

THIRTY FOURTH ANNUAL REPORT 2008



SUNDARAM BRAKE LININGS LIMITED



SUNDARAM BRAKE LININGS LIMITED

BOARD OF DIRECTORS

K Mahesh
Chairman and Managing Director
 K Ramesh - Director
 T Kannan - Director
 P S Raman - Director
 Ashok V Chowgule - Director
 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 - 250290 to 250295

Plant 4 - Mahindra World City (SEZ)
 Natham Sub-Post, Chengalpet
 Kancheepuram District
 Pin code 603 002
 Phone No. 044 - 47490005

PRESIDENT

R Ramasubramanian

SHARE DEPARTMENT

At Factory Office
 Padi, Chennai - 600 050
 Phone Nos. 044-42205300, 42205407
 E-Mail : finance@tvssbl.com

FINANCIAL ADVISOR & SECRETARY AND COMPLIANCE OFFICER

R Mani Parthasarathy

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	2003-04	2004-05	2005-06	2006-07	2007-08
1 Sales & Other income	12,075	13,367	14,560	18,963	18,804
2 Export Sales	5,251	5,878	5,482	5,490	6,199
3 Profit before int, depn and Tax	1,889	2,065	2,260	2,899	2,719
4 Profit before tax	1,335	1,536	1,634	2,166	1,862
5 Profit after tax	909	1,015	1,039	1,377	708
6 Net fixed assets	5,352	5,612	6,156	7,441	7,462
7 Share capital	271.35	271.35	271.35	271.35	271.35
8 Reserves & Surplus	3,917	4,542	5,247	6,220	6,737
9 Net worth	4,188	4,814	5,518	6,491	7,008
10 Return on Net Worth (RONW) - PAT/Networth	21.7%	21.1%	18.8%	21.2%	10.1%
11 Return on Avg. Capital Employed (ROCE)	20.1%	19.9%	19.2%	21.8%	11.5%
12 Cash earnings per share (Rs)	46.91	51.59	53.83	68.24	47.33
13 Earnings per share (Rs.)	33.50	37.41	38.30	50.76	26.08
14 Dividend per share (Rs)	9.00	10.00	10.00	13.00	6.00
15 Book value per share (Rs)	154.34	177.39	203.37	239.21	258.27
16 Sundry Debtors - No. of days	76	84	88	85	81
17 Turnover/Avg Inventory (Times)	19.5	21.3	19.1	20.7	17.6
18 Current Ratio	1.15	1.52	1.59	1.45	1.47
19 R & D Expenses - as % on Net Income	1.8%	3.9%	2.2%	1.8%	2.0%
20 Debt-Equity Ratio (=Total debts / Networth)	0.56	0.61	0.58	0.68	0.48

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SUNDARAM BRAKE LININGS LIMITED

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Thirty Fourth Annual General Meeting of the Company will be held at RANI SEETHAI HALL, No. 603, Anna Salai, Chennai - 600 006 on **Wednesday the 27th August 2008, Chennai - 600 006 at 9.00 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 2008, the Profit & Loss Account for the year ended 31st March 2008, Cash Flow Statement for the year ended 31st March 2008 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. 6/- per share absorbing a sum of Rs. 162.81 lacs (excluding Dividend Tax of Rs. 27.67 lacs payable by the Company), 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 2008.

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

RESOLVED THAT Mr. P S Raman, 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. Ashok V Chowgule, 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 16, 2008

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 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 22.08.2008 to 27.08.2008 (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 Fourth Annual Report of the Company together with the audited accounts for the year ended 31st March 2008.

FINANCIAL RESULTS

	Year ended 31.03.2008	(Rs. in lacs) Year ended 31.03.2007
NET SALES	18,764.71	18,903.04
Profit before interest, depreciation and tax	2,719.07	2,899.02
Less: Interest	280.77	258.57
Profit before depreciation and tax	2,438.30	2,640.45
Less: Depreciation	576.57	474.42
Profit before tax & extraordinary items	1,861.73	2,166.03
Less: Extraordinary item - Amount paid / refunded / payable to various banks	769.83	—
Profit before tax	1,091.90	2,166.03
Less: Provision for taxation		
- Current Tax	315.25	806.75
- Deferred Tax	38.00	(38.00)
- Fringe Benefit Tax	31.00	20.00
Profit after tax	707.65	1,377.28
Add: Surplus/(Deficit) brought forward	469.84	434.94
Total available for appropriation	1,177.49	1,812.22
APPROPRIATIONS		
General Reserve – I	70.76	137.73
General Reserve – II	500.00	800.00
Interim Dividends	162.81	271.35
Third Interim Dividend	—	81.41
Tax on Dividends	27.67	51.89
Surplus carried over	416.25	469.84
Total	1,177.49	1,812.22

DIVIDEND

Your Directors consider that the interim dividend of 60 % for the year 2007-08 declared by the Board would be reasonable and commensurate with the performance for the year 2007-08. Accordingly the interim dividend is considered as final dividend. The interim dividend of Rs. 6/- per share - 60 % as compared to a dividend of 130 % for the previous year - would absorb a sum of Rs. 162.81 lacs excluding a dividend distribution tax as applicable together with cess & surcharge thereon payable by the Company.

