

THIRTY NINTH ANNUAL REPORT 2013



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

K S D Sambasivam - Director

Krishna Mahesh - Joint Managing Director

BOARD'S SUB-COMMITTEES

1. AUDIT COMMITTEE

T Kannan

P S Raman

Ashok V Chowgule

K S Ranganathan

K S D Sambasivam

2. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

P S Raman

K Mahesh

T Kannan

K S D Sambasivam

SENIOR MANAGEMENT

R Ramasubramanian - President

G R Chandramouli - President (Marketing & Market Development)

S Ramabadran - Financial Controller & Secretary and Compliance Officer

BANKERS

State Bank of India
Industrial Finance Branch
Chennai 600 002

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

HDFC Bank Ltd.
ITC Centre, Anna Salai
Chennai - 600 002

STATUTORY AUDITORS

Sundaram & Srinivasan
Chartered Accountants
No. 23, C.P. Ramaswamy Road
Alwarpet, Chennai 600 018

COST AUDITORS

Raman & Associates
Cost Accountants
10, Muthukumaraswami Salai
Off. 1st Main Road, Baby Nagar
Velachery, Chennai 600 042

REGISTERED OFFICE

180 Anna Salai, Chennai 600 006

FACTORIES

Padi, Chennai 600 050
Phone Nos. 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 & 5 - Mahindra World City (SEZ)
Natham Sub-Post, Chengalpet
Kancheepuram District
Pin code 603 002
Phone No. 044 - 47490005

SHARE DEPARTMENT

At Factory Office
PADI, CHENNAI - 600 050
Phone No. 42205300, 42205407
E-Mail : finance@tvssbl.com

WEBSITE:

www.tvsbrakelinings.com

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HIGHLIGHTS OF FIVE YEAR PERFORMANCE

Rs in lacs

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1 Sales & Other income	17,179	20,046	23,747	25,638	23,271
2 Export Sales	6,650	7,506	8,126	8,366	8,742
3 Profit before int, depn and Tax	1,843	2,336	2,431	2,264	669
4 Profit before extraordinary item & tax	1,025	1,523	1,528	1,116	(411)
5 Profit after tax	451	617	630	56	(441)
6 Net fixed assets	7,113	7,181	8,522	8,803	8,608
7 Share capital	271.35	393.46	393.46	393.46	393.46
8 Reserves & Surplus	7,061	8,862	9,309	9,228	8,787
9 Net worth	7,332	9,255	9,702	9,622	9,181
10 Return on Net Worth (RONW) - PAT/Networth	6.2%	6.7%	6.5%	0.6%	-4.8%
11 Return on Avg. Capital Employed (ROCE)	5.3%	8.1%	8.6%	1.9%	-0.6%
12 Cash earnings per share (Rs)	38.08	32.36 @	32.09	20.81	8.62
13 Earnings per share (Rs.)	16.63	16.49 @	16.01	1.44	(11.20)
14 Dividend per share (Rs)	4.00	4.00	4.00	3.00	–
15 Book value per share (Rs)	270.22	235.23 @	246.59 *	244.54 *	233.34 *
16 Sundry Debtors - No. of days	71	72	71	67	73
17 Turnover/Avg Inventory (Times)	16.0	18.7	19.3	16.6	10.9
18 Current Ratio	1.66	1.73	1.72	1.49	1.47
19 R & D Expenses - as % on Net Income	1.5%	2.0%	1.3%	1.4%	2.3%
20 Debt-Equity Ratio (=Total debts / Networth)	0.31	0.32	0.38	0.30	0.31

@ Calculated based on Weighted average number of Equity Shares & considering the adjustment factor for the bonus element in Rights Issue for EY 2009-10.

* Calculated on the expanded capital of 39,34,575 equity shares for EY 2010-11 to 2012-13.

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Thirty Ninth Annual General Meeting of the Company will be held at Rani Seethai Hall, No. 603, Anna Salai, Chennai - 600 006 on **Thursday , the 1st August 2013, 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 2013, the Profit & Loss Account for the year ended 31st March 2013 , Cash Flow Statement for the year ended 31st March 2013 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 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."
3. 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."
4. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:
"RESOLVED THAT Mr.K.S.D.Sambasivam, 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 a special resolution.
"RESOLVED THAT pursuant to Sections 198, 269, 309 and 317 of the Companies Act, 1956 and other applicable provisions, if any of the Act , read with Schedule XIII of the Companies Act, the Company hereby accords its approval and consent for the appointment of Mr Krishna Mahesh, as Joint Managing Director of the Company for a term of three years with effect from 06-02-2013, and for the payment of remuneration of 5% of net profits of the Company in the years where the Company makes adequate profits"

MINIMUM REMUNERATION

"RESOLVED THAT Rs. 4 lakhs per month be paid as Minimum Remuneration in accordance with Schedule XIII - Part II - (1) (B) where in any financial year, during the currency of tenure of Joint Managing Director, the Company has no profits or its profits are inadequate "

PERQUISITES:

Company's contributions to Provident Fund, Superannuation Fund and Gratuity as per the Rules of the Company.

