

THIRTY THIRD ANNUAL REPORT 2007



SUNDARAM BRAKE LININGS LIMITED



SUNDARAM BRAKE LININGS LIMITED

BOARD OF DIRECTORS

K Mahesh

Chairman and Managing Director

K Ramesh

T Kannan

P S Raman

Ashok V Chowgule

Krishna Mahesh - Executive Director

AUDITORS

Sundaram & Srinivasan

Chartered Accountants

Chennai 600 018

REGISTERED OFFICE

180, Anna Salai, Chennai 600 006

BOARD'S SUB-COMMITTEES

1. AUDIT COMMITTEE

T Kannan

P S Raman

Krishna Mahesh

Ashok V Chowgule

2. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

P S Raman

K Mahesh

T Kannan

FACTORIES

Padi, Chennai 600 050

Phone Nos. 044-42205300, 42205407

Fax No. 044 - 42205572

E-Mail : sbl@tvssbl.com

TSK Puram - Plant I & II

Mustakurichi Post

Kamarajar District

Pin code 626 106

Phone Nos. 04566 - 255401 to 255404

Plant 4 - Mahindra World City (SEZ)

Natham Sub-Post, Chengalpet

Kancheepuram District

Pin code 603 002

Phone No. 044 - 47490005

PRESIDENT

R Ramasubramanian

FINANCIAL CONTROLLER & SECRETARY AND COMPLIANCE OFFICER

M S Subramanian

SHARE DEPARTMENT

At Factory Office

Padi, Chennai - 600 050

Phone Nos. 044-42205300, 42205407

E-Mail : finance@tvssbl.com

WEBSITE

www.tvsbrakelinings.com

BANKERS

State Bank of India

Industrial Finance Branch

Chennai 600 002

SUNDARAM BRAKE LININGS LIMITED

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HIGHLIGHTS OF FIVE YEAR PERFORMANCE

Rs. in lacs

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
1 Sales & Other income	10,195	12,075	13,367	14,560	18,983
2 Export Sales	5,339	5,251	5,878	5,482	5,490
3 Profit before interest depreciation and tax	1,620	1,889	2,065	2,260	2,899
4 Profit before tax	1,020	1,335	1,536	1,634	2,166
5 Profit after tax	734	909	1,015	1,039	1,377
6 Net fixed assets	5,201	5,352	5,612	6,156	7,441
7 Share capital	271.35	271.35	271.35	271.35	271.35
8 Reserves & Surplus	3,301	3,917	4,542	5,247	6,220
9 Net worth	3,572	4,188	4,814	5,518	6,491
10 Return on Net Worth (RONW) - PAT/Net Worth	20.5%	21.7%	21.1%	18.8%	21.2%
11 Return on Avg. Capital Employed (ROCE)	18.0%	20.1%	19.9%	19.2%	21.8%
12 Cash earnings per share (Rs)	38.93	46.91	51.59	53.83	68.24
13 Earnings per share (Rs.)	27.03	33.50	37.41	38.30	50.76
14 Dividend per share (Rs)	7.50	9.00	10.00	10.00	13.00
15 Book value per share (Rs)	131.65	154.34	177.39	203.37	239.21
16 Sundry Debtors - No. of days	86	76	84	88	85
17 Turnover/Avg Inventory (Times)	16.3	19.5	21.3	19.1	20.7
18 Current Ratio	1.21	1.15	1.52	1.59	1.45
19 R & D Expenses - as % on Net Income	1.9%	1.8%	3.9%	2.2%	1.8%
20 Debt-Equity Ratio (Total debts / Net Worth)	0.74	0.56	0.61	0.58	0.68

SUNDARAM BRAKE LININGS LIMITED

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Thirty Third Annual General Meeting of the Company will be held at RANI SEETHAI HALL, No.603 Anna Salai, Chennai - 600 006 on **Friday the 20th July 2007 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 2007, the Profit & Loss Account for the year ended 31st March 2007 , Cash Flow Statement for the year ended 31st March 2007 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 three interim dividends aggregating to Rs.13/- per share absorbing a sum of Rs. 352.76 lacs (excluding Dividend Tax of Rs.51.89 lacs paid / payable by the Company), declared by the Board on 22nd January 2007, 15th March 2007 and 7th June 2007, 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 2007.

