

# THIRTY NINTH ANNUAL REPORT 2013



SUNDARAM BRAKE LININGS LIMITED

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**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. 1<sup>st</sup> 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](mailto: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](mailto:finance@tvssbl.com)

**WEBSITE:**

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

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

\* Calculated on the expanded capital of 39,34,575 equity shares for FY 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 1<sup>st</sup> 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 31<sup>st</sup> March 2013, the Profit & Loss Account for the year ended 31<sup>st</sup> March 2013 , Cash Flow Statement for the year ended 31<sup>st</sup> 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 "

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**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 27<sup>th</sup> July 2013 to 1<sup>st</sup> 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 39<sup>th</sup> Annual Report is uploaded in the Company's website [www.tvsbrakelinings.com](http://www.tvsbrakelinings.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 17<sup>th</sup> 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
<b>As Chairman:</b> <ul style="list-style-type: none"><li>* Sundaram Textiles Limited</li><li>* T.V.S. Sewing Needles Limited</li></ul>	
<b>As Chairman &amp; Managing Director :</b> <ul style="list-style-type: none"><li>* Southern Roadways Limited</li></ul>	
<b>As Director :</b> <ul style="list-style-type: none"><li>* T.V.Sundram Iyengar &amp; Sons Limited</li><li>* Sundaram Industries Limited</li><li>* Sundram Fasteners Limited</li></ul>	

## SUNDARAM BRAKE LININGS LIMITED

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

### Mr K S D Sambasivam

Mr K S D Sambasivam, born on 4<sup>th</sup> 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.

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## 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: 5<sup>th</sup> September, 1974
- (3) Financial performance based on given indicators:

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

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

	2009-10	2010-11	2011-12	Rs. Lacs <b>2012-13</b>
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 20<sup>th</sup> 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 1<sup>st</sup> 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 with respect to industry, size of the company, profile of the position and person: : Comparative remuneration in the same industry and size of the Company ranges between Rs. 1 Crore to Rs. 1.50 Crores per annum.
- (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 31<sup>st</sup> 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

# SUNDARAM BRAKE LININGS LIMITED

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Thirty Ninth Annual Report of the Company together with the audited accounts for the year ended 31<sup>st</sup> March 2013.

### FINANCIAL RESULTS

	Year ended 31.03.2013	Year ended 31.03.2012
		(Rs. in lacs)
<b>Revenue from Operations</b>	<b>23,218.22</b>	<b>25,570.82</b>
Profit before interest, depreciation and tax	668.89	2,264.44
Less: Interest	299.81	386.39
Profit before depreciation and tax	369.08	1,878.05
Less: Depreciation	779.77	762.50
Profit before tax & extraordinary items	(410.69)	1,115.55
Add: Extraordinary income - Compensation received for short supply of power	-	(168.77)
Less: Extraordinary item - Amount paid to a bank	-	1,400.00
Profit before tax	(410.69)	(115.68)
Less: Provision for taxation		
- Current Tax	(0.25)	(0.25)
- Prior Period Tax	(45.86)	-
- Deferred Tax Asset (net)	16.00	172.39
Profit after tax	(440.80)	56.46
Add: Surplus/(Deficit) brought forward	564.53	650.91
<b>Total available for appropriation</b>	<b>123.73</b>	<b>707.37</b>
<b>APPROPRIATIONS</b>		
General Reserve - I	-	5.65
General Reserve - II	-	-
Dividend for the year	-	118.04
Tax on Dividend	-	19.15
Surplus carried over	123.73	564.53
Total	123.73	707.37

In view of the operating loss incurred by the Company for the financial year 2012-13, Your Directors are constrained to skip Dividend for the year. Your Directors assure you that various steps are being taken for improving the performance of the Company.

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## **OPERATIONS**

As could be seen from the attached accounts, the net sales for the year were lower at Rs 232.52 crores as against Rs. 255.71 crores in the previous year.

Main Challenges faced in the year under review:

1. The domestic market witnessed the decrease in the sales due to significant declines in vehicle sales especially in Heavy and Medium Commercial Vehicles Segment. Consequently the domestic turnover in 2012-13 was Rs.142.97 crores as compared to Rs.169.88 crores in 2011-12. Significant economic difficulty in Europe limited export growth potential to these markets
2. The limited flexibility of existing plant and machinery means that the 16% fall in Domestic turnover due to OE slowdown had a disproportionate effect on margins due to under recovery of Fixed Overheads.
3. The increase in spend for Power & Fuel was significantly higher @ 15.9% in 2012-13 when compared to 12.4% in 2011-12. This continued increase was caused by escalating scheduled & unscheduled interruptions in power supply, increase in power tariff, and increased diesel prices.

## **EXPORTS**

Your company continued its thrust in the export market segment.

Performance in Export front was encouraging with the export sales at Rs.87.42 crores in 2012-13 as against 83.66 crores in the previous year. During the year , commercial supplies of Commercial Vehicles linings was commenced to a reputed customer based in USA. The sales on account of this customer is expected to grow in the years to come.

Net Foreign Exchange earned by Your Company in the year under review was Rs.59.23 crores as against Rs.55.39 crores in 2011-12.

Your Company continues to take steps for adding new customers in export market which will help mitigate the risk factors by eliminating reliance on a few customers.

## **RESEARCH & DEVELOPMENT**

Your Company's R&D centre located in Padi enjoys the status of Recognised R&D unit by the Department of Scientific & Industrial Research , Ministry of Science & Technology ,Government of India , New Delhi.

As a part of the strategy for growth in the years to come, Your Company continues to give thrust for development of new products viz Commercial Vehicle Linings/ Passenger Vehicle Linings & Pads & Clutch Facings.

Significant efforts have been made to increase both power & fuel efficiency and production flexibility and the fruits of these efforts should become apparent in the next two years

The total expenditure for R&D incurred in 2012-13 was significantly higher at Rs.5.38 crores as against Rs.3.50 crores in the previous year.

## **OUTLOOK FOR 2013-14**

Your Directors are cautiously optimistic about the outlook for 2013-14. With inflation showing signs of cooling and expectation of interest rates softening , the Automobile sector especially, commercial vehicles segment may perform better which may in turn contribute for better performance of Your Company. The reopening of mines and the Governmental support for increased bus purchases are also expected to contribute to this performance.

## **PUBLIC DEPOSITS**

Your Company does not hold any deposit from the Public.

## **DIRECTORS**

The Board of Directors of the Company, has at the meeting held on 6<sup>th</sup> February 2013, appointed Mr Krishna Mahesh as the Joint Managing Director of the Company with effect from 6<sup>th</sup> February 2013 for a term of three years. His appointment is subject to approval by shareholders at 39<sup>th</sup> Annual General Meeting of the Company.

Mr K Ramesh, Mr T Kannan, Mr K S D Sambasivam, 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 (2A) OF THE COMPANIES ACT, 1956**

None of the employees was in receipt of annual / monthly remuneration of Rs. 60 lakhs / Rs. 5 lakhs respectively, during the year and hence 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 not applicable.

## **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 judgments 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 loss 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 31<sup>st</sup> March 2013 are on a going concern basis.

## **STATUTORY AUDITORS**

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

M/s Sundaram & Srinivasan, Chartered Accountants hold valid peer review certificate issued by Peer Review Board of the Institute of Chartered Accountants of India, which is a mandatory requirement under Clause 41(1)(h) of the Listing Agreement with Stock Exchanges.