OPERATIONS

As could be seen from the attached accounts, the net sales for the year were marginally lower at Rs.187.65 crores as against Rs.189.03 crores in the previous year. The domestic market witnessed a drop in the sale due to slump in two-wheeler market which resulted in lower off-take in this segment. Consequently the domestic turnover in 2007-08 was Rs. 125.66 crores as compared to Rs. 134.13 crores in 2006-07. However there was increase in exports which to some extent compensated the drop in domestic market. However the appreciation of rupee against foreign currencies had adverse impact on the realization of export sales.

EXPORTS

Your company continued its efforts in the export market segment and achieved an export turnover of Rs. 61.99 crores - almost 33 % of its total turnover during 2007-08 as compared to Rs. 54.90 crores - 29 % of the total turnover for the year 2006-07. Your Company could achieve a growth of 12.7 % in export turnover as compared to the export turnover of the previous year despite the fact that USD depreciated by 10 % against Indian Rupee over the year and over 50% of your Company's exports is negotiated in USD currency. The Plant 4 set up in a notified SEZ near Chennai, is expected to operate to its full capacity in the current year and will cater exclusively to the asbestos free export product requirements. The Company continues to add new customers in export market which allows a prudent management of the risk factor by eliminating reliance on a few customers.

EXTRA-ORDINARY EXPENDITURE IN DISPUTE

It is with regret that your Directors have to inform you that sometime in November 2007 the Management came to know that certain derivatives transactions were purported to have been entered into in the name of the Company by two officials (against whom disciplinary proceedings have already been initiated) with some Banks at least two of which (Kotak Mahindra Bank Ltd. and Yes Bank Ltd) were not even the bankers to the Company when such transactions were started. Such purported transactions apart from being ab-initio void, are speculative in nature amounting to "wagers" and have no relation whatsoever to exposure of the Company to foreign currencies arising out of exports and imports nor have in any way minimized the risk of exposure to foreign currencies. Further such activity is not contemplated under the Objects Clause of the Memorandum of Association of the Company. To protect the interest of the Company, suits have been filed by the Company in Madras High Court against the banks including Kotak Mahindra Bank Ltd and Yes Bank Ltd to declare all such transactions as ab-initio void. The suits are yet to be decided by the Court and in the case of Kotak Mahindra Bank Ltd the judgement has been reserved by the Court on their application for dismissal of the suit by invoking section 8 of The Arbitration and Conciliation Act, 1996. Kotak Mahindra Bank Ltd has initiated arbitration proceedings in Mumbai and the same are being defended. Upto 31-3-2008, the Company has received demand for Rs. 6.68 crores from Kotak Mahindra Bank Ltd and Rs.0.75 crores from Yes Bank Ltd under the purported transactions, which have been rejected by the Company and no provision has been made for the same. The amounts received by the Company from the Banks as premium under the said purported transactions in the current as well as previous year have been refunded to the respective Banks. Such refunds alongwith the amounts, if any, payable to or recovered by the Banks out of the balances in our current/cash credit accounts have been charged as extraordinary items of expenditure in the Profit & Loss Account. The Company has been informed that the "Mark to Market" (MTM) value of such outstanding ab-initio void transactions as on 31-3-2008 is approx. Rs.110.36 crores in case of Kotak Mahindra Bank Ltd and Rs. 9.55 crores in the case of Yes Bank Ltd. The Company has been advised that it is not required to make any provision for such MTM values in the books of account as the very transactions under which these could arise, are void ab-initio. Further if any such liability becomes due and payable by the Company, the entire net worth of the Company will be wiped off and the Company will fall within the purview of The Sick Industrial Companies (Special

SUNDARAM BRAKE LININGS LIMITED

Provisions) Act, 1985. Your Directors will continue to take all the necessary actions to protect the Company against such illegal claims.

PUBLIC DEPOSITS

Your Company has only one (1) deposit for a total value of Rs.0.06 lac which was not claimed by the depositor.

DIRECTORS

Mr. P S Raman and Mr. Ashok V Chowgule, Directors, retire by rotation at this 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 2008 are on a going concern basis

AUDITORS

The Auditors, M/s Sundaram & Srinivasan, Chartered Accountants, Chennai, retire at the Thirty fourth 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 practicing 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 16, 2008

K MAHESH
Chairman & Managing Director

