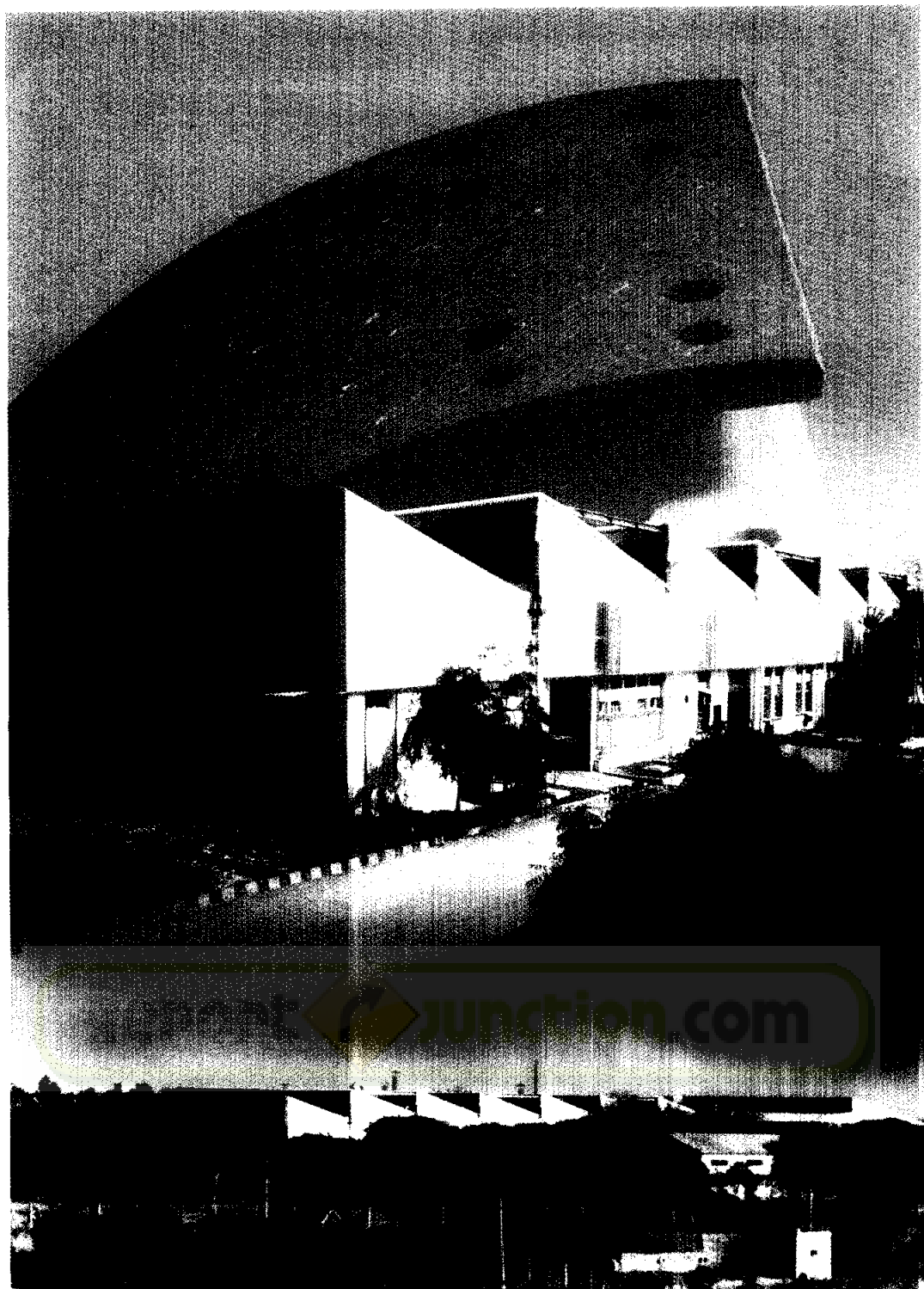


TWENTY SEVENTH ANNUAL REPORT 2001



SUNDARAM BRAKE LININGS LIMITED



Sunilaram Brake Linings - TSK Plants near Madurai



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. 62581111, 6258121, 6258521
Fax No. 044 - 6257572
Telex No. 041 - 22095 TVSL IN
E-mail : sbl@giasmd01.vsnl.net.in