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## **COST AUDITORS**

The Cost Audit is applicable to certain product groups being manufactured by the Company. M/s Raman & Associates, Cost Accountants were appointed as Cost Auditors for the Financial Year 2012-13. The Board of Directors in the meeting held on 29.05.2013 have reappointed M/s Raman & Associates as Cost Auditors for the Financial Year 2013-14.

## **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.

## **CORPORATE GOVERNANCE**

As a listed company, in accordance with the provisions contained in the Listing Agreement with Stock Exchanges, your company has continued compliance with Corporate Governance norms. A report on Corporate Governance along with a certificate of compliance from the Auditors in Annexure II forms part of this Report.

## **HUMAN RESOURCE DEVELOPMENT**

The Industrial Relations in all the five plants of the Company continued to be cordial. As a part of HR initiatives, Employees Training and Development are being given the necessary focus.

## **GENERAL**

Your Directors wish to thank M/s State Bank of India, Export-Import Bank of India & HDFC Bank for their continued support and assistance.

Your Directors also wish to thank all the Customers, the wholesalers both in India and worldwide for their continued support.

Your Directors wish to place on record their sincere appreciation for the good work of all the employees.

(On behalf of the Board)

CHENNAI  
May 29, 2013

KRISHNA MAHESH  
Joint 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 2012-13:
  - i) Installation of Energy- efficient motors
  - ii) Various steps for reduction of energy consumption for various operations by installing appropriate modern devices.
- b) Additional investments and proposals, if any, implemented for reduction of consumption of energy:

There is a continuous plan and process to conduct more energy audits to identify areas of energy conservation and implement proposals arising out of such audits .
- c) Impact of the above measures:

The measures taken above would help reduce the increasing energy cost in the months to come.

### B. TECHNOLOGY ABSORPTION

#### Research & Development (R & D)

#### (1) Specific areas in which R&D carried out by the Company

1. Obtained European Commission for Economy Regulation 90 (ECE R 90) approval for Commercial Vehicle Linings and Disc Pads.
2. Developed and started supply of Linings for Heavy Commercial Vehicles for Domestic OE manufacturers.
3. Developed cost effective Aftermarket Disc Pads.

#### (2) Benefits derived as a result of the above

1. Continued recognition of in-house R&D by Department of Scientific and Industrial Research, Government of India valid up to 31.03.2015.
2. Supply of Commercial Vehicle Linings commenced to a new customer in North America.

#### (3) Future plan of action

1. Development of Disc Brake Pad for Air Caliper Brake System for Indian OEM & North American Export markets.
2. Introduction of new grades of Woven Clutch Facing.
3. Development of Disc Pads and Linings for various new vehicle applications for Sports Utility Vehicles / Passenger Vehicles.

#### (4) Expenditure on R&D

- |  |                 |
|--|-----------------|
| a. Capital                                   | Rs. 26.40 lacs  |
| b. Revenue                                   | Rs. 511.48 lacs |
| c. Total                                     | Rs. 537.88 lacs |
| d. Total R&D expenses as % of total turnover | 2.3%            |

#### Technology absorption, adaptation and innovation:

#### 1. Efforts in brief, made towards technology absorption, adaptation and innovation

- a. Exposure to advanced methodology for problem solving in product and process development.
  - b. Use of various advanced test equipments to develop Asbestos-free products for overseas market and other emerging markets.
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**2. Benefits derived as a result of the above efforts**

- a. Development of products for export and domestic markets.
- b. Quality upgradation and optimal use of raw materials leading to substantial savings.
- c. The R & D efforts have resulted in development of better products, more new products and quality improvement of existing products for domestic and export markets.

**C. FOREIGN EXCHANGE EARNINGS AND OUTFLOW**

1) Exports :

a) Activities relating to exports :

Your Company is in the process of developing OEM approvals and new generation friction materials are being developed to obtain these approvals. Additional product references are also being added to enhance the product range in order to cater to requirements of overseas customers.

b) Export Plans :

The Company plans to add further export destinations during 2013-14.

2) Total Foreign Exchange earned and used :

- |   |                          |
|---|--------------------------|
| a) Foreign Exchange earned                  | Rs. 8,393.41 lacs        |
| b) Foreign Exchange used                    | Rs. 2,470.66 lacs        |
| <b>c) Net Foreign Exchange earned (a-b)</b> | <b>Rs. 5,922.75 lacs</b> |

(On behalf of the Board)

Chennai  
May 29, 2013

KRISHNA MAHESH  
Joint Managing Director

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**Declaration regarding compliance by Board members and Senior Management Staff  
with the Company's Code of Conduct**

This is to confirm that the Company has adopted a Code of Conduct for its Board of Directors and Senior Management staff of the Company. The Code of Conduct is available on the Company's website.

We confirm that the Company has in respect of the Financial Year ended 31st March 2013, received from the Senior Management Staff of the Company and the Members of the Board a declaration of compliance with the Code of Conduct applicable to them.

For the purpose of this declaration, Senior Management Staff means the staff one level below the Director as on 31<sup>st</sup> March 2013.

KRISHNA MAHESH  
Joint Managing Director

S RAMABADRAN  
Financial Controller & Secretary

Chennai  
May 29, 2013

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**ANNEXURE II TO DIRECTORS' REPORT - REPORT ON CORPORATE GOVERNANCE**

**1 COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:**

The Company continues to believe in such corporate practices that ensure high level of transparency, professionalism and accountability in all activities of the Company to fulfill its corporate responsibilities thereby achieving its financial objectives in the interest of all stakeholders. The Company always endeavours to enhance shareholder value through prudent financial management backed up by sound business decisions. Also the Company makes continuous improvement in all disciplines of its operations.

**2 BOARD OF DIRECTORS:**

**a) Composition of the Board:**

The Board of Directors of the Company comprises of two Directors nominated by Promoter Company, of whom one is a Wholtime Director of the Promoter Company and is the Chairman and Managing Director of Sundaram Brake Linings Limited out of the total strength of eight Directors. Out of the balance six Directors, Mr Krishna Mahesh, son of Mr K Mahesh, Chairman and Managing Director of the Company was appointed as Joint Managing Director on 6<sup>th</sup> Feb. 2013 and the remaining five Directors are Non-Executive Independent Directors.

**b) Meetings of the Board of Directors and last Annual General Meeting:**

During the year 2012-13, the Board of Directors met four times on 23<sup>rd</sup> May 2012, 28<sup>th</sup> July 2012, 2<sup>nd</sup> November 2012 and 6<sup>th</sup> February 2013. The time gap between any two meetings did not exceed four months. The last Annual General Meeting was held on 28<sup>th</sup> July 2012.

The details relating to attendance of Directors at the Board Meetings and the last Annual General Meeting, Number of Memberships held by Directors in the Board/Committees of various other companies are furnished in the following table:

Name M/s	Category	Attendance particulars		Number of other Directorships and Committee Memberships/Chairmanships		
		Board Meeting	Last AGM on 28 <sup>th</sup> July 2012	Other Directorships	Committee Memberships	Committee Chairmanships
K Mahesh	E	4	Yes	6	1	Nil
K Ramesh	NE	-	No	6	Nil	Nil
T Kannan	NE-I	3	Yes	8	3	1
P S Raman	NE-I	-	No	1	-	Nil
Ashok V Chowgule	NE-I	2	Yes	14	2	1
K S Ranganathan	NE-I	3	Yes	Nil	Nil	Nil
K S D Sambasivam	NE-I	4	Yes	1	Nil	Nil
Krishna Mahesh	E	1	NA	1	Nil	Nil

**E** : Executive Director ;

**NE** : Non Executive ;

**NE-I** : Non Executive - Independent

**3 AUDIT COMMITTEE:**

During the year 2012-13, the Audit Committee of Directors met four times as per Listing Agreement requirement on 23<sup>rd</sup> May 2012, 28<sup>th</sup> July 2012, 2<sup>nd</sup> November 2012 and 6<sup>th</sup> February 2013.