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 7, 2007

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 16.07.2007 to 20.07.2007 (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.



SUNDARAM BRAKE LININGS LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Thirty Third Annual Report of the Company together with the audited accounts for the year ended 31st March 2007.

FINANCIAL RESULTS

	Year ended 31.03.2007	(Rs. in lacs) Year ended 31.03.2006
NET SALES	18,903.04	14,473.71
Profit before interest, depreciation and tax	2,899.02	2,259.50
Less: Interest	258.57	203.57
Profit before depreciation and tax	2,640.45	2,055.93
Less: Depreciation	474.42	421.49
Profit before tax	2,166.03	1,634.44
Less: Provision for taxation		
- Current Tax	806.75	565.00
- Deferred Tax	(38.00)	(12.75)
- Fringe Benefit Tax	20.00	43.00
Profit after tax	1,377.28	1,039.19
Add: Surplus/(Deficit) brought forward	434.94	334.07
Total available for appropriation	1,812.22	1,373.26
APPROPRIATIONS		
Prior Period Tax	0.00	25.00
General Reserve – I	137.73	103.92
General Reserve – II	800.00	500.00
Interim Dividends (first & second)	271.35	271.35
Third Interim / Final Dividend	81.41	0.00
Tax on Dividends	51.89	38.05
Surplus carried over	469.84	434.94
Total	1,812.22	1,373.26

DIVIDEND

Your Directors consider that the three interim dividends totaling to 130 % for the year 2006-07 declared by the Board would be reasonable and commensurate with the performance for the year 2006-07. Accordingly the interim dividends are considered as final dividend. The interim dividends of Rs. 13/- per share – 130 % as compared to a dividend of 100 % for the previous year – would absorb a sum of Rs. 352.76 lacs excluding a dividend distribution tax as applicable together with cess & surcharge thereon payable by the Company.

OPERATIONS

The domestic market witnessed a robust growth of 49% for the year compared to the previous year. The domestic turnover increased from Rs. 89.92 crores in 2005-06 to Rs. 134.13 crores in 2006-07. The net sales for the year went up to Rs.189.03 crores as against Rs.144.74 crores in the previous year - an increase of around 31%.

SETTING UP OF PLANT 4 IN SPECIAL ECONOMIC ZONE (SEZ)

Your Company has established a unit (Plant 4) in a notified Special Economic Zone (SEZ). This unit, dedicated exclusively for manufacture of asbestos-free export products, has been in operation for 5 months during the Financial Year 2006-07 and this additional capacity would help in further improving the export. This step is expected to augment Company's export turnover and at the same time increase the retained profit in the coming years with the tax incentives which will be available for that unit as per the guidelines of the Government. However, the sudden appreciation of Indian Rupee is a cause of concern and your Company is taking all possible steps to alleviate its negative impact to the extent possible. During the five months operation in the current year the new unit made a turnover of Rs.212 lacs and the Financial Year 2007-08 will be the first full year operation of the said Plant.

EXPORTS

Your company continued its efforts in the export market segment and achieved an export turnover of Rs. 54.90 crores - almost 29 % of its total turnover. In view of surge in the domestic segment demand, your Company could achieve almost same level of export turnover of the previous year, despite backlog of overseas orders. With the commissioning of Plant 4 in a notified SEZ near Chennai, for exclusively catering to the asbestos free export product requirements, this is addressed and future growth in export will be recorded. Besides that your company is also negotiating with various overseas buyers for servicing branded product programmes to ensure further export growth.

PUBLIC DEPOSITS

The deposits accepted by your company from public as at the close of 31st March 2007 were Rs.49.25 lacs as against Rs.129.25 lacs at the close of the previous year. All deposits which matured during the year were repaid on the due dates except one (1) deposit for a total value of Rs.0.06 lac which was not claimed by the depositor.

