To appoint a Director in place of Mr. K. Ramesh, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. T. Dulip Singh, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

Chennai
19th June, 1997

(On Behalf of the Board)

K. MAHESH
Chairman and 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. The Register of Members and Share Transfer Books of the Company will remain closed from 09.07.1997 to 16.07.1997 (both days inclusive) for the purpose of determining the entitlement of shareholders for dividend.
3. Intimation to Shareholders concerned pursuant to Rule 4A of the Companies Unpaid Dividend (Transfer to General Reserve Account of the Central Government) Rules, 1978 is annexed.

SUNDARAM BRAKE LININGS LIMITED

INTIMATION TO SHAREHOLDERS

Dear Shareholders,

We wish to bring to your kind attention the following:

1. As required under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) (Amendment) Rules, 1988, we hereby confirm that unpaid/unclaimed dividend for the financial year ended 31st March 1993 was transferred to the General Revenue Account of the Central Government within the prescribed time as per details given below:

| Dividend for the year ended | No. of holders | Amount (Rs.) | Date of Transfer |
|-----------------------------|----------------|--------------|------------------|
| 31.03.1993 | 361 | 63,266/- | 26.09.96 |

Shareholders who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies (Tamil Nadu), Shastri Bhavan, Block No. 6, II Floor, No. 26, Haddows Road, Chennai - 600 006. In case any assistance is required, members may write to the Company's Secretarial Department at Padi, Chennai - 600 050.

2. Members who have not encashed the dividend warrants for the financial year ended 31st March 1994 are requested to surrender the unencashed warrants to the Company's Secretarial Department and obtain payment. If the warrants are lost, members may write to the Company's Secretarial Department, immediately, since the unclaimed dividend will be credited to the General Revenue Account of the Central Government on 29.08.1997.
3. In view of the change in the name of the Company as Sundaram Brake Linings Limited (formerly Sundaram-Abex Limited) the Company has been advised by the Madras Stock Exchange Limited to affix the Rubber Stamp incorporating the new name duly attested on the existing share certificates as and when they are lodged with the Company for transfer. However, those members who are desirous of having the name change incorporated on the share certificates held by them, may send the same to the Company's Secretarial Department at PADI, CHENNAI - 600 050 by Registered Post.
4. Members who have not furnished the Bank account details viz., Name of the Bank, Name of the Branch and S.B. A/c or Current A/c No. are requested to furnish the same to the company's Secretarial Department at the earliest, so that these details can be incorporated in the dividend warrant to be mailed, to prevent any fraudulent encashment of warrants after despatch.

We solicit your co-operation and compliance on above.

Yours faithfully
For SUNDARAM BRAKE LININGS LIMITED
Secretary

HIGHLIGHTS OF FIVE YEAR PERFORMANCE

Rupees in lacs

| Particulars | 1992-93 | 1993-94 | 1994-95 | 1995-96 | 1996-97 |
|------------------------------------|---------|---------|----------|----------|-----------------|
| 1. Sales & Other Income | 2,820 | 3,111 | 4,198 | 5,238 | 5,874 |
| 2. Profit before int, depn and tax | 354 | 360 | 544 | 790 | 1,022 |
| 3. Profit before tax | 192 | 196 | 317 | 393 | 404 |
| 4. Profit after tax | 191 | 196 | 317 | 393 | 396 |
| 5. Net fixed assets | 814 | 1,106 | 1,984 | 3,198 | 3,513 |
| 6. Share Capital | 226.23 | 226.23 | 226.23 | 248.79 | 248.85 |
| 7. Reserves & Surplus | 449.54 | 588.99 | 842.87 | 1,437.09 | 1,759.11 |
| 8. Net worth | 675.77 | 815.22 | 1,069.10 | 1,685.88 | 2,007.96 |
| 9. Cash earnings per share (Rs.) | 11.43 | 11.43 | 17.66 | 21.23 | 23.76 |
| 10. Dividend per share (Rs.) | 2.20 | 2.50 | 2.80 | 3.00 | * 3.00 |
| 11. Book value per share (Rs.) | 29.87 | 36.03 | 47.26 | 67.76 | 80.69 |
| 12. Turnover/Avg Inventory (Times) | 12.7 | 11.9 | 13.4 | 12.9 | 13.2 |

*No income-tax deduction at source

SUNDARAM BRAKE LININGS LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Twenty Third Annual Report of the Company together with the audited accounts for the year ended 31st March 1997.

