

## TWENTY SIXTH ANNUAL REPORT 2000



SUNDARAM BRAKE LININGS LIMITED

**BOARD OF DIRECTORS**

K. MAHESH  
**Chairman & Managing Director**

K. RAMESH

D.M. NETERWALA

T. DULIP SINGH

T. KANNAN

**PRESIDENT**

V.R. JANARDHANAM

**FINANCIAL CONTROLLER & SECRETARY  
AND COMPLIANCE OFFICER**

R. MANI PARTHASARATHY

**BANKERS**

STATE BANK OF INDIA  
Industrial Finance Branch, Chennai - 600 002

**AUDITORS**

SUNDARAM & SRINIVASAN  
Chartered Accountants  
Chennai - 600 018

**REGISTERED OFFICE**

180, ANNA SALAI  
CHENNAI - 600 006.

**FACTORIES**

PADI, CHENNAI - 600 050.  
Phone Nos. 6258111, 6258121, 6258521  
Fax No. 044 - 6257572  
Telex No. 041 - 22095 TVSL IN  
E-Mail : [sbl@giasmd01.vsnl.net.in](mailto:sbl@giasmd01.vsnl.net.in)

TSK Puram - Plant I & II  
Mustakurichi Post  
Virudhunagar District  
Pin code 626 106  
Phone Nos. 04566 - 85401 to 85404

**SHARE DEPARTMENT**

Factory & Office  
Padi, Chennai - 600 050  
Phone No. 6258111 - Extn. 212/213  
email - [sblsecl@hotmail.com](mailto:sblsecl@hotmail.com)

## SUNDARAM BRAKE LININGS LIMITED

**INTIMATION TO SHAREHOLDERS**

Dear Shareholders

We wish to bring to your kind attention the following:

The dividend declared upto the year ended 31st March 1994 and remained unclaimed has already been transferred to the General Revenue Account of the Central Government in terms of provisions of Section 205A of the Companies Act, 1956. Those members who have so far not claimed their dividends for the said periods may claim the same by submitting an application in the prescribed Form II to the Registrar of Companies, Tamil Nadu, "Shastri Bhavan", 26, Haddows Road, Chennai 600 006.

Consequent upon amendment in Section 205A of the Companies Act, 1956 and introduction of Section 205C, by the Companies (Amendment) Ordinance 1999, now the amount of dividend remaining unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund as per the guidelines prescribed therein.

Members who have not encashed the dividend warrants for the year ended 31st March 1995 and any subsequent years are requested to surrender the unencashed warrants to the Company's Share Department at its Factory & Office at Padi, Chennai 600 050 and obtain payment.

The dividend is exempt from tax under Section 10 (33) of the Income Tax Act, 1961, in the hands of the shareholders.

Members who have not furnished the Bank Account details, viz., name of the bank, name of the branch and SB Account or Current Account No. are requested to furnish the same to the Company's Share Department at the earliest, so that these details can be incorporated in the dividend warrants to be mailed directly to shareholder's address, to prevent any fraudulent encashment of warrants after despatch.

Members are requested to notify immediately any change in their address to the Share Department of the Company.

In case a shareholder wish to appoint a nominee in respect of his/her holdings in the share capital of the Company, Form 2B obtained on request, duly filled in may please be sent to the Share Department of the Company.

We solicit your co-operation and compliance on above.

Yours faithfully  
For Sundaram Brake Linings Limited  
Secretary

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**HIGHLIGHTS OF FIVE YEAR PERFORMANCE**

Rs. in lacs

Particulars	1995-96	1996-97	1997-98	1998-99	1999-2000
1. Sales & Other income	5,238	5,874	5,949	6,880	<b>8,487</b>
2. Export Sales	1,292	1,475	1,807	2,504	<b>2,923</b>
3. Profit before interest, depreciation and tax	790	1,022	1,011	1,272	<b>1,618</b>
4. Profit before tax	393	404	405	675	<b>1,020</b>
5. Profit after tax	393	396	362	600	<b>909</b>
6. Net fixed assets	3,198	3,513	3,598	3,663	<b>4,421</b>
7. Share capital	248.79	248.85	271.35	271.35	<b>271.35</b>
8. Reserves & Surplus	1,437	1,759	2,046	2,496	<b>3,163</b>
9. Net worth	1,686	2,008	2,317	2,767	<b>3,435</b>
10. Return on Net Worth (RONW)	23.3%	19.7%	15.6%	21.7%	<b>26.5%</b>
11. Return on Average Capital Employed (ROCE)	18.0%	17.6%	16.3%	20.4%	<b>23.6%</b>
12. Cash earning per share (Rs)	21.23	23.76	21.55	31.07	<b>43.58</b>
13. Earnings per share (Rs)	14.49	14.59	13.36	22.12	<b>33.49</b>
14. Dividend per share (Rs)	3.00	3.00	3.00	5.00	<b>8.00</b>
15. Book value per share (Rs)	67.76	80.69	85.40	101.97	<b>126.58</b>
16. Sundry Debtors - No. of days	63	64	66	66	<b>72</b>
17. Turnover/Average Inventory (Times)	12.9	13.2	14.2	16.5	<b>18.8</b>
18. Current Ratio	1.27	1.14	1.07	1.60	<b>1.45</b>
19. R & D Expenses - as % on Net Income	4.8%	3.1%	3.2%	2.4%	<b>4.6%</b>