TSK Puram - Plant I & II
Mustakurichi Post
Virudhunagar District
Pin code 626 106
Phone Nos. 04566 - 55401-404

SHARE DEPARTMENT

At Factory Office
Padi, Chennai - 600 050
Phone No. 6258111 - Extn. 213

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, 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	1996-97	1997-98	1998-99	1999-2000	2000-2001
1. Sales & Other income	5,874	5,949	6,880	8,487	8,187
2. Export Sales	1,475	1,807	2,504	2,923	3,233
3. Profit before interest, depreciation and tax	1,022	1,011	1,272	1,618	1,248
4. Profit before tax	404	405	675	1,020	585
5. Profit after tax	396	362	600	909	532
6. Net fixed assets	3,513	3,598	3,663	4,421	4,822
7. Share capital	248.85	271.35	271.35	271.35	271.35
8. Reserves & Surplus	1,759	2,046	2,496	3,163	3,522
9. Net worth	2,008	2,317	2,767	3,435	3,793
10. Return on Net Worth (RONW)	19.7%	15.6%	21.7%	26.5%	14.8%
11. Return on Average Capital Employed (ROCE)	17.6%	16.3%	20.4%	23.6%	14.6%
12. Cash earnings per share (Rs)	23.76	21.55	31.07	43.58	30.55
13. Earnings per share (Rs)	14.59	13.36	22.12	33.49	19.62
14. Dividend per share (Rs)	3.00	3.00	5.00	8.00	5.00
15. Book value per share (Rs)	80.69	85.40	101.97	126.58	139.79
16. Sundry Debtors - No. of days	64	66	66	72	76
17. Turnover/Average Inventory (Times)	13.2	14.2	16.5	18.8	15.0
18. Current Ratio	1.14	1.07	1.60	1.45	1.31
19. R & D Expenses - as % on Net Income	3.1%	3.2%	2.4%	4.6%	2.0%

SUNDARAM BRAKE LININGS LIMITED

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Twenty Seventh Annual General Meeting of the Company will be held at RANI SEETHAI HALL, No. 603 Anna Salai, Chennai - 600 006 on MONDAY, the 6th AUGUST 2001 at 10.15 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 2001, the Profit & Loss Account for the year ended 31st March 2001 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. 5/= per share absorbing a sum of Rs. 135.67 lacs be and is hereby declared on the 27,13,500 equity shares of Rs.10/- each fully paid up, for the year ended 31st March 2001, to those members whose names appear in the Register of Members of the Company on 6th August 2001.

- 3 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.

- 4 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.

- 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.

(On behalf of the Board)

Chennai
June 11, 2001

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 25-07-2001 to 06-08-2001 (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

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Twenty Seventh Annual Report of the Company together with the audited accounts for the year ended 31st March 2001.

FINANCIAL RESULTS

	Year ended 31.03.2001	(Rs. in lacs) Year ended 31.03.2000
SALES	8,136.96	8,451.43
Profit before interest, depreciation and tax	1,248.37	1,618.43
Less: Interest	366.79	325.19
Profit before depreciation and tax	881.58	1,293.24
Less: Depreciation	296.62	273.74
Profit before tax	584.96	1,019.50
Less: Provision for taxation	52.66	110.72
Profit after tax	532.30	908.78
Add: Transfer from Investment Allowance Reserve Utilised Account	7.71	7.98
Add: Surplus / (Deficit) brought forward	197.13	112.21
Less: Transfer to Debenture Redemption Reserve	0.00	100.00
Less : Prior year expenses	24.35	0.00
	712.79	928.97
APPROPRIATIONS		
General Reserve - I	53.23	90.88
General Reserve - II	350.00	400.00
First Interim Dividend	0.00	108.54
Second Interim Dividend	0.00	108.54
Proposed Dividend	135.67	0.00
Tax on Dividend	13.84	23.88
Surplus carried over	160.05	197.13
	712.79	928.97

DIVIDEND

Considering the current year financial performance, your Directors have pleasure in recommending a dividend of 50% for the year ended 31st March 2001. The dividend, if approved by the members at the Twenty seventh Annual General Meeting will absorb a sum of Rs. 135.67 lacs excluding dividend tax and surcharge of Rs. 13.84 lacs.