FINANCIAL RESULTS

| | Year ended 31.03.97 (Rs lacs) | Year ended 31.03.96 (Rs lacs) |
|--|--|--|
| SALES | 5,821.82 | 5,201.93 |
| Profit before interest, depreciation and tax | 1,022.49 | 790.14 |
| Less: Interest | 423.59 | 262.21 |
| Profit before depreciation and tax | 598.90 | 527.93 |
| Less: Depreciation | 195.30 | 134.75 |
| Profit before tax | 403.60 | 393.18 |
| Add: Prior year adjustments/tax refunds | 0.24 | 0.00 |
| Less: Provision for taxation | 7.72 | 0.10 |
| Profit after tax | 396.12 | 393.08 |
| Less: Transfer to Debenture Redemption Reserve | 112.50 | 112.50 |
| | 283.62 | 280.58 |
| Add: Surplus brought forward | 103.81 | 97.33 |
| | 387.43 | 377.91 |
| APPROPRIATIONS | | |
| General Reserve - I | 39.59 | 39.32 |
| General Reserve - II | 160.00 | 165.00 |
| Provision for Dividend | 74.65 | 69.78 |
| Surplus to be carried forward | 113.19 | 103.81 |
| | 387.43 | 377.91 |

DIVIDEND

Your Directors have pleasure in recommending a dividend of 30% for the year ended 31st March 1997 without tax deduction at source which will be remitted by the Company. The Dividend, if approved by the Members at the Twenty Third Annual General Meeting will absorb a sum of Rs. 74.65 lacs.

OPERATIONS

Your Directors are happy to inform you that though there was a slow down in the after-market off take during the second half of the year, the turnover of the Company increased from Rs. 52.02 Crores to Rs. 58.22 Crore registering a growth of 12% as compared to the previous year. The Gross Profit and Cash Profit have registered an increase of 29.4% and 13.4 % respectively.

SIGNIFICANT ACHIEVEMENTS

1. RESEARCH & DEVELOPMENT

The Company has been effectively using its in-house R & D facilities and has obtained its recognition renewed for a further period of three years from the Government of India.

2. NEW UNIT

During the year 1996-97, the new unit established by your Company in TSK Puram near Madurai achieved a turnover of Rs. 6 crores out of asbestosfree products and has plans to increase the output substantially during the current year.

3. CONVERSION OF TRADEABLE EQUITY WARRANT

As per the scheme outlined in the Offer document dated 29th Sep 1995 governing the PCD Issue, your Company fixed the period from 7th April 1997 to 5th June 1997 for its Tradeable Equity Warrantholders to exercise their option for conversion of their warrants into fully paid Equity Shares of Rs. 10/- each on payment of Rs. 15/- per warrant (including a premium of Rs. 5/- per share). With this conversion, the total paid up equity capital of the Company will stand enhanced to Rs. 271.48 lacs. However the shares allotted upon conversion of tradeable equity warrants will, as per the issue conditions, rank for proportionate dividend for the year 1997-98 from the date of their allotment.

EXPORTS

The Company commenced the exports to US markets, only during the last quarter of the year. With the result the growth of exports could account for only 16 % over the last year. The exports constituted 25.3% of the total turnover.

PUBLIC DEPOSITS

The deposits accepted from public as at the close of 31st March 1997 were Rs. 101.96 lacs as against Rs. 73.31 lacs at the close of previous year. All deposits which matured during the year were either renewed or repaid on the due dates except 3 deposits for a total of Rs.15,000/- which were not claimed / renewed by the depositors. Interest on deposits has been paid on the due dates.

DIRECTORS

Mr. K. Ramesh and Mr. T. Dulip Singh, Directors, retire by rotation at the 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 Particulars in the Report of Board of Directors) Rules, 1988, are given in Annexure I which forms part of this report.

PARTICULARS UNDER SECTION 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, as amended, are furnished in Annexure - II, and forming part of this Report.

SUNDARAM BRAKE LININGS LIMITED

COMPLIANCE UNDER CLAUSE 43 OF THE LISTING AGREEMENT

In terms of the Listing Agreement with the Stock Exchange, a comparison of Company's projection mentioned in the Letter of Offer issued for the PCD's and the actual performance of the Company for the year under review are given below:

| | Projection | | (Rs. in lacs) Performance | |
|--------------|------------|-------|------------------------------|-------|
| Total Income | 6,700.00 | | 5,874.11 | |
| PBDIT | 1,145.47 | 17.1% | 1,022.49 | 17.4% |
| PAT | 504.71 | | 396.12 | |

The Company has implemented the expansion programme as planned. However, there was a general slow-down in the economy in India, particularly in the second half of the year. This coincided with the general recessionary trends prevailing in auto sector worldwide. These prevented the Company from achieving the expected turnover. The rise in interest burden and other input costs had adverse impact on the profitability. However with greater efficiency in operations, the Company could achieve satisfactory results.

AUDITORS

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

GENERAL

Your Directors wish to thank M/s State Bank of India, Bank of Baroda, UTI, ICICI, Exim 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, but for whose efforts it would not have been possible to achieve the increased sales turnover.

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

(On behalf of the Board)

K MAHESH
Chairman and Managing Director

Chennai
19th June, 1997