DIRECTORS

Your Directors regret to inform the untimely demise of Mr. T Dulip Singh, Director of the Company on 19th November 2006. Mr. T Dulip Singh was originally appointed as an alternate director to Mr. P Weber Jr., nominee director of M/s. Abex Corporation, USA, in October 1974. He served in the Board of the Company as an alternate director till M/s. Abex Corporation disposed of its entire holdings in the Company during 1995. Subsequently Mr. T Dulip Singh was appointed as a Director on the Board of Sundaram Brake Linings Ltd., in September 1995. Mr. T Dulip Singh was associated with the Company for over three decades and had extended his wholehearted support for the growth of the Company during his tenure as Director through his guidance, leadership skill and legal acumen. Your Directors express their sincere gratitude for the yeomen contribution made by him for the Company's growth to present level.

In the vacancy caused by the untimely death of Mr. T Dulip Singh, Mr. Ashok V Chowgule has been appointed as a Director of the Company at the meeting of the Board of Directors held on 22nd January 2007. He will hold office till the 34th Annual General Meeting (next AGM) of the Company, as Mr. T Dulip Singh's current tenure would cease thereat.

Mr. K Ramesh and Mr. T Kannan, Directors, retire by rotation at this Annual General Meeting and, being eligible, offer themselves for reappointment.

SUNDARAM BRAKE LININGS LIMITED

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 2007 are on a going concern basis.

AUDITORS

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

HUMAN RESOURCE DEVELOPMENT

The industrial relations in all the four plants of the Company continued to be cordial. As a part of HR initiatives, training and people development are being given the necessary focus.

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 III forms part of this Report.

SECRETARIAL AUDIT

In compliance with the directives issued by the Securities and Exchange Board of India (SEBI), Secretarial Audit is being conducted by a practising company secretary at specified periodicity and the reports are being submitted to stock exchanges.

GENERAL

Your Directors wish to thank M/s State Bank of India and HDFC 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
June 7, 2007

K MAHESH
Chairman & Managing Director

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 2006-2007**

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

A. In the new plant at the SEZ

1. Low thermal conductivity insulators used to conserve the thermal energy and all the heated lines are insulated to minimise radiation loss.
2. Energy efficient motors used in all the areas.
3. Modular concept service equipments namely Compressors, Cooling towers are used for optimum utilisation.
4. Post curing Ovens - Thyrister control provided in new oven for conservation of energy.
5. Use of energy efficient Metal Halide bulbs in shop floors.
6. Transparent sheets are provided on the roof to use Sun light in Day time.
7. Insulation of DFM mould boxes using low thermal conductivity insulators to minimise radiation loss.
8. Insulated roof provided for better working environment.

B. In other plants

- 1) Reduction of radiation losses from hot oil lines by
 - i) Reducing the length of hot pipes.
 - ii) Insulation of exposed hot oil line pipes with ceramic wool blankets.
- 2) Providing "idle run stop timers" in identified motors for stopping them during idle run.

**b) Additional investments and proposals, if any, implemented for reduction of consumption of energy :
Plan to conduct more energy audits to identify areas of 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. As reported in the earlier year, in addition to the foregoing initiative, with a view to reduce increasing power and fuel cost the company took initiatives for investment in non-conventional energy projects undertaken by outside agencies. In this regard the Company has entered into an agreement for purchase of power from Gas Turbine Power Project at a concessional tariff and made an investment of Rs. 52.50 lacs in the equity share capital of that entity in that regard. During the year a saving of Rs.39 lacs has been made out of the said initiative and further saving will accrue for balance 5 years of the total 6 years upto which the power purchase agreement will be valid.

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

1. Development and commercialization of new generation Asbestos Free brake linings for truck and bus applications.
2. Testing and approval of Commercial Vehicle Disc Brake Pads to conform to ECE R90 regulation by approved European testing authorities.