OPERATIONS

In view of considerable slowdown in the domestic market, there has been a drop in domestic sales. However in the export market segment, your Company could make some headway by registering a growth of 10 % over the previous year figures. The net sales for the year stood at Rs.81.37 crores as against Rs.84.51 crores in the previous year – a drop of 3.7 %.

PROSPECTS

The impact of slow down in the domestic and international economy is likely to have an impact on your Company's prospects for the year 2001-02. However, the continued focus of your Company in consolidating its export market share is expected to result in growth in sales volume. Also your Company is confident that the market conditions will improve during the later part of the current fiscal and that your Company can register respectable growth in the year 2001-02. The sustained focus on the Export Market has enabled your Company to procure bulk orders under long term arrangements. The various cost reduction activities like productivity improvement, operating cost reduction, general cost containment etc., undertaken by the Company is expected to improve the profitability.

EXPORTS

As in earlier years, the Company made improvement in its export performance achieving an export turnover of Rs. 3,232.57 lacs - recording an increase of 10.6 % over the last year turnover of Rs.2,922.89 lacs. The export constituted 39.5 % of the total turnover during 2000-2001. Chile, Hungary, Mexico and Venezuela are some of the countries added to the Company's export destination list.

SETTING UP OF SUBSIDIARY COMPANY

With a view to consolidate the sales in the vast US and European market, your Company has plans for setting up a 100 % Wholly Owned Subsidiary (WOS) to market its products, with an initial capital outlay of US \$ 100,000. The Company is in the process of complying with the requisite legal formalities in this regard.

PUBLIC DEPOSITS

The deposits accepted from public as at the close of 31st March 2001 were Rs.502.20 lacs as against Rs.595.30 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 31 deposits for a total of Rs.3.32 lacs which were not claimed / renewed by the depositors. Of these, 12 deposits amounting to Rs. 1.40 lacs have since been repaid / renewed as on date. Interest on deposits has been paid on the due dates.

DIRECTORS

Mr. K Ramesh and Mr. T Kannan, 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 of Particulars in the Report of Board of Directors) Rules, 1988, are given in Annexure I which forms part of this report.

SUNDARAM BRAKE LININGS LIMITED

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 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 judgements 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 fraud and other irregularities.
- d) that the appended annual accounts for the year ended 31st March 2001 are on a going concern basis.

AUDITORS

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

HUMAN RESOURCE DEVELOPMENT

The Company continued its focus on training and developing people through internal and external management development programmes and also through overseas training assignments. The industrial relations continued to be cordial at all Plants.

ENVIRONMENTAL POLICY

Your Company recognises its responsibility to the community in which it operates. Your Company had long back felt the necessity of keeping the environment clean. It undertook some positive steps in this direction way back in 1986. As you are well aware your Company is the pioneer in the marketing of eco-friendly asbestosfree brake linings in the country. The Company's Plant II at TSK Puram, Madurai is dedicated to the manufacture of asbestosfree products. Your Company has also taken adequate steps to keep the pollution levels much below the permitted levels. The Company is presently in the process of installing Environment Management System (EMS) as a part of its ISO 14001 accreditation and systematic implementation. The following is its environmental policy :

"Sundaram Brake Linings, a leading manufacturer of friction materials in both Asbestos and Asbestosfree grades, is committed to

1. Comply with all relevant environmental statutory and regulatory requirements.
2. Introduce eco-friendly products and adopt eco-friendly practices including use of recycled material.
3. Continually improve environmental management system
4. Provide a healthy and safe working environment, with all efforts to control and reduce airborne pollutants."

DEMATERIALISATION OF SHARES

As per the directions of the Securities & Exchange Board of India (SEBI), trading in Company's scrips in dematerialised form has been made compulsory for all investors effective 26th March 2001. Accordingly your