## SUNDARAM BRAKE LININGS LIMITED

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**NOTICE TO THE SHAREHOLDERS**

NOTICE is hereby given that the Twenty Sixth Annual General Meeting of the Company will be held at RUSSIAN CULTURAL CENTRE, No 74 Kasturi Ranga Road, Alwarpet, Chennai 600 018, on FRIDAY, the 29th SEPTEMBER 2000 at 9.45 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 2000, the Profit & Loss Account for the year ended 31st March 2000 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, the two interim dividends aggregating to Rs.8/= per share absorbing a sum of Rs.217.08 lacs, declared during the year on the 27,13,500 equity shares of Rs.10/- each fully paid up, to those members whose names appeared in the Register of Members of the Company on such Record Dates fixed earlier be and is hereby ratified and approved as final dividend for the year ended 31st March 2000.

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

RESOLVED THAT Mr. D M Neterwala, 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. T Dulip Singh, 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 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**

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

RESOLVED THAT in conformity with Article 38 (a) of the Articles of Association of the Company, Mr. K Mahesh, as Managing Director be paid remuneration from the financial year 1999-2000 onwards, by way of salary, dearness allowance, perquisites, commission, and other allowances, any or more than one of

them, in accordance with Sections 198, 309, 349 Schedule XIII and other applicable provisions of the Companies Act 1956 and such remuneration shall be 5 % of the net profit of the Company or such other maximum per centage as may be allowed under the Companies Act 1956, from time to time and approved by the Board or Committee thereof.

RESOLVED FURTHER THAT in the event of there being inadequacy or absence of profit in any financial year, during the currency of tenure of Mr. K Mahesh as Managing Director, the minimum remuneration payable shall be in terms of Section II of Part II of Schedule XIII of the Companies Act 1956 as may be applicable from time to time.

RESOLVED FURTHER THAT the aggregate remuneration drawn by Mr. K Mahesh from the Company and T V Sundram Iyengar & Sons Limited of which he is a Whole-time Director shall not exceed the limits prescribed from time to time, in Section III of Part II of Schedule XIII of the Companies Act 1956.

- 7 To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:

RESOLVED THAT pursuant to the nomination of Mr. K Mahesh as "Nominated Director" by T V Sundram Iyengar & Sons Limited in accordance with Article 26 (a) of the Articles of Association of the Company, the appointment of Mr. K Mahesh, as Managing Director of the Company under Section 269 of the Companies Act, 1956 for the period from 21.09.2000 to 20.09.2005 in terms of remuneration as approved at this General Meeting subject to approval of the Central Government, if required, be and is hereby approved.

(On behalf of the Board)

Chennai  
July 22, 2000

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 The Register of Members and Share Transfer Books of the Company will remain closed from 15-09-2000 to 29-09-2000 (both days inclusive).
- 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.
- 4 Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of item Nos. 6 and 7 set out above is annexed hereto.

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

##### Item Nos. 6 & 7

Mr K Mahesh a Whole-time Director of T V Sundram Iyengar & Sons Limited (TVS) is a Nominated Director pursuant to Article 26 (a) of the Articles of Association of the Company. Consequent to such nomination the Board of Directors at their meeting held on 22nd July 2000 appointed Mr K Mahesh as the Managing Director of the in accordance with Article 38 (a) of the Articles of Association of the Company subject to approval of the

## SUNDARAM BRAKE LININGS LIMITED

Company in General Meeting and if required by the Central Government. Mr K Mahesh shall also continue as a Wholetime Director of TVS. The current tenure of his appointment as approved at the General Meeting held on 29th September 1995 would expire on 20th September 2000.