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The Statutory Auditors of the Company are invited to attend the meetings whereat the Audit Committee holds discussions on the quarterly / half-yearly accounts subjected to their Limited Review, yearly Audit Plan, matters relating to compliance with Accounting Standards, their observations on matters arising out of annual audit and other related matters.

#### **4 REMUNERATION TO DIRECTORS:**

The Chairman & Managing Director is a Whole-time Director of T V Sundram Iyengar & Sons Limited, a promoter company, receiving remuneration from them. Sundaram Brake Linings Limited pays him sitting fees for the Board/Committee Meetings attended and also commission upto 5 % of the net profits of the company subject to the overall ceiling fixed by the Companies Act, 1956. However, in view of the operating loss for the year, the Company has not paid any commission to him for the year. All the Directors except Joint Managing Director are paid sitting fees for the Board / Committee meetings attended. The Company has paid the following sitting fees to Directors:

Sl. No.	Name of the Director	Sitting Fees paid (Rs.)
1	Mr K Mahesh	40,000/-
2	Mr K Ramesh	–
3	Mr T Kannan	45,000/-
4	Mr P S Raman	–
5	Mr Ashok V Chowgule	20,000/-
6	Mr K S Ranganathan	30,000/-
7	Mr K S D Sambasivam	60,000/-

#### **5 APPOINTMENT OF MR KRISHNA MAHESH AS JOINT MANAGING DIRECTOR & DETAILS OF HIS REMUNERATION:**

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 above appointment & payment of remuneration are subject to approval by the Shareholdres of the Company by a Special Resolution in the Annual General Meeting of the Company scheduled on 1<sup>st</sup> August 2013.

Service contracts, notice period, severance fees:

An Agreement was entered between the Company and Mr Krishna Mahesh, Joint Managing Director of the Company on 6<sup>th</sup> February 2013 covering his appointment for a term of three years from 6<sup>th</sup> February 2013 to 5<sup>th</sup> February 2016.

Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrues and over which exercisable:

Not Applicable

## 6 INVESTORS' GRIEVANCE COMMITTEE:

The Investors' Grievance Committee is constituted with the Directors Mr. K Mahesh, Mr. T Kannan, Mr. P S Raman and Mr. K S D Sambasivam. The Board of Directors has appointed Mr. P S Raman as Chairman of the Investors' Grievance Committee .

Mr. S Ramabadran, Financial Controller & Secretary of the Company, is the Compliance Officer nominated as required by the guidelines issued by the Securities and Exchange Board of India (SEBI). For any clarification / complaint, investors can contact the Compliance Officer of the Company or its Registrar & Share Transfer Agents whose details are given elsewhere in the report.

As a policy, the Company disposes of investor complaints within 7 working days of receipt. Complaints received and redressed during the year 2012-13 are:

Sl. No.	Nature of complaint	No.of complaints
1	Non-receipt of dividend/interest warrants	-
2	Non-receipt of Share Certificate / Annual Report	-
3	Others - Nomination registration	-

There were no requests pending for dematerialisation of physical shares as on 31<sup>st</sup> March, 2013.

SEBI vide Circular Ref: CIR/OIAE/2/2011 dated June 3, 2011 informed the Company that they had commenced processing of investor complaints in a web based complaints redress system "SCORES". Under this system, all complaints pertaining to Companies are electronically sent through SCORES and the Companies are required to view the complaints pending against them and submit Action Taken Reports (ATRs) along with supporting documents electronically in SCORES. During the financial year ended 31<sup>st</sup> March 2013, no complaint was electronically sent to the Company through SCORES and no complaint is pending for resolution at SCORES as on date.

## 7 GENERAL BODY MEETING:

The following table contains information regarding the location, venue, date and time of General Meetings held by the Company in the last three years:

AGM	Year	Venue	Date	Time
38th	2011-12	Sri P Obul Reddy Hall, Vani Mahal, No. 103, G.N. Chetty Road, T. Nagar, Chennai - 600 017.	28-07-2012	11.00 A.M.
37 <sup>th</sup>	2010-11	Rani Seethai Hall, 603, Anna Salai, Chennai - 600 006.	27-07-2011	10.00 A.M
36 <sup>th</sup>	2009-10	Rani Seethai Hall, 603, Anna Salai, Chennai - 600 006.	23-07-2010	10.00 A.M

There was no requirement for seeking approval of the shareholders by a postal ballot in the above meetings.

### Directors seeking re-election, pursuant to Clause 49 of the Listing Agreement

At the Thirty Ninth Annual General Meeting of the Company, Mr K Ramesh, Mr T Kannan and Mr K S D Sambasivam, Directors, retire by rotation and being eligible, offer themselves for re-appointment.

The brief resumes of Mr K Ramesh, Mr T Kannan and Mr K S D Sambasivam and other information have been detailed in the notice convening the Annual General Meeting of the Company.

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## 8 DISCLOSURES:

- a) There were no transactions of material nature with the promoters, directors or the management of their subsidiaries or relatives etc potentially conflicting with company's interest at large, during the year. The Register of Contracts containing the transactions in which Directors are interested is placed before the Board regularly for its approval.
- b) There were no instances of non-compliance on any matter related to the capital market, during the last three years.

## 9 MEANS OF COMMUNICATION:

- a) The quarterly financial results of the Company were published in leading English newspaper viz., Financial Express and the same were published in Tamil version in Dinamani.
- b) The Company has created a web site with the address [www.tvsbrakelinings.com](http://www.tvsbrakelinings.com). The Company is displaying its quarterly financial results on its web site.
- c) The Company has also furnished a Management Discussion and Analysis Report which forms part of the Annual Report.

## 10 GENERAL INFORMATION TO SHAREHOLDERS:

<b>(a) 39<sup>th</sup> Annual General Meeting</b> – Date and Time – Venue	1 <sup>st</sup> August 2013, 9.00 a.m. Rani Seethai Hall, 603, Anna Salai, Chennai - 600 006.
<b>(b) Financial Calendar - (Tentative)</b> Annual General Meeting of the next year - Unaudited financial results for the first quarter ending 30 <sup>th</sup> June 2013 - Unaudited financial results for the second quarter ending 30 <sup>th</sup> September 2013 - Unaudited financial results for the third quarter ending 31 <sup>st</sup> December 2013 - Audited financial results for the year ending 31 <sup>st</sup> March 2014	Before 30 <sup>th</sup> September 2014  Any day before 14 <sup>th</sup> August 2013  Any day before 14 <sup>th</sup> November 2013  Any day before 14 <sup>th</sup> February 2014  Any day before 30 <sup>th</sup> May 2014
<b>(c) Book Closure period :</b>	27-07-2013 to 01-08-2013
<b>(d) Dividend payment date:</b> - Dividend	Not Applicable
<b>(e) a. Listing of Equity Shares &amp; Stock Code :</b>	1. Madras Stock Exchange Limited Code : SAB 2. National Stock Exchange Code : SUNDRMBRAK EQ 3. Bombay Stock Exchange Scrip Code : 590072 (Permitted Security)
b. Demat ISIN Numbers in NSDL & CDSL	Equity Shares : INE 073D01013
Listing fee has been paid to MSE & NSE for the year 2013-14	

**(f) Share market price data:**

Rs.

