

TWENTY EIGHTH ANNUAL REPORT 2002



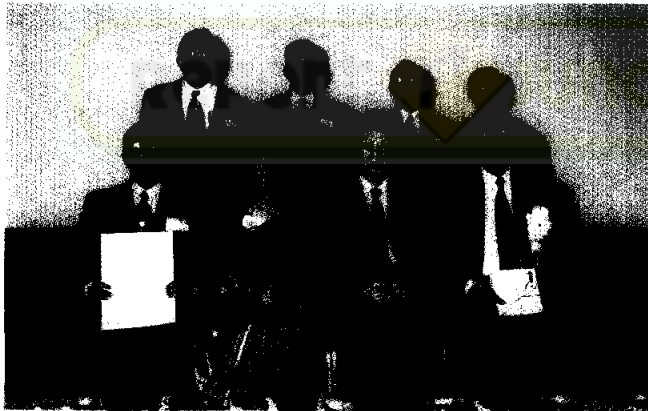
DEMING APPLICATION PRIZE 2001 TO SBL



Mr. K. Mahesh, Chairman & Managing Director receiving the Deming Award citation from Mr. Shiroshi OHBA, Chairman, JUSE



Mr. K. Mahesh, Chairman & Managing Director receiving the Deming Medal from Prof. Hitoshi KUME



Mr. K. Mahesh, Mrs. Shrimathi Mahesh, Prof. Y. Tsuda San – TQM Guru and SBL employees after the Deming Application Prize 2001 award ceremony



SUNDARAM BRAKE LININGS LIMITED

BOARD OF DIRECTORS

K. MAHESH
Chairman & Managing Director

K. RAMESH

D.M. NETERWALA

T. DULIP SINGH

T. KANNAN

V.R. JANARDHANAM

PRESIDENT**FINANCIAL CONTROLLER & SECRETARY
AND COMPLIANCE OFFICER**

R. MANI PARTHASARATHY

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

T. KANNAN
Chairman

D.M. NETERWALA

T. DULIP SINGH

**SHAREHOLDERS'/INVESTORS' GRIEVANCE
COMMITTEE**

T. DULIP SINGH
Chairman

K. MAHESH

T. KANNAN

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@glasmd01.vsnl.net.in

TSK Puram - Plant I & II
Mustakurichi Post
Virudhunagar District
Pin code 626 106
Phone Nos. 04566 - 255401 to 255404

SHARE DEPARTMENT

At Factory Office
Padi, Chennai - 600 050
Phone No. 6258111 - Extn. 213
E-Mail : 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 and as per dates mentioned elsewhere.

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.

Members are requested to intimate their Permanent Account No. (PAN).

In case a shareholder wish to appoint a nominee in respect of his/her holdings in the share capital of the Company, Form 2B 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	1997-98	1998-99	1999-2000	2000-2001	2001-2002
1. Sales & Other income	5,949	6,880	8,487	8,187	8,583
2. Export Sales	1,807	2,504	2,923	3,235	4,285
3. Profit before interest, depn. and tax	1,011	1,272	1,618	1,248	1,389
4. Profit before tax	405	675	1,020	585	699
5. Profit after tax	362	600	909	532	597
6. Net fixed assets	3,598	3,663	4,421	4,822	4,651
7. Share capital	271.35	271.35	271.35	271.35	271.35
8. Reserves & Surplus	2,046	2,496	3,163	3,522	2,797*
9. Net worth	2,317	2,767	3,435	3,793	3,068*
10. Return on Net Worth (RONW)	15.6%	21.7%	26.5%	14.0%	19.4%*
11. Return on Average Capital Employed (ROCE)	16.3%	20.4%	23.6%	14.6%	15.6%*
12. Cash earnings per share (Rs)	21.55	31.07	43.58	30.55	33.65
13. Earnings per share (Rs)	13.36	22.12	33.49	19.62	21.99
14. Dividend per share (Rs)	3.00	5.00	8.00	5.00	7.50
15. Book value per share (Rs)	85.40	101.97	126.58	139.79	113.08*
16. Sundry Debtors - No. of days	66	66	72	78	92
17. Turnover/Average Inventory (Times)	14.2	16.5	18.8	15.0	14.5
18. Current Ratio	1.07	1.60	1.45	1.33	1.38
19. R & D Expenses - as % on Net Income	3.2%	2.4%	4.6%	2.0%	1.9%

* After adjustment of Deferred Tax Liability.

