

THIRTY FIRST ANNUAL REPORT 2005



SUNDARAM BRAKE LININGS LIMITED



"Harmony with Nature" SBL has over 20,000 trees and these are some of the flowering trees.



Display stall at Automechanika 2004 show at Frankfurt Germany during September 2004.



Distribution of Educational Aids to school children at Kanchamanaickenpatti.

**BOARD OF DIRECTORS**

K MAHESH
Chairman and Managing Director

K RAMESH
T DULIP SINGH
T KANNAN
P S RAMAN

SENIOR PRESIDENT

V R JANARDHANAM

PRESIDENT

R RAMASUBRAMANIAN

DY. FINANCIAL CONTROLLER & SECRETARY AND COMPLIANCE OFFICER

M S SUBRAMANIAN

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

T Kannan
T Dulip Singh
P S Raman

2. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

T Dulip Singh
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. 26258111, 26258121,
26258521
Fax No. 044 - 26257572
Telex No. 041 -22095 TVSL IN
E-Mail : sbl@tvssbl.com
TSK Puram - Plant I & II
Mustakurichi Post
Kamarajar District
Pin code 626 106
Phone Nos. 04566 - 255401 to 255404

SHARE DEPARTMENT

At Factory Office
PADI, CHENNAI - 600 050
Phone No. 26258111- Extn. 213
E-Mail : finance@tvssbl.com

SUNDARAM BRAKE LININGS LIMITED

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HIGHLIGHTS OF FIVE YEAR PERFORMANCE

Rs. in lacs

Particulars	2000-01	2001-02	2002-03	2003-04	2004-05
1. Sales & Other income	8,187	8,583	10,195	12,075	13,367
2. Export Sales	3,235	4,285	5,339	5,251	5,878
3. Profit before interest, depreciation and Tax	1,248	1,389	1,620	1,889	2,065
4. Profit before tax	585	699	1,020	1,335	1,536
5. Profit after tax	508	597	734	909	1,015
6. Net fixed assets	4,822	4,651	5,201	5,352	5,612
7. Share capital	271.35	271.35	271.35	271.35	271.35
8. Reserves & Surplus	3,522	2,797	3,301	3,917	4,542
9. Net worth	3,793	3,068	3,572	4,188	4,814
10. Return on Net Worth (RONW) - PAT/Networth	13.4%	19.4%	20.5%	21.7%	21.1%
11. Return on Average Capital Employed (ROCE)	14.6%	15.5%	18.0%	20.1%	19.9%
12. Cash earnings per share (Rs.)	29.65	33.65	38.93	46.91	51.59
13. Earnings per share (Rs.)	18.72	21.99	27.03	33.51	37.41
14. Dividend per share (Rs.)	5.00	7.50	7.50	9.00	10.00
15. Book value per share (Rs.)	139.79	113.08	131.65	154.35	177.39
16. Sundry Debtors - No. of days	78	92	86	76	84
17. Turnover/Avg Inventory (Times)	15.0	14.5	16.3	19.5	21.3
18. Current Ratio	1.33	1.38	1.21	1.15	1.52
19. R & D Expenses - as % on Net Income	2.0%	1.9%	1.9%	1.8%	3.9%

SUNDARAM BRAKE LININGS LIMITED

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Thirty first Annual General Meeting of the Company will be held at RANI SEETHAI HALL, No.603 Anna Salai, 600 006 on **Thursday the 21st July 2005 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 2005, the Profit & Loss Account for the year ended 31st March 2005, Cash Flow Statement for the year ended 31st March 2005 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 dividends aggregating to Rs.10/- per share absorbing a sum of Rs.271.35 lacs (excluding Dividend Tax of Rs.36.76 lacs paid / payable by the Company), 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 are hereby ratified and approved as final dividend for the year ended 31st March 2005.

- 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

SPECIAL BUSINESS

- 6 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 21.09.2005 to 20.09.2010 on same terms of remuneration as approved at the twenty sixth Annual General Meeting of the company, subject to approval of the Central Government, if required, be and is hereby approved

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 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 percentage 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 Wholetime 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.