Month	Madras Stock Exchange *		National Stock Exchange	
	High	Low	High	Low
April'12	–	–	181.00	158.50
May	–	–	169.00	150.30
June	–	–	170.00	151.70
July	–	–	215.00	157.30
August	–	–	177.00	150.10
September	–	–	165.20	140.25
October	–	–	155.80	142.50
November	–	–	149.30	140.35
December	–	–	150.80	131.65
January'13	–	–	178.40	142.15
February	–	–	151.80	117.30
March	–	–	131.45	116.00

\* No trading was reported during the year

As an investor friendly initiative, Bombay Stock Exchange had included the Company's scrip for trading in Bombay Stock Exchange under "Permitted Securities" category effective 28<sup>th</sup> December 2006. This has resulted in increase in the liquidity of the shares traded in the exchanges.

**(g) Share price performance in comparison to broad based indices at NSE:**

Company's share price performance in comparison to National Stock Exchange indices is furnished elsewhere in this report as a graph.

**(h) Share/Security Transfer System:**

Since 1<sup>st</sup> April 2003 Share/Security transfers in physical form is processed by M/s Integrated Enterprises (India) Ltd, Chennai. Normally share / security transfers are processed within 15 days from the date of receipt, subject to the documents being valid in all respects. At the meeting of the Board of Directors held on 29<sup>th</sup> April 2002 the power to transfer shares has been delegated to certain authorized officials in compliance with Clause 49 (VI) (D) of the Listing Agreement to have periodic meeting with shorter intervals to ensure speedy transfer of securities and the same has been implemented now. Accordingly the share transfer is effected once in every ten days. Transfers, transmissions etc., are approved once in 10 days (as against norm of 30 days) and requests for dematerialisation are confirmed within 10 days (as against the norm of 15 days). The relative share certificates are dispatched by Registered Post / Courier.

In compliance with the directives of SEBI in appointing a common agency for share transfer related activities (both physical and demat), effective 1<sup>st</sup> April 2003, M/s Integrated Enterprises (India) Ltd, Chennai are acting as Registrars and Share Transfer Agents (RTA) for providing the connectivity with National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd (CDSL) and also for transfer of shares held in physical form.

**(i) Shareholding pattern as on 31<sup>st</sup> March 2013:**

No. of shares held	No. of share-holders	% of shareholders	No. of shares held	% of share-holding
Upto 500	7,200	94.11	6,59,959	16.77
501 - 1000	254	3.32	1,83,204	4.66
1001 - 2000	106	1.39	1,53,491	3.90
2001 - 3000	37	0.48	96,495	2.45
3001 - 4000	9	0.12	32,161	0.82
4001 - 5000	4	0.05	18,092	0.46
5001 - 10000	20	0.26	1,46,933	3.73
10001 & above	21	0.27	26,44,240	67.21
Total	7,651	100.00	39,34,575	100.00

**(j) Distribution of shareholding as on 31<sup>st</sup> March 2013:**

Shareholder	No. of shares held	% of total shares held
Promoter companies	16,80,873	42.72
Directors & relatives	8,78,406	22.33
Mutual Funds	110	0.00
Banks	50	0.00
Insurance companies	22,184	0.56
Body corporates	89,675	2.28
Non-Resident Indians	9,479	0.24
Clearing Member	7,169	0.18
Public-Resident individuals	12,46,629	31.69
Total	39,34,575	100.00

**(k) Dematerialisation and Liquidity:**

In accordance with the SEBI Circular SEBI/Cir/ISD/3 2011 dated June 17, 2011, the entire shareholding of promoters' and promoter group of 25,58,070 shares are held in dematerialized form.

Out of the balance 13,76,505 equity shares held by the public (other than Promoters), 11,82,929 equity shares have been dematerialised as on 31<sup>st</sup> March 2013 accounting for 85.9 %.

As per the directives issued by SEBI, effective 26<sup>th</sup> March 2001 the equity shares of the company are placed in its compulsory demat list of securities for the purpose of trading.

**(l) Outstanding GDRs/ADRs/Warrants or any convertible instrument, conversion date and likely impact on equity:**

We have no GDRs/ADRs or any convertible instrument.

**(m) Plant locations:**

Padi, Chennai - 600 050 Phone Nos: 42205300,42205407 Fax No. 044 - 42205572 E-mail: sbl@tvssbl.com	TSK Puram Plant I & II Mustakurichi Post Virudhunagar District Pin code 626 106 Phone :04566 -250290 -295	Plant - 4 & Plant - 5 Plot No: AA6, 6th Avenue Auto Ancillary SEZ Mahindra World City Natham Sub Post, Chengalpet, Kanchipuram District Pin code 603 002 Phone : 044 - 4749 0005
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## SUNDARAM BRAKE LININGS LIMITED

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### (n) Registrar and Share Transfer Agents :

Effective 1<sup>st</sup> April 2003, the Company appointed M/s Integrated Enterprises (India) Limited, 2<sup>nd</sup> Floor, Kences Towers, 1 Ramakrishna Street, North Usman Road, T Nagar, Chennai 600 017 as the Registrar and Share Transfer Agents (RTA) of the Company for all share related investor services.

### (o) Address for Investors' correspondence:

To contact RTA for all matters relating to shares, dividends, Annual Reports	Integrated Enterprises (India) Limited II Floor, "Kences Towers" No.1, Ramakrishna Street North Usman Road, T Nagar Chennai - 600 017.	Phone: 91-44- 28140801 - 808 Fax : 91-44-28142479 E-mail : corpseiv@integratedindia.in
For any other general matters or in case of any difficulty / grievance	Financial Controller & Secretary Sundaram Brake Linings Ltd Padi, Chennai - 600 050.	Phone: 91-44-42205406 Fax : 91-44-42205572 E-mail : srb@tvssbl.com

Shareholders may correspond with M/s Integrated Enterprises (India) Limited, Chennai, the Share Transfer Agents of the Company at the address given above, quoting folio no. / Client ID.

### NON MANDATORY REQUIREMENTS:

#### a Remuneration Committee :

No remuneration committee has been formed by the Company as decided by the Board. However the remuneration payable to the Chairman & Managing Director and Joint Managing Director are, as and when required, placed before the Board and also the General Meeting for their requisite approval.

#### b. Publication of quarterly / half yearly results:

The quarterly / half yearly results of the Company are published in one English newspaper having a wide circulation and in one Tamil newspaper. The results are not sent to the shareholders individually. However the Company has been displaying the quarterly results in its web site.

#### c. Postal Ballot :

No Special resolution requiring a postal ballot was placed before the last AGM. Similarly, no special resolution requiring a postal ballot is being proposed at the ensuing AGM.

#### d. Request to Investors :

Investors are requested to kindly make note of the following procedure:

All communications including change of address, bank account details etc., are to be made to the Company's Registrar & Transfer Agent's address furnished elsewhere in this report

As required by SEBI, it is advised that the investors shall furnish details of their bank account number, name and address of the bank for incorporating the same in the warrants. This information is required to avoid wrong credits being obtained by unauthorized persons.

The shareholders who are covered by the designated centres/cities as notified by the Reserve Bank of India where the Electronic Clearing Service (ECS) is extended by them, are requested to write to the Office & Factory of the Company at Padi, Chennai 600 050 for obtaining the mandate format for their execution and return for credit of dividend to their bank account under ECS.