SUNDARAM BRAKE LININGS LIMITED

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Twenty Eighth Annual General Meeting of the Company will be held at RANI SEETHAI HALL, No.603 Anna Salai, 600 006 on Monday, the 12th August 2002 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 2002, the Profit & Loss Account for the year ended 31st March 2002 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 interim dividend aggregating to Rs. 7.50 per share absorbing a sum of Rs. 203.51 lacs, declared on 27th June 2002 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 Date fixed earlier be and is hereby ratified and approved as final dividend for the year ended 31st March 2002.
- 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

(On behalf of the Board)

Chennai
June 27, 2002K 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 **09-08-2002 to 12-08-2002 (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.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Twenty Eighth Annual Report of the Company together with the audited accounts for the year ended 31st March 2002.

FINANCIAL RESULTS

	Year ended 31.03.2002	(Rs. in lacs) Year ended 31.03.2001
SALES	8,544.14	8,139.14
Profit before interest, depreciation and tax	1,389.26	1,248.37
Less: Interest	373.70	366.79
Profit before depreciation and tax	1,015.56	881.58
Less: Depreciation	316.26	296.62
Profit before tax	699.30	584.96
Less: Provision for taxation		
- Current Tax	71.16	52.66
- Deferred Tax	31.37	—
Less : Prior year expenses	—	24.35
Profit after tax	596.77	507.95
Add: Transfer from Investment Allowance		
Reserve Utilised Account	5.07	7.71
Add: Surplus / (Deficit) brought forward	160.05	197.13
Total available for appropriation	761.89	712.79
APPROPRIATIONS		
General Reserve - I	59.68	53.23
General Reserve - II	350.00	350.00
Interim Dividend (Subject to tax)	203.51	—
Proposed Dividend	—	135.67
Tax on Dividend	—	13.84
Surplus carried over	148.70	160.05
Total	761.89	712.79

DIVIDEND

Your Directors consider that the interim dividend of 75 % for the year 2001-02 declared by the Board would be reasonable and commensurate with the performance for the year 2001-02 and do not recommend any final dividend for the year. The interim dividend of Rs.7.50 per share – 75 % as compared to a dividend of 50 % for the previous year – would absorb a sum of Rs. 203.51 lacs.

SUNDARAM BRAKE LININGS LIMITED

OPERATIONS

The domestic market continued to witness downtrend through out the year 2001-02. However the growth in the export market made good the shortfall in the domestic market. The net sales for the year went up to Rs. 85.44 crores as against Rs. 81.39 crores in the previous year – a marginal increase of 5 %.

PROSPECTS

Though there is no perceptible improvement in the domestic commercial vehicle segment both in the original equipment as well as replacement markets, the determined efforts taken by your company to service the commercial vehicle brake lining requirement of Europe and continent are bearing fruit and it is confident of scaling further heights during the year 2002-03. Your company is in the process of increasing its sale of disc pads and brake shoes to two wheeler market besides developing disc brake pads and drum brake linings for passenger cars. The various improvement programmes undertaken and implemented by your company have started yielding results in terms of reduction in manufacturing cost, lead time reduction, man power productivity, etc.

SIGNIFICANT ACHIEVEMENTS

1 DEMING APPLICATION PRIZE

During November 2001, the Japanese Union of Scientists and Engineers (JUSE), an apex body in Japan spearheading the quality movement, awarded the prestigious Deming Application Prize for 2001, to your Company. Besides being the second Indian company, SBL is the fifth company outside Japan. It is a significant achievement that SBL is the FIRST friction materials manufacturer in the world to receive the award which is given in recognition of the efforts taken by a company to apply Total Quality Management (TQM) practices to its activities.

