

THIRTY SIXTH ANNUAL REPORT 2010



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

K S Ranganathan - Director

S Pattappa (Alternate Director to K S Ranganathan)

BANKERS

State Bank of India

Industrial Finance Branch
Chennai - 600 002

HDFC Bank Ltd.

ITC Centre, Anna Salai
Chennai - 600 002

Export-Import Bank of India
UTI House, 29, Rajaji Salai
Chennai - 600 001

BOARD'S SUB-COMMITTEES

1. AUDIT COMMITTEE

T Kannan

P S Raman

Ashok V Chowgule

K S Ranganathan

S Pattappa (Alternate Director to K S Ranganathan)

REGISTERED OFFICE

180, Anna Salai, Chennai - 600 006

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

CHIEF OPERATING OFFICER

V R Janardhanam

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 CONTROLLER & SECRETARY AND COMPLIANCE OFFICER

S Ramabadrn

AUDITORS

Sundaram & Srinivasan,

Chartered Accountants,

Chennai 600 018

WEBSITE

www.tvsbrakelinings.com

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HIGHLIGHTS OF FIVE YEAR PERFORMANCE

Rs in lacs

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1 Sales & Other income	14,560	18,963	18,804	17,179	20,046
2 Export Sales	5,482	5,490	6,199	6,650	7,506
3 Profit before int, depn and Tax	2,260	2,899	2,719	1,843	2,336
4 Profit before extraordinary item & tax	1,634	2,166	1,862	1,025	1,523
5 Profit after tax	1,039	1,377	708	451	617
6 Net fixed assets	6,156	7,441	7,462	7,113	7,181
7 Share capital	271.35	271.35	271.35	271.35	393.46
8 Reserves & Surplus	5,247	6,220	6,737	7,061	8,862
9 Net worth	5,518	6,491	7,008	7,332	9,255
10 Return on Net Worth (RONW) - PAT/Networth	18.8%	21.2%	10.1%	6.2%	6.7%
11 Return on Avg. Capital Employed (ROCE)	19.2%	21.8%	11.5%	5.3%	8.1%
12 Cash earnings per share (Rs)	53.83	68.24	47.33	38.08	32.36 @
13 Earnings per share (Rs.)	38.30	50.76	26.08	16.02	16.49 @
14 Dividend per share (Rs)	10.00	13.00	6.00	4.00	4.00
15 Book value per share (Rs)	203.37	239.21	258.27	270.22	235.23 *
16 Sundry Debtors - No. of days	88	85	81	71	72
17 Turnover/Avg Inventory (Times)	19.1	20.7	17.6	16.0	18.7
18 Current Ratio	1.59	1.45	1.47	1.66	1.73
19 R & D Expenses - as % on Net Income	2.2%	1.8%	2.0%	1.5%	2.0%
20 Debt-Equity Ratio (Total debts / Networth)	0.58	0.68	0.48	0.31	0.32

@ Calculated based on Weighted average number of Equity Shares & considering the adjustment factor for the bonus element in Rights Issue.

* Calculated on the expanded capital of 39,34,575 equity shares.

SUNDARAM BRAKE LININGS LIMITED

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Thirty Sixth Annual General Meeting of the Company will be held at RANI SEETHAI HALL, No. 603, Anna Salai, Chennai - 600 006 on **Friday the 23rd July 2010 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 2010, the Profit & Loss Account for the year ended 31st March 2010, Cash Flow Statement for the year ended 31st March 2010 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 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.

3. 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.

4. 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:

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

RESOLVED THAT Mr. K.S. Ranganathan who was appointed as an Additional Director at the meeting of the Board of the Company held on 29th October 2009, under Section 260 of the Companies Act, 1956 and Clause 72 of Table A of the First Schedule to the Companies Act, 1956 and who holds office up to the date of this Annual General Meeting, and in respect of whom the Company has received a notice in writing from a member in terms of Section 257 of the Companies Act, 1956 along with a requisite deposit signifying his intention to propose the appointment of Mr. K.S. Ranganathan, as a Director, be and is hereby appointed as a Director of the Company.

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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 21.09.2010 to 20.09.2015 on same terms of remuneration as approved at the thirty first 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 profits 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.

7. To consider and, if thought fit, to pass, with or without modification, the following resolution as a special resolution.

RESOLVED THAT pursuant to provisions of Section 31 and other applicable provisions, if, any, of the Companies Act, 1956, (including any statutory modification or reenactment thereof, for the time being in force) and subject to such other approvals, consents, permissions as may be required in this regard, the following existing articles in the Articles of Association of the company be and are hereby amended and/or varied / replaced in the manner specified below:

Article 37 MANAGING DIRECTOR/ WHOLETIME DIRECTOR	Be amended as follows: Subject to the provisions of Sec. 267, 268 and 269 of the Act, the Board may from time to time appoint one or more of their body to the office of Managing Director or Whole-time Director for such period and on such terms as the Board think fit and subject to the terms of any agreement entered into with him, may revoke such appointment. Provided a Director so appointed shall not whilst holding such office be subject to retirement by rotation or be taken into account in determining the retirement by rotation of Directors, but his appointment shall be automatically determined if he ceases to be a Director
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SUNDARAM BRAKE LININGS LIMITED

	It is further clarified that any person appointed presently under old Article 38(a) which is now replaced, shall be deemed to have been appointed under this Article for the remainder period of his appointment.
Article 38 (a)	Be deleted and replaced by The remuneration of the Managing Director may be by way of monthly payment, fee for each meeting, or participation in profits or by any or all modes or any other mode not expressly prohibited by the Act.
Article 38 (b)	Be deleted

(On behalf of the Board)