Mr K Mahesh has been associated with the Company since its inception and has not been receiving any remuneration from the Company till the Financial Year 1998-1999 except sitting fees for each meeting of the Board/Committee attended by him. However he was entitled for reimbursement of expenses incurred by him on Company's business. The Company has benefited substantially on account of his rich experience and able guidance all these years. Keeping in view his invaluable contribution for the betterment of the Company, the Board of Directors have at their meeting held on 30th March 2000 approved payment of remuneration as set out in the resolution and, at their meeting held on 22nd July 2000, also re-appointed Mr K Mahesh as Managing Director of the Company for another term of 5 years ending 20th September 2005. The Company would enter into necessary agreement with Mr K Mahesh to give effect to the above arrangement on the following terms:

- a. The Managing Director shall, subject to the superintendence and control of the Board of Directors of the Company, exercise all powers of management, except those which under the Companies Act 1956 or under the Articles of the Company are exercisable only by the Board of Directors of the Company and shall carry out such further duties as may be entrusted to him by the Board of Directors.
- b. The Managing Director shall be paid remuneration from the financial year 1999-2000 onwards, by way of salary, dearness allowance, perquisites, commission, and other allowances, any or more than one of them, in accordance with Sections 198, 309, 349 Schedule XIII and other applicable provisions of the Companies Act 1956 and such remuneration shall be 5 % of the net profit of the Company or such other maximum per centage as may be allowed under the Companies Act 1956, from time to time and approved by the Board or Committee thereof.
- c. In the event of there being inadequacy or absence of profit in any financial year, during the currency of tenure of Mr. K Mahesh as Managing Director, the minimum remuneration payable shall be in terms of Section II of Part II of Schedule XIII of the Companies Act 1956 as may be applicable from time to time.
- d. The aggregate remuneration drawn by Mr. K Mahesh from the Company and T V Sundram Iyengar & Sons Limited of which he is a Whole-time Director shall not exceed the limits prescribed from time to time, in Section III of Part II of Schedule XIII of the Companies Act 1956.
- e. The Managing Director shall also be paid sitting fees for each meeting of the Board or Committee attended by him, in addition to reimbursement of all expenses incurred by him on Company's business.

None of the Directors of the Company other than Mr K Mahesh and his brother Mr K Ramesh is concerned or interested in the resolution.

The Directors commend the resolutions for adoption.

The documents referred to in the notice and the explanatory statement will be available for inspection at the Factory and Office of the Company at Padi, Chennai 600 050 on any working day between 10.00 a.m. and 12.00 noon

This may be treated as an abstract of the draft agreement between the Company and Mr K Mahesh, pursuant to Section 302 of the Companies Act 1956, sent to each of the Members.

(On behalf of the Board)

Chennai  
July 22, 2000

K MAHESH  
Chairman and Managing Director

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Twenty Sixth Annual Report of the Company together with the audited accounts for the year ended 31st March 2000.

### FINANCIAL RESULTS

	Year ended 31.03.2000 (Rs. in lacs)	Year ended 31.03.1999 (Rs. in lacs)
<b>SALES</b>	<b>8,451.43</b>	<b>6,844.78</b>
Profit before interest, depreciation and tax	1,618.43	1,271.68
Less: Interest	325.19	354.16
Profit before depreciation and tax	1,293.24	917.52
Less: Depreciation	273.74	242.83
Profit before tax	1,019.50	674.69
Less: Provision for taxation	110.72	74.51
Profit after tax	908.78	600.18
Add: Transfer from Investment Allowance Reserve Utilised Account	7.98	22.61
Add: Surplus / (Deficit) brought forward	112.21	112.54
Less: Transfer to Debenture Redemption Reserve	100.00	112.50
	<b>928.97</b>	<b>622.83</b>
<b>APPROPRIATIONS</b>		
General Reserve - I	90.88	60.02
General Reserve - II	400.00	300.00
First Interim Dividend	108.54	0.00
Second Interim Dividend	108.54	0.00
Proposed Dividend	0.00	135.68
Tax on Dividend	23.88	14.92
Surplus carried over	197.13	112.21
	<b>928.97</b>	<b>622.83</b>

### DIVIDEND

The Directors consider that the two interim dividends aggregating to Rs. 8/- per share declared, to be reasonable and commensurate with the results for the year ended 31st March 2000 and do not recommend a final dividend for the year. The total interim dividend of Rs. 8/- per share declared for the year - 80% as against 50% in the previous year - would absorb a sum of Rs. 217.08 lacs. The tax and surcharge on the dividend tax amounting to Rs. 23.88 lacs would be absorbed by the Company.