2 ISO 14001 CERTIFICATION

After thoroughly inspecting and examining the environment management system practised by your company in all its three locations, the Bureau Veritas Quality International (BVQI), United Kingdom, a certifying body, has awarded ISO 14001 certification to your company during August 2001.

EXPORTS

Your company made sustained efforts and focused on achieving better growth in the export market to touch an export turnover of Rs. 42.85 crores - almost 50 % of its total turnover and recording an increase of 32.5 % over its previous year export turnover of Rs. 32.35 crores. Croatia, Tunisia and Czech Republic are some of the countries added to the company's export destination list.

PUBLIC DEPOSITS

The deposits accepted by your company from public as at the close of 31st March 2002 were Rs. 678.06 lacs as against Rs.502.20 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 21 deposits for a total value of Rs.1.99 lacs which were not claimed/ renewed by the depositors. Of these, 11 deposits for a value of Rs.1.24 lacs have since been repaid as on date. Interest on deposits has been paid on the due dates.

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 of 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

No employee of the Company was in receipt of remuneration during the financial year 2001-02, in excess of the sum prescribed under Section 217 (2A) of the Companies Act 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended vide notification GSR 288 (E) dated 17th April 2002.

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 frauds and other irregularities
- (d) that the appended annual accounts for the year ended 31st March 2002 are on a going concern basis

AUDITORS

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

HUMAN RESOURCE DEVELOPMENT

The employees of the Company in all the three units, undergoing the extensive training programmes organised by the Company, wholeheartedly participated in all improvement programmes undertaken by the Company. The industrial relations continued to be cordial in all plants.

CORPORATE GOVERNANCE

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

GENERAL

Your Directors wish to thank M/s State Bank of India, UTI, 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.

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

(On behalf of the Board)

Chennai
27th June, 2002

K MAHESH
Chairman & Managing Director

SUNDARAM BRAKE LININGS LIMITED

ANNEXURE I TO DIRECTORS' REPORT

Information as required under Section 217 (1) (e) of the Companies Act 1956

A. CONSERVATION OF ENERGY

a) Energy conservation measures taken during 2001-2002

Some of the steps taken during the year under review are :

1. Modification of heating system in electrically heated ovens resulting in reduction of heater load.
2. Modification in dust control systems resulting in saving in electrical power.
3. Work on the following areas continued this year also -
 - (a) Modification / conversion of electrically heated ovens
 - (b) Modification of hydraulic & electrical circuits to switch off main motors during idle time.
 - (c) Reduction of motor rating & elimination of motors by commonising hydraulic powerpacks.

b) Additional investments and proposals, if any, implemented for reduction of consumption of energy :

To conduct one more detailed energy audit to identify areas for energy conservation.

c) Impact of measures taken at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

The measures taken above would help to offset the increasing energy cost to some extent.

B. TECHNOLOGY ABSORPTION**Research and Development (R&D)****(1) Specific areas in which R&D carried out**

- a) Development of Asbestos free brake linings , pads and insitu bonded shoe for application in non-commercial vehicle including two wheelers
- b) Development of asbestos free disc brake pads for commercial vehicles.

(2) Benefits derived as a result of the above

- a) Continued recognition of in-house R&D by Government of India
- b) Raw material savings due to quality upgradation and yield improvement
- c) Improvement in product quality and reduction in scrap
- d) Expansion of product range for Export Markets
- e) Introduced OEM disc brake pad and insitu bonded shoes for two wheeler application

(3) Future plan of action

- a) Development of Composite brake Blocks for Railway application
- b) Development of asbestos free disc brake pad and bonded brake shoe for passenger car application
- c) Development of commercial vehicle disc brake pads

(4) Expenditure on R&D

a. Capital	Rs. 2.73 lacs
b. Recurring	Rs. 161.60 lacs
c. Total	Rs. 164.33 lacs
d. Total R &D expenses as % of total turnover	1.9 %