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(On behalf of the Board)

Chennai
May 14, 2005

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 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 dividend declared is exempt from tax in the hands of the shareholders in terms of Section 10 (34) of the Income Tax Act, 1961
- 4 The Register of Members and Share Transfer Books of the Company will remain closed from 15.07.2005 to 21.07.2005 (both days inclusive)
- 5 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.
- 6 Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of item No. 6 is annexed hereto.

SUNDARAM BRAKE LININGS LIMITED

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956**Item No. 6**

Mr K Mahesh a Wholetime 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 14th May 2005 appointed Mr K Mahesh as the Managing Director of the Company in accordance with Article 38 (a) of the Articles of Association of the Company subject to approval of the 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 2000 would expire on 20th September 2005.

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 14th May 2005 approved payment of remuneration, at the same levels approved by the members on 29.09.2000, as set out in the resolution and also re-appointed Mr K Mahesh as Managing Director of the Company for another term of 5 years ending 20th September 2010. 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 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 percentage 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)

K MAHESH

Chairman & Managing Director

Chennai

May 14, 2005

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Thirty First Annual Report of the Company together with the audited accounts for the year ended 31st March 2005.

FINANCIAL RESULTS

(Rs. in lacs)

Year ended
31.03.2004

	Year ended 31.03.2005	Year ended 31.03.2004
NET SALES	13,277.28	11,975.08
Profit before interest, depreciation and tax	2,064.93	1,889.33
Less: Interest	143.87	190.60
Profit before depreciation and tax	1,921.06	1,698.73
Less: Depreciation	384.69	363.61
Profit before tax	1,536.37	1,335.12
Less: Provision for taxation		
- Current Tax	407.00	380.25
- Deferred Tax	114.25	45.50
Profit after tax	1,015.12	909.37
Add: Surplus/(Deficit) brought forward	310.39	183.48
Total available for appropriation	1,325.51	1,092.85
APPROPRIATIONS		
Prior Period Tax	81.82	17.79
General Reserve – I	101.51	89.16
General Reserve – II	500.00	400.00
Interim Dividends	271.35	244.22
Tax on Dividends	36.76	31.29
Surplus carried over	334.07	310.39
Total	1,325.51	1,092.85

DIVIDEND

Your Directors consider that the two interim dividends totaling to 100 % for the year 2004-05 declared by the Board would be reasonable and commensurate with the performance for the year 2004-05. Accordingly the interim dividends are considered as final dividend. The interim dividends of Rs. 10/- per share – 100 % as compared to a dividend of 90 % for the previous year – would absorb a sum of Rs.271.35 lacs excluding a dividend distribution tax of 12.5% together with cess & surcharge thereon payable by the Company.

SUNDARAM BRAKE LININGS LIMITED

OPERATIONS

The domestic market witnessed a growth of 10% for the year compared to the previous year. The domestic turnover increased from Rs.67.24 crores in 2003-04 to Rs.73.99 crores in 2004-05. The net sales for the year went up to Rs. 132.77 crores as against Rs.119.75 crores in the previous year - an increase of 11% .

SIGNIFICANT ACHIEVEMENTS

ISO / TS 16949 ACCREDITATION

Pursuant to the Quality System audit conducted by Bureau Veritas Quality International, your Company has been accredited with ISO / TS 16949 certification during the year.

ISO / TS 16949 is an International standard specific to automotive production prepared by the International Automotive Task Force and Japan Automobile Manufacturers Association with support from ISO / TC 176.

EXPORTS

Your company continued its efforts in the export market segment and achieved an export turnover of Rs. 58.78 crores - almost 44 % of its total turnover recording an increase of 12 % over its previous year export turnover of Rs. 52.51 crores. We have added Kyrgyzstan and Fiji to the Company's export destination list during the year.

PUBLIC DEPOSITS

The deposits accepted by your company from public as at the close of 31st March 2005 were Rs.284.25 lacs as against Rs.279.79 lacs at the close of the previous year. All deposits which matured during the year were repaid on the due dates except 4 deposits for a total value of Rs.0.46 lacs which were not claimed by the depositors.

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.

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 frauds and other irregularities.
- (d) that the appended annual accounts for the year ended 31st March 2005 are on a going concern basis.