(On behalf of the Board)

Chennai
May 29, 2013

KRISHNA MAHESH
Joint 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 in the Corporate Governance Section of Directors' Report to Shareholders forming part of this Annual Report.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 27th July 2013 to 1st August 2013 (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 elsewhere in this Report.
5. The soft copy of the 39th Annual Report is uploaded in the Company's website www.tvstrakelinings.com. The shareholders who have opted to receive e-copy of the Notice and the Annual Report have been sent the soft copy and the other shareholders have been sent hard copy.
6. 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 K Ramesh

Mr K Ramesh, born on 17th February 1939, is on the Board of Directors of the Company since November 1982. He holds a degree in Master of Arts. He has managerial experience of over 50 years. He took his initial management training in T.V.Sundram Iyengar & Sons Limited.

Mr K Ramesh holds 1,10,081 equity shares in the Company and is related to Mr K Mahesh, Chairman & Managing Director, as his brother.

The other Directorships /Membership of Mr K Ramesh are as follows:

Directorship	Committee Membership
As Chairman: <ul style="list-style-type: none">* Sundaram Textiles Limited* T.V.S. Sewing Needles Limited As Chairman& Managing Director : <ul style="list-style-type: none">* Southern Roadways Limited As Director : <ul style="list-style-type: none">* T.V.Sundram Iyengar & Sons Limited* Sundaram Industries Limited* Sundram Fasteners Limited	

SUNDARAM BRAKE LININGS LIMITED

Mr T Kannan

Mr.T.Kannan, born on 9th May 1953, is on the Board of Directors of the Company since 1999. He is a graduate in Business Administration. He is presently the Chairman of VTM Limited (formerly known as Virudhunagar Textile Mills Limited) and Managing Director of Thiagarajar Mills (P) Limited and Director of several companies. He is connected with a number of organizations related to Industry, Education and Charity. He was the past Chairman of Confederation of Indian Industry (CII) for Southern Region. He has a wide range of experience in textile industry. He is an Executive Committee Member of the Cotton Textile Export promotion Council, Mumbai, The Confederation of Indian Textile Industry, Mumbai and the Tamilnadu Chamber of Commerce & Industry, Madurai.

He is the Chairman of the Audit Committee and a member of the Shareholders' / Investors' Grievance Committee of Directors of the Company. He holds 50 equity shares in the Company and is not related to any other Director of the Company.

His other Directorship/Membership is as follows:

Directorship	Committee Membership
<p>As Managing Director :</p> <ul style="list-style-type: none">* Thiagarajar Mills (Private) Limited <p>As Chairman & Managing Director :</p> <ul style="list-style-type: none">* VTM Limited (formerly known as Virudhunagar Textile Mills Limited)* Thiagarajar Telekom Solutions Ltd. <p>As Director :</p> <ul style="list-style-type: none">• T V S Motor Company Limited• Sundaram Textiles Limited• Colour Yarns Limited• SIMA Textile Processing Centre Ltd.• ATC Tires (P) Ltd.	<p>Share Transfer Committee</p> <p>Audit Committee & Investors' Grievance Committee Member</p>

Mr K S D Sambasivam

Mr K S D Sambasivam, born on 4th May 1974, is an expert in the field of Information Technology. He has expertise in implementing secure, stable and cost effective IT infrastructure using IT concepts and technologies to suit the various needs of the organizations. He has ventured into newer fields such as Mobile application development, mobile security and GPS technology integration.

He is a Director of M/s. Aishwarya Chemicals Private Limited.

He is a member of the Audit Committee and Shareholders' / Investors' Grievance 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. 6

Mr Krishna Mahesh, was appointed by the Board of Directors in their meeting held on 06-02-2013 as Joint Managing Director, for a period of three years effective 06-02-2013 subject to the approval of the shareholders by a special resolution .

The Board of Directors while appointing him as Joint Managing Director for a period of three years , effective 06-02-2013, fixed remuneration up to 5% of net profits of the Company and in the years where there is inadequacy of profits or the company incurs loss, payment of minimum remuneration of Rs 4,00,000 per month.

In addition, the perquisites of contribution to PF & Superannuation Funds and payment of gratuity as per rules of the company will be made.