Kodaikanal
May 24, 2010

K MAHESH
Chairman & Managing Director

Annexure : Explanatory Note

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/appointment in this Annual General Meeting is furnished under Item 5 below.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 16-07-2010 to 23-07-2010 (both days inclusive)
4. 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 in pages 23 & 24 of this Report.
5. In terms of Clause 49(IV)(G) of the Listing Agreement with the Stock Exchanges, a brief resume of the Directors, who are proposed to be re-appointed / appointed in this meeting, nature of their expertise in specific functional areas, their other Directorships and committee memberships, their shareholdings and relationships with other Directors of the Company, are given below:

Mr. P.S. Raman

Mr. P.S. Raman, aged about 49 years is a Commerce Graduate holding Bachelor Degree in Law from Madras University. He started his practice in law in 1984 at the Madras High Court under the late Mr. V.P. Raman, former Advocate General of Tamil Nadu and Additional Solicitor General of India. Mr. P.S. Raman has completed more than 24 years of practice in the Supreme Court, High Court and other judicial forum in various fields particularly in Constitutional law, Corporate Law, Contracts, Intellectual Property, Civil Law, Service Law and Indirect taxation. He is a Legal Advisor to several corporate bodies, banks, associations and prominent individuals. He is Additional Advocate General-I Tamil Nadu, since June 2006. He is a Member of the Executive Committee of the Tamil Nadu Cricket Association as well as the Madras Management Association.

He is a member of the Audit Committee of Directors of the Company. He holds 100 shares in the Company and he is not related to any other Director of the Company.

Directorship	Committee Membership
As Director : Celebrity Fashions Limited	Audit Committee Member

Mr. Ashok V. Chowgule

Born in 1948, Mr. Ashok V. Chowgule is a Graduate in Economics and Statistics from Bristol University in England and has studied business in Case Western Reserve University in Cleveland, USA. He joined Chowgule Group of Companies with responsibilities for Finance and Administration and was the Managing Director of Narmada Cement Company Limited. He was in charge of the ship building activity of Chowgule Group that had interest in Mineral Processing, Shipping, Ship Building, Industrial Salt, Auto Agencies, Construction Materials, Industrial Explosives, Industrial Oxygen, etc. He is actively associated with various social, educational and charitable institutions.

Directorship	Committee Membership
As Chairman: * Chowgule Industries Private Limited * Keltech Energies Limited As Executive Director : * Chowgule & Company Private Limited As Director * Chowgule Ports & Infrastructure Private Ltd * Cartybon Private Limited * Chowgule Ship Building Private Limited * Dolphin Extrusions Private Limited * Dolphin Ore Extraction Private Ltd * Dolphin Mining Services Private Ltd * Minas e Minerais Private Limited * Ghatge Patil Industries Limited	Share Transfer Committee Audit Committee

He is a member of the Audit Committee of Directors of the Company. He does not hold any share in the Company and he is not related to any other Director of the Company.

Mr. K.S. Ranganathan

Mr. K.S. Ranganathan, aged 71 years, had a banking career for a period of 25 years with State Bank of India and retired as Deputy General Manager of SBI in the year 1986. He was the Managing Director of India Equipment Leasing Limited promoted by Sundaram Finance Limited, State Bank of India and International Finance Corporation, Washington DC (subsidiary of World Bank).

He does not hold any directorship or committee membership in any other company.

He was appointed as an additional Director, by the Board in the meeting held on 29-10-2009.

He is a member of the Audit Committee of Directors of the Company. He does not hold any share in the Company. He is not related to any other Director of the Company.

ANNEXURE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No 5

Mr. K.S. Ranganathan, was appointed as an additional Director of the Company with effect from 29-10-2009. In terms of Section 260 of the Companies Act, 1956. Mr. K.S. Ranganathan holds office only up to the date of this Annual General Meeting.

A notice has been received from a member of the Company under Section 257 of the Companies Act, along with a deposit of Rs 500/= signifying his intention to propose the candidature of Mr. K.S. Ranganathan and to move the resolution set out in item No 5 of this notice.

The Directors recommend the resolution to be adopted as an ordinary resolution by the shareholders.

None of the Directors except Mr. K.S. Ranganathan is deemed to be concerned or interested in the resolution.

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. The Board of Directors at their meeting held on 24th May 2010 appointed Mr. K. Mahesh as the Managing Director of the Company in accordance with existing 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 T V Sundram Iyengar & Sons Limited. The current tenure of his appointment as approved at the General Meeting held on 21st July 2005 would expire on 20th September 2010.

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 24th May 2010 approved payment of remuneration, at the same levels approved by the members on 21.07.2005, 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 2015. 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 profits of the Company or such other maximum per centage 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.

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.

Item No 7

As per Section 31 of the Companies Act, 1956, amendments to the articles of association of the company require the approval of the shareholders of the company at a general meeting by a special resolution.

Accordingly, the articles that are proposed to be modified/deleted as set out in item No 7 of the notice require the approval of shareholders by way of a special resolution.

The Directors therefore recommend the special resolution as set out in item No 7 of the accompanying notice for approval by the shareholders.

By the proposed amendment to Article 37, the power to appoint the Managing Director is vested in the Board of Directors. Under old Article 38(a), the Managing Director was required to be a Nominated Director of T V Sundram Iyengar & Sons Ltd. This is proposed to be deleted by the amendment to that Article.

None of the Directors of the company is in any way concerned or interested in the said resolution. However, Mr. K. Mahesh, Managing Director and Mr. K. Ramesh, Director are also Whole Time Director and Director respectively of T V Sundram Iyengar & Sons Ltd.

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.

(On behalf of the Board)

Kodaikanal
May 24, 2010

K MAHESH
Chairman & Managing Director