Investors who have not availed nomination facility are requested to kindly fill in the nomination form and submit the same to the Company along with requisite proof of nomination.

Investors are requested to kindly note that any dividend which remains unencashed for a period of seven years will be transferred to "Investors Education and Protection Fund" in terms of Section 205 C of the Companies Act 1956. Out of the dividends declared for all the financial years including and upto the financial year ended 31<sup>st</sup> March 2006, the amount which remained unclaimed has been transferred to the Investors Education & Protection Fund as per the provision of Section 205C of the Companies Act 1956.

Due dates for transfer of Unclaimed Dividends to the Investor Education and Protection Fund established by the Central Government pursuant to Section 205 C of the Companies Act 1956:

<b>Financial Year</b>	<b>Dividend Reference - %</b>	<b>Date of Declaration of Dividend</b>	<b>Due for transfer on</b>
2006-07	33 <sup>rd</sup> AGM I Interim - 50 % II Interim - 50 % III Interim - 30 %	22 <sup>nd</sup> January 2007 15 <sup>th</sup> March 2007 7 <sup>th</sup> June 2007	27 <sup>th</sup> February 2014 20 <sup>th</sup> April 2014 13 <sup>th</sup> July 2014
2007-08	34 <sup>th</sup> AGM Interim - 60%	16 <sup>th</sup> June 2008	23 <sup>rd</sup> July 2015
2008-09	35 <sup>th</sup> AGM Interim - 40%	29 <sup>th</sup> June 2009	5 <sup>th</sup> August 2016
2009-10	36 <sup>th</sup> AGM Interim - 40%	12 <sup>th</sup> March 2010	16 <sup>th</sup> April 2017
2010-11	37 <sup>th</sup> AGM 40 %	9 <sup>th</sup> May 2011	13 <sup>th</sup> June 2018
2011-12	38 <sup>th</sup> AGM 30 %	28 <sup>th</sup> July 2012	2 <sup>nd</sup> September 2019

Those who have not encashed their warrants may contact the Company immediately and surrender their warrants, before the above due dates for further action by the Company.

Investors holding shares in electronic form are requested to deal only with their depository participant in respect of change of address, nomination facility, furnishing of bank account details etc.,



**AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S)**

To

The Members of Sundaram Brake Linings Limited

We have examined the compliance of the conditions of Corporate Governance by Sundaram Brake Linings Limited for the year ended 31<sup>st</sup> March 2013 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of the opinion on the financial statements of the Company.

In our opinion and to the best of our information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended 31<sup>st</sup> March 2013, no investor grievances are pending against the Company as on 29-05-2013 as per the records maintained by the Company and presented to the Investors/Shareholders Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company

for SUNDARAM & SRINIVASAN  
Chartered Accountants (FRN 004207 S)

Chennai  
May 29, 2013

P MENAKSHI SUNDARAM  
Partner  
(Membership No.217914)

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## MANAGEMENT DISCUSSION AND ANALYSIS REPORT - 2013

### Industry and Company Trend :

Automobile industry's annual production volumes were 208.66 lakh units for the year 2012-13 as compared to 207.47 lakh units for the year 2011-12 indicating a growth of just 1 % in volumes and annual sales volumes were at 209.24 lakh units for year 2012-13 as compared to 206.61 lakh units for the year 2011-12 indicating a meagre overall growth of 1 %.

During the year 2012-13 the Heavy commercial segment saw huge drop of 28 % in production volumes and 26% in sales volumes as compared to the previous year 2011-12 and the Light commercial segment also significantly dropped by 18 % in production volume and drop in sales volume by 14 % in 2012-13 as compared to the previous year 2011-12.

Passenger car segment had a marginal growth of 3% in production volumes and 2 % in sales volumes as compared to 2011-12. Two wheeler segments showed marginal increase in production volumes by 2% and sales volumes by 3% as compared to 2011-12.

Following are the Auto-industry Production & Sales data in vehicle units

(in Lakh / nos)

Vehicle Category	Vehicle Production		Growth	Vehicle sales		Growth
	2011-12	2012-13	%	2011-12	2012-13	%
M & HCV	3.83	2.74	-28 %	3.76	2.79	-26%
LCV	9.11	7.49	-18 %	9.02	7.75	-14%
Passenger	31.23	32.09	3 %	31.25	31.98	2%
Three -wheeler	8.77	8.39	-5 %	8.76	8.46	-4%
Two-wheeler	154.53	157.95	2 %	153.82	158.26	3%
Total	207.47	208.66	1 %	206.61	209.24	1%

Source: ACMA

The Automobile sector for the year 2012-13 had exports registering a growth of 10 % in passenger vehicles segment and registering a drop in sales of 2 % in two wheeler segment, 32 % in heavy commercial vehicle segment and 12 % in light commercial vehicles segment. Overall Export sales were down by 2% for the year 2012-13 as compared to the previous year 2011-12.

Your company showed significant drop in sales during the year 2012-13 in the domestic OE segment by 23 % and after market sales grew marginally by 1 % and exports grew by 4 % as compared to year 2011-12.

Your company also introduced a wider range of Disc pads for Passenger car market in the after market segment and was able to have a wider range to cater to the disc brake pad business.

### Opportunities and threats:

Your company is continuously gearing up to meet Friction material requirements of new generation commercial vehicles that are expected to be launched in the medium term with the development of new generation Asbestosfree brake linings.

Your Company got the opportunity to supply for After market requirements for a major overseas axle manufacturer.

In view of the changing trends in the world market, from drum brake linings to disc brakes for commercial vehicles, your company is giving special focus on Commercial Vehicle Disc Pad business.

Threats are expected from entry of new Friction Material Manufacturers in organized sector increasing competitive pressures and manufacturers in unorganized sector offering low priced asbestos & non-asbestos linings for Medium & Heavy Commercial vehicles.

### **Risk and concerns:**

Besides increasing input raw material costs, the steep increase in power cost coupled with power cuts would be a major threat for your company to deal with during 2013-14

### **Human Resources / Industrial Relations:**

The Industrial Relations in all five plants of the Company continued to be cordial. As a part of HR initiatives, training and people development are being given the necessary impetus. The total number of employees on roll as on 31<sup>st</sup> March 2013 in all the Plants was 1,568.

### **Quality and Quality Management Systems:**

Your Company is continuing its focus on improvements to the quality systems at all levels through Total Employee Involvement with a view to provide higher customer satisfaction. It is also closely monitoring and focusing various cost reduction and cost control initiatives in various areas of operations to achieve planned targets during the year.

### **Internal Control System:**

The company maintains a system of internal control including adequate monitoring procedures. The internal auditors ensure operational control at various locations of the Company on a regular basis. Any irregularity or significant issues are brought to the attention of the Audit Committee of the Board and the Chairman and Managing Director of the Company and countermeasures are taken for complying with the system.

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**Financial and Operational performance:**

Rs. in lacs

<b>Particulars</b>	<b>Year 2012-13</b>	<b>Year 2011-12</b>
Revenue from Operations	<b>23,218.22</b>	25,570.82
Other Income	<b>52.82</b>	67.35
<b>TOTAL INCOME</b>	<b>23,271.04</b>	25,638.17
Cost of materials consumed	<b>12,079.90</b>	13,179.28
Changes in inventories of finished goods & work-in-progress	<b>(770.64)</b>	(185.35)
Employee benefit expenses	<b>3,432.87</b>	3,337.58
Finance cost	<b>299.81</b>	386.39
Depreciation and amortization expense	<b>779.77</b>	762.50
Other expenses	<b>7,860.02</b>	7,042.22
Total expenditure	<b>23,681.73</b>	24,522.62
Profit before tax & before extraordinary item	<b>(410.69)</b>	1,115.55
Extraordinary items (net)	<b>-</b>	1,231.23
Profit before tax & after extraordinary item	<b>(410.69)</b>	(115.68)
Tax expense		
Current Tax	<b>(0.25)</b>	(0.25)
Prior Period Tax	<b>(45.86)</b>	-
Deferred Tax asset	<b>16.00</b>	172.39
Profit / (Loss) for the period	<b>(440.80)</b>	56.46

Note: Previous year figures have been regrouped wherever necessary to conform to this year's classification.