## SUNDARAM BRAKE LININGS LIMITED

**OPERATIONS**

Continuing the improved conditions prevailed during the later part of the last year, your Company could achieve an increase of 23.5% in its turnover taking to Rs. 84.51 crores from Rs. 68.45 crores of previous year. While the export segment registered a growth of 17%, the domestic segment recorded a significant growth of 27% over previous year.

**PROSPECTS**

Despite signs of a slowdown during the first half year in the domestic market, the Company remains optimistic in registering a moderate growth. However export is expected to register a respectable growth. To meet the same your Company has been augmenting the capacity and facilities suitably in all the plants. The Company has identified further growth potential in areas like brake shoes for two wheelers and disc pads for commercial vehicles (for export).

**SIGNIFICANT ACHIEVEMENTS****1. RESEARCH AND DEVELOPMENT**

The in-house R & D facilities of the Company was accorded renewal of recognition for a period of three year upto 31st March 2003 by the Government of India, Ministry of Science and Technology. The Company had during the year added new equipment like Heavy Duty Dynamometer, Scanning Electron Microscope & Energy Dispersive Spectrometer, Compressibility, swell growth & thermal conductivity test machine to its R & D facilities. The Company continued to use its in-house R & D facilities extensively both for improving the existing formulations as well as for developing new formulations. These efforts have helped the Company to achieve economy in input cost, introduce new products at substantially shorter lead time.

**2. PRODUCTIVITY AWARD**

During the year, your Company was chosen for the "Productivity Award" for 1998-99 by the Automotive Component Manufacturers Association of India (ACMA).

**3. BAJAJ AUTO - NIQR AWARD**

The Bajaj Auto - NIQR award for Outstanding Quality Man was conferred on Mr. K. Mahesh, Chairman and Managing Director of your Company during February 2000 at the 9th National Convention - Quality Congress 2000 held by National Institution for Quality & Reliability (NIQR)

**4. ECO-FRIENDLY - ASBESTOSFREE PRODUCTS**

The Company's initiative of promoting eco-friendly product has resulted in increase of asbestosfree production to the level of 46% of its total production for the year against 33% for previous year. The TSK Puram (Plant II) asbestosfree plant has achieved turnover of Rs. 16 crore during the year 1999-2000 and has continued to serve effectively asbestosfree market both in India and abroad.

**5. QS 9000 ACCREDITATION**

Pursuant to the quality system audit conducted by Bureau Veritas Quality International, your Company has been accredited with QS 9000 certification during the year.

**EXPORTS**

The Company made significant improvement in its export performance, achieving an export turnover of Rs. 2922.89 lacs - recording an increase of 16.7% over its last year turnover of Rs. 2504.34 lacs. The export constituted 34.6% of the total turnover during 1999-2000. During the year the Company added Malaysia, Morocco, Hongkong, Thailand and Indonesia to its export market.

**PUBLIC DEPOSITS**

The deposits accepted from public as at the close of 31st March 2000 were Rs. 595.30 lacs as against Rs. 453.18 lacs at the close of the previous year. All deposits which matured during the year were either renewed or repaid on the due dates except 55 deposits for a total of Rs. 7.75 lacs which were not claimed / renewed by the

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depositors. Your Company has sent reminders to these deposit holders to comply with the procedural formalities for repayment of these deposits. Of these, 36 deposits amounting to Rs. 5.48 lacs have since been repaid / renewed as on date. Interest on deposits has been paid on the due dates.

#### **CREDIT RATING**

As per the terms of issue of Partly Convertible Debentures (PCDs) issued during December 1995, your Company retained the services of ICRA Limited for undertaking the annual surveillance exercise for review of the credit rating assigned for that instrument. After obtaining the information considered as essential for completing their assignment, ICRA had upgraded the rating from "LAA-" (pronounced as L Double A minus) to "LAA" which indicates High Safety.

#### **DIRECTORS**

Mr. T Dulip Singh and Mr. D M Neterwala, 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 (2 A) 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, and forming part of this report.

#### **Y2K ISSUE - TRANSITION**

Your Company completed a successful transition to the new millennium and the Y2K issue did not affect operations in any manner and the transition was smooth.

#### **AUDITORS**

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

#### **GENERAL**

Your Directors wish to thank M/s State Bank of India, 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 improve the sales turnover.

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

Madurai  
25th May, 2000

(On behalf of the Board)  
K MAHESH  
Chairman and Managing Director