The following information is provided in compliance of the requirements of Schedule XIII of the Companies Act, 1956 for the purpose of appointment and payment of remuneration as aforesaid:

I. General Information:

- (1) Nature of industry: Automobile Ancillary - Friction Materials
- (2) Date of commencement of commercial production: 5th September, 1974
- (3) Financial performance based on given indicators:

	2009-10	2010-11	2011-12	Rs. Lacs 2012-13
Net Sales	20,046	23,747	25,638	23,271
PBT	767	828	(116)	(411)
PAT	617	630	56	(441)

- (4) Export performance and net foreign exchange earnings:

	2009-10	2010-11	2011-12	Rs. Lacs 2012-13
Export Sales	7,506	8,126	8,366	8,742
Foreign Exchange earned & used				
a) Foreign Exchange earned	7,115	8,192	8,512	8,393
b) Foreign Exchange used	2,052	2,021	2,973	2,471
c) Net Foreign Exchange earned (a-b)	5,063	6,171	5,539	5,922

- (4) Foreign investments or collaborators, if any : NIL

II. Information about the appointee:

(1) Background details:

1. Date of Birth 20th October 1974
2. Educational Qualifications
 - a) Master of Science in Mechanical Engineering from Stanford University, Stanford, CA in 1998 .
 - b) Masters degree in Business administration - MBA from Harvard Business School

3. Experience

- a) During his time at McKinsey from 1998 to 2001, he had hands on experience in lean manufacturing techniques, guiding and training their clients engaged in tyre manufacturing, automobile manufacturing, biotechnology, engineering products in the areas of strategic price leadership, development of product-platform, purchasing and supplier management techniques and various other aspects of management.
- b) During the period 2001 to 2003, he joined for intensive training in Toyota Production System (TPS), M/s Toyota Motor Manufacturing North America, Erlanger, USA and gained experience in the field of system redesign, process improvements, defect reduction and process improvement techniques implementation resulting in considerable savings for the Company.
- c) After training at Toyota, he took up his management study at Harvard Business School, Cambridge, MBA during 2003 and acquired his Masters Degree in Business Administration (MBA) in June 2005.
- d) During his education and training, he had submitted various papers in seminars and forums and was also holding various position in social committees and bodies.
- e) During 2005 to 2009, he was holding the position of Executive Director in SBL
- f) From 1st Sep. 2011 onwards, he has been holding the position of Chief Operating Officer in SBL

- (2) Past remuneration : Rs 2,00,000 per month and 12% contribution to PF for the period 01-09-2012 to 05-02-2013 as Chief Operating Officer.
- (3) Recognition or awards : –
- (4) Job profile and his suitability : Considering his qualification and experience, he is considered suitable for discharge of the functions as Joint Managing Director
- (5) Remuneration proposed : upto 5% of Net profits of the company when the Profits are available and Rs.4,00,000 per month as Minimum Remuneration when there is loss or inadequacy of profits
- (6) Comparative remuneration profile : Comparative remuneration in the same industry and size of the Company ranges between Rs. 1 Crore to Rs. 1.50 Crores per annum.
with respect to industry, size of the company, profile of the position and person:
- (7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any. : Son of Chairman and Managing Director Mr. K Mahesh.

III. Other Information:

- (1) Reasons for loss or inadequate profits:
 - a) There was overall slowdown in Automobile Sector in 2012-13, which impacted the Sales performance of the Company

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- b) The Company in the last 2 years was in the process of developing products suitable for exports to new customers .
 - c) The increase in Power & Fuel cost on account of increase in Power tariff and Diesel cost, impacted the bottom line of the Company.
- (2) Steps taken or proposed to be taken for improvement:
- a) As a result of R&D efforts , the company was able to commence supply of products to a renowned customer in North America in 2012-13 which is expected to grow in the coming years .
 - b) The Company has taken various initiatives and steps for cost reduction and productivity improvement, which are expected to yield results during the financial year 2013-14.
- (3) Expected increase in productivity and profits in measurable terms:

As this depends on various factors, it is not possible to quantify now. However, the Company did make profits in the last quarter ended 31st March 2013.

Mr Krishna Mahesh holds 1,31,519 equity shares in the Company.

Mr Krishna Mahesh is the son of Mr K Mahesh, Chairman & Managing Director of the Company and his appointment as Joint Managing Director and payment of remuneration as set out in the resolution requires the consent of the Company by a Special Resolution.

Accordingly , the Special Resolution is placed before the members for their consent.

None of the Directors except Mr K Mahesh, Chairman & Managing Director is interested in the subject as father of Mr Krishna Mahesh.

(On behalf of the Board)

Chennai
May 29, 2013

KRISHNA MAHESH
Joint Managing Director