**Cautionary statement:**

Certain statements in the "Management Discussion and Analysis Report" may be forward looking and are as required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Directors envisage in terms of the future performance and outlook.

## **INDEPENDENT AUDITORS' REPORT**

To

THE MEMBERS OF SUNDARAM BRAKE LININGS LIMITED

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Sundaram Brake Linings Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Author's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- b) in the case of the Profit and Loss Account, of the profit/ loss for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

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2. As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
- e. on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For SUNDARAM & SRINIVASAN  
Chartered Accountants  
Registration Number: 004207S

P MENAKSHI SUNDARAM  
Partner  
Membership No.217914

Chennai  
May 29, 2013

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**ANNEXURE REFERRED TO IN OUR REPORT OF EVEN DATE**

1. The nature of the Company's business/activities during the year is such that, to the best of our knowledge and the information and explanations given to us, clauses (xiii) and (xiv) of paragraph 4 of the Order are not applicable to the Company.
2. In respect of its fixed assets:
  - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - b) All the fixed assets have been physically verified by the Management during the year in accordance with a programme of verification, which in our opinion provides for physical verification of all fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on verification.
  - c) During the year, the Company has not disposed off any substantial/major part of fixed assets.
3. In respect of its inventories:
  - a) The stock of finished goods, stores, spare parts and raw materials have been physically verified during the year by the Management. In our opinion, the frequency of verification is reasonable.
  - b) The procedure of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
  - c) The company has maintained proper records of the inventory. The discrepancies noticed on verification between physical stocks and the book records were not material and the same have been properly dealt with in the books of accounts.
4. The company has neither granted nor taken any loans, Secured or Unsecured to/from companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956.
5. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of Inventory and Fixed Assets and with regard to Sale of Goods and Services and there is no continuing failure to correct major weaknesses in Internal Control System.
6. In respect of transactions entered in the register maintained in pursuance to Section 301 of the Companies Act, 1956:
  - a) to the best of our knowledge and belief and according to the information and explanations given to us, particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section and
  - b) according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.  
The Company has not accepted any deposits from the public.
7. The Company has an Internal Audit System, the scope and coverage of which is commensurate with its size and nature of its business.
8. On the basis of the records produced, we are of the opinion that prima facie, the cost records and accounts prescribed by the Government of India under Section 209(1)(d) of the Companies Act have been made and maintained by the Company.
9. According to the information and explanations given to us in respect of statutory dues:
  - a) the Company has been regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income

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Tax, Sales Tax, Wealth Tax, Custom Duty, Cess, Excise Duty, Service Tax and any other Statutory dues, wherever applicable.

- b) the Company has unpaid dues of Rs. 15.44 lacs in respect of disputed demands of sales tax of which appeals involving Rs. 14.61 lacs are pending before Appellate Assistant Commissioner of Sales Tax and appeals involving Rs. 0.83 lacs are pending before the Sales Tax Appellate Tribunal.
- c) In respect of Income Tax, the following is the status of disputed liabilities:

Sl. No.	Assessment Year	Status	Amount (Rs. lacs)
1	2009-10	Appeal made to Commissioner of Income Tax (Appeals)-pending	130.88
2	2010-11	Appeal made to Commissioner of Income Tax (Appeals)-pending	45.25

10. The company does not have any accumulated losses as at the end of the financial year. The Company has not incurred cash losses during the financial year and in the immediately preceding financial year.
11. According to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks or financial institutions.
12. The Company has not granted any advance or loan on the basis of security by way of pledge of shares, debentures and other securities.
13. According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from Banks or financial Institutions. Hence, the relative reporting requirements are not applicable.
14. To the best of our knowledge and according to the information and explanations given to us, term loans availed by the company were, prima facie, applied by the company during the year for the purposes for which loans were obtained.
15. According to the Cash Flow Statement and other records examined by us and the information and the explanations given to us, on an overall basis, funds raised on short term basis have, prima facie, not been used during the year for long term investment.
16. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
17. According to the information and explanations given to us and the records examined by us, the Company has not issued any debentures during the year.
18. The company has not raised any money by public issue.
19. Based on our audit, information and representations received from the Management, we have no reason/evidence that lead us to believe that any fraud on or by the Company has been noticed or reported during the year.

For SUNDARAM & SRINIVASAN  
Chartered Accountants  
Registration Number: 004207S

P MENAKSHI SUNDARAM  
Partner  
Membership No.217914

Chennai  
May 29, 2013



# SUNDARAM BRAKE LININGS LIMITED

## BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2013

	Note No.	As at 31.03.2013	Rs. in lacs As at 31.03.2012
<b>(I) EQUITY AND LIABILITIES:</b>			
<b>1. Shareholders' Funds</b>			
a) Share Capital	2	393.46	393.46
b) Reserves and Surplus	3	8,787.35	9,228.15
c) Money received against Share Warrants		0.00	0.00
		<b>9,180.81</b>	9,621.61
<b>2. Non-current Liabilities</b>			
a) Long-Term Borrowings	4	1,278.55	1,075.59
b) Deferred Tax Liabilities (Net)	5	1,156.37	1,172.37
c) Other Long Term Liabilities		0.00	0.00
d) Long Term Provisions	6	74.15	62.34
		<b>2,509.07</b>	2,310.30
<b>3. Current Liabilities</b>			
a) Short-term Borrowings	7	2,536.41	2,714.91
b) Trade Payables	8	2,301.62	1,922.35
c) Other Current Liabilities	9	312.64	361.09
d) Short-term Provisions	10	692.41	725.04
		<b>5,843.08</b>	5,723.39
<b>TOTAL</b>		<b>17,532.96</b>	<b>17,655.30</b>
<b>(II) ASSETS</b>			
<b>1. Non-current Assets</b>			
a) Fixed Assets	11		
(i) Tangible Assets		8,603.23	8,798.44
(ii) Intangible Assets		0.00	0.00
(iii) Capital Work-in-progress		4.80	4.80
(iv) Intangible Assets under development		0.00	0.00
		<b>8,608.03</b>	8,803.24
b) Non-Current Investments	12	0.01	0.01
c) Long-term Loans & Advances	13	320.44	295.41
d) Other Non-Current Assets	14	0.00	8.09
		<b>320.45</b>	303.51
<b>2. Current Assets</b>			
a) Current Investments	15	0.00	52.50
b) Inventories	16	2,474.21	1,785.44
c) Trade Receivables	17	5,111.92	5,223.53
d) Cash and Cash Equivalents	18	365.35	936.33
e) Short term loans and advances	19	653.00	550.75
f) Other Current Assets		0.00	0.00
		<b>8,604.48</b>	8,548.55
<b>TOTAL</b>		<b>17,532.96</b>	<b>17,655.30</b>
<b>Significant Accounting Policies</b>	1		
See Accompanying Notes to the Financial Statements			

K RAMESH  
Director

K S RANGANATHAN  
Director

K S D SAMBASIVAM  
Director

KRISHNA MAHESH  
Joint Managing Director

As per our Report Annexed  
for SUNDARAM & SRINIVASAN  
Chartered Accountants  
(FRN 004207 S)

Place : Chennai  
Date : May 29, 2013

S RAMABADRAN  
Financial Controller &  
Secretary

P MENAKSHI SUNDARAM  
Partner  
Membership No.217914

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2013

		Note	For the Year ended 31.03.2013	Rs. in lacs For the Year ended 31.03.2012
		No.		
I.	Revenue from Operations	20	23,218.22	25,570.82
II.	Other Income	21	52.82	67.35
III.	<b>Total Revenue</b>		<u>23,271.04</u>	<u>25,638.17</u>
IV.	<b>Expenses</b>			
	Cost of materials consumed	22	12,079.90	13,179.28
	Changes in inventories of finished goods & work-in-progress	23	(770.64)	(185.35)
	Employee benefit expenses	24	3,432.87	3,337.58
	Finance cost	25	299.81	386.39
	Depreciation and amortisation expense	11	779.77	762.50
	Other expenses	26	7,860.02	7,042.22
	<b>Total expenses</b>		<u>23,681.73</u>	<u>24,522.62</u>
V.	Profit before exceptional and extra-ordinary items and tax (III - IV)		(410.69)	1,115.55
VI.	Exceptional items		-	-
VII.	<b>Profit before extra-ordinary items and tax (V - VI)</b>		<u>(410.69)</u>	<u>1,115.55</u>
VIII.	Extra-ordinary items (net)	27	-	1,231.23
IX.	<b>Profit Before Tax (VII - VIII)</b>		<u>(410.69)</u>	<u>(115.68)</u>
X.	Tax expense:			
	- Current Tax		(0.25)	(0.25)
	- Prior Period Tax		(45.86)	-
	- Deferred Tax Liability (net)		-	-
	- Deferred Tax Asset (net)		16.00	172.39
XI.	<b>Profit / (Loss) for the period from continuing operations</b>		<u>(440.80)</u>	56.46
XII.	Profit / (Loss) from discontinuing operations		-	-
XIII.	Tax expense of discontinuing operations		-	-
XIV.	<b>Profit / (Loss) from discontinuing operations (after tax) (XII-XIII)</b>		-	-
XV.	<b>Profit / (Loss) for the period (XI + XIV)</b>		<u>(440.80)</u>	56.46
XVI.	Earnings per equity share - Basic and Diluted Rs. (Face Value Rs. 10)	31	(11.20)	1.44
	<b>Significant Accounting Policies</b>	1		
See Accompanying Notes to the Financial Statements				

K RAMESH  
Director

K S RANGANATHAN  
Director

K S D SAMBASIVAM  
Director

KRISHNA MAHESH  
Joint Managing Director

As per our Report Annexed  
for SUNDARAM & SRINIVASAN  
Chartered Accountants  
(FRN 004207 S)

Place : Chennai  
Date : May 29, 2013

S RAMABADRAN  
Financial Controller &  
Secretary

P MENAKSHI SUNDARAM  
Partner  
Membership No.217914

SUNDARAM BRAKE LININGS LIMITED

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013**

	For the year ended 31.03.2013	Rs. in lacs For the year ended 31.03.2012
<b>A Cash flow from Operating Activities:</b>		
Net Profit Before Tax	(410.69)	(115.68)
Add: Extraordinary items:		
Amounts paid to a bank	0.00	1,400.00
Amount received under a settlement from a supplier	0.00	(168.77)
<b>Net Profit Before Tax and Extraordinary items</b>	<b>(410.69)</b>	<b>1,115.55</b>
Adjustments for :		
Interest (net)	251.94	319.87
Unrealised Foreign Exchange Loss/(Gain)	79.18	(73.25)
(Profit) / Loss on sale of assets (net)	(4.10)	6.34
Depreciation	779.77	762.50
<b>Operating Profit before Extra ordinary items &amp; Working Capital changes</b>	<b>696.10</b>	<b>2,131.02</b>
Amounts paid to a bank	0.00	(1,400.00)
Amount received under a settlement from a supplier	0.00	168.77
Adjustments for :		
Trade & other receivables	103.52	(361.98)
Inventories	(688.77)	(482.28)
Loans & Advances	4.82	889.31
Trade Payables	346.64	(5.04)
<b>Cash generation from operations</b>	<b>462.31</b>	<b>939.79</b>
Income Tax (Paid) / Refund	(44.00)	(172.80)
<b>Net Cash from Operating Activities - "A"</b>	<b>418.31</b>	<b>766.99</b>
<b>B Cash flow from Investing Activities</b>		
Purchase of fixed assets	(590.51)	(1,053.80)
Capital Work-in-Progress	0.00	(4.80)
Interest Received	47.88	66.51
Sale / deletion of fixed assets	69.99	55.90
Repayment of investments	52.50	0.00
<b>Net Cash used in Investing Activities - "B"</b>	<b>(420.13)</b>	<b>(936.19)</b>

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

	For the year ended 31.03.2013	Rs. in lacs For the year ended 31.03.2012
<b>C Cash flow from Financing Activities</b>		
Proceeds from / (reduction in) short term borrowings	(178.50)	383.12
Proceeds from long term borrowings	450.00	313.46
Repayment of long term borrowings	(247.20)	(316.35)
Interest paid	(299.81)	(386.39)
Dividend paid	(118.04)	(160.92)
Tax on Dividend paid	(19.15)	(25.53)
<b>Net cash used in Financing Activities - "C"</b>	<u>(412.70)</u>	<u>(192.61)</u>
<b>Net increase in Cash and Cash Equivalents - A+B+C</b>	<u>(414.52)</u>	<u>(361.80)</u>
Cash and Cash Equivalents as at the beginning	785.80	1,147.60
Cash and Cash Equivalents as at the end	371.28	785.80
<b>Effect of exchange rate changes on cash and cash equivalents</b>		
1 Cash & Cash Equivalents as per Balance Sheet	365.35	936.33
Unrealised Foreign Exchange Loss/(Gain)	79.18	(73.25)
	<u>444.53</u>	<u>863.08</u>
Unrealised Foreign Exchange Loss/(Gain) as on 1st April	(73.25)	(77.28)
Cash & Cash Equivalents as per Cash Flow Statement	<u>371.28</u>	<u>785.80</u>

2 The above statements have been prepared in indirect method except in case of interest, dividend and direct taxes which have been considered on the basis of actual movement of cash, with corresponding adjustments in assets and liabilities.

3 Cash and Cash Equivalent represent Cash and Bank balances only.

See Significant Accounting Policies and accompanying Notes to the Financial Statements.

K RAMESH  
Director

K S RANGANATHAN  
Director

K S D SAMBASIVAM  
Director

KRISHNA MAHESH  
Joint Managing Director  
As per our Report Annexed  
for SUNDARAM & SRINIVASAN  
Chartered Accountants  
(FRN 004207 S)

Place : Chennai  
Date : May 29, 2013

S RAMABADRAN  
Financial Controller &  
Secretary

P MENAKSHI SUNDARAM  
Partner  
Membership No.217914

### 1. SIGNIFICANT ACCOUNTING POLICIES

**a. Basis of accounting**

The books of accounts are maintained on accrual basis as a going concern.

**b) Valuation of Inventories**

Inventories other than Finished Goods are valued at cost on Weighted average basis. Finished goods are valued at cost or net realisable value whichever is lower. Work-in-progress is valued at raw material cost plus cost of conversion excluding interest.

**c) Cash flow statement**

Cash Flow Statement has been prepared under "Indirect Method".

**d) Depreciation**

Depreciation has been charged on Straight Line Method at the rates prescribed under Schedule XIV to the Companies Act, 1956.

**e) Revenue recognition**

The sales include sale of products manufactured, bought out components and scrap sales but are net of trade discounts and exclusive of sales tax / VAT where applicable. Interest income is recognised on a time proportion basis. Insurance claims are recognised on certainty of realisation.

**f) Fixed assets**

Fixed assets are stated at cost less depreciation. All cost relating to the acquisition and installation of fixed assets are capitalized. Interest on loans availed for acquiring fixed assets is capitalized only upto the date the assets are put to use.

**g) Foreign currency transactions**

Foreign currency transactions are accounted at the exchange rates prevailing on the date of the transaction. Transactions in foreign exchange, which are covered by forward contracts, are accounted at the contracted rate, the difference between the forward rate and the exchange rate at the date of transaction being recognized in the profit and loss account. Foreign exchange transactions, which are outstanding as at the year-end and not covered by the forward contracts, are translated at the year-end exchange rate. Gains and losses arising on account of such revisions are reflected in the profit and loss statement.

**h) Derivatives**

The Company deals in derivative instruments, viz., forward contracts, to hedge its exposures against movements in parity rates of the currencies. The use of these forward contracts to some extent reduces the impact arising out of the adverse movement of currencies. The losses / gains, if any, arising under the contracts which are not closed as of the year-end, are recognized in the accounts based on Accounting Standards AS-1, AS-11 and AS-30 as well as the press note issued by the Institute of Chartered Accountants of India.

**i) Investments**

Investments are accounted at cost.

**j) Retirement benefits**

Company's contribution to provident fund, superannuation fund and gratuity fund are made to the respective Trusts and charged to the profit and loss statement. Provision for leave salary in respect of encashable leave has been provided for according to the service rules of the Company based on actuarial valuation. The necessary disclosures as per Revised AS 15 have been made as part of Notes on Accounts.

**k) Borrowing cost**

Borrowing cost has been treated in accordance with the Accounting Standard on Borrowing Cost (AS – 16) issued by the Institute of Chartered Accountants of India.

## NOTES ON FINANCIAL STATEMENTS (Contd.)

### l) Excise duty

Excise duty in respect of closing inventory of finished goods is included as part of inventory. The amount of CENVAT credits in respect of materials consumed is deducted from the cost of materials consumed.

### m) Segment reporting

The operations of the Company relate only to one segment viz., friction materials which is covered in this report.

### n) Related party transactions

The information on related party transactions furnished in this report was compiled based on the guidelines issued by The Institute of Chartered Accountants of India under Accounting Standard on Related Party Transactions (AS –18).

### o) Leases

The Company has entered into a lease agreement for acquiring land which is exempt from the coverage of Accounting Standard 19 on Lease.

### p) Taxes on income

Provision for income tax is made on the basis of estimated taxable income for the year. Deferred tax resulting from timing differences between the book and the tax profits is accounted at the current rate of tax to the extent that the time differences are expected to crystallise. Deferred tax asset and liability are set off and net amount is shown in the Balance Sheet.

	As at 31.03.2013	Rs. in lacs As at 31.03.2012
<b>2. SHARE CAPITAL</b>		
<b>Authorised</b>		
50,00,000 (PY-50,00,000) equity shares of Rs. 10/- each	<b>500.00</b>	500.00
<b>Issued, Subscribed and Paid-up</b>		
39,34,575 ( PY - 39,34,575) equity shares of Rs.10/- each fully paid-up	<b>393.46</b>	393.46

- The Company has issued only one class of shares referred to as equity shares having a par value of Rs. 10/-.
- Each holder of equity shares is entitled to one vote per share.
- The Company declares and pays dividends in Indian Rupees.
- Except interim dividend which is declared and paid based on the decision of the Board of Directors, all other dividends are proposed by the Board of Directors and paid on approval of the shareholders at the Annual General Meeting.
- In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.
- During the last five years immediately preceding the date of the Balance Sheet, the Company has not issued any shares as bonus shares or without payment being received in cash nor has bought back any shares

# SUNDARAM BRAKE LININGS LIMITED

## NOTES ON FINANCIAL STATEMENTS (Contd.)

- g) Following are the shareholders holding more than 5% equity shares and the number of equity shares held by each of them:

Name of the Shareholder	As at 31.03.2013		As at 31.03.2012	
	No. of shares held	% of total shares	No. of shares held	% of total shares
T V SUNDRAM IYENGAR AND SONS LIMITED	552,955	14.05	552,955	14.05
SOUTHERN ROADWAYS LIMITED	478,500	12.16	478,500	12.16
MAHESH K	395,842	10.06	395,842	10.06
SUNDARAM INDUSTRIES LIMITED	253,835	6.45	253,835	6.45

### 3. RESERVES AND SURPLUS

#### a) Capital Reserves

##### i) Share premium account

As per last Balance Sheet

1,700.43

1,700.43

##### ii) Reissue of forfeited shares

As per last Balance Sheet

0.03

0.03

Total (i+ii)

1,700.46

1,700.46

#### b) Revenue Reserves

##### i) General Reserve - I

As per last Balance Sheet

1,224.97

1,219.32

Transferred from Surplus

–

5.65

1,224.97

1,224.97

##### ii) General Reserve - II

As per last Balance Sheet

5,738.19

5,738.19

Transferred from Surplus

–

–

5,738.19

5,738.19

##### iii) Surplus from Statement of Profit And Loss

As per last Balance Sheet

564.53

650.91

Profit for the year

(440.80)

56.46

123.73

707.37

Transfer to General Reserve I

0.00

(5.65)

Transfer to General Reserve II

0.00

0.00

Proposed dividend

0.00

(118.04)

Tax on dividend including surcharge and cess

0.00

(19.15)

123.73

564.53

7,086.89

7,527.69

Total (i+ii+iii)

8,787.35

9,228.15

## NOTES ON FINANCIAL STATEMENTS (Contd.)

	As at 31.03.2013	Rs. in lacs As at 31.03.2012
<b>4. LONG-TERM BORROWINGS</b>		
Secured Borrowings		
Term Loan from Banks		
a) From Export-Import Bank of India secured by exclusive charge on the movable and immovable fixed assets financed out of the Term Loan and a first charge on the land situated at Mahindra World City, SEZ, Kancheepuram District near Chennai and repayable in 20 quarterly instalments ending during 2016-17.	828.55	1,075.59
b) From State Bank of India, Industrial Finance Branch, Chennai secured by first charge on fixed assets created out of the Corporate Loan repayable in 16 quarterly instalments ending during March 2018.	450.00	-
	<u>1,278.55</u>	<u>1,075.59</u>
<b>5. DEFERRED TAX LIABILITIES (NET)</b>		
a) Deferred Tax Liability		
On account of depreciation	1,087.54	1,100.42
b) Deferred Tax Asset		
On account of employee benefits	68.83	71.95
	<u>1,156.37</u>	<u>1,172.37</u>
<b>6. LONG-TERM PROVISIONS</b>		
On account of employee benefits	74.15	62.34
	<u>74.15</u>	<u>62.34</u>
<b>7. SHORT-TERM BORROWINGS</b>		
Loans and Advances from a Bank:		
Cash Credit and Export Packing Credit from State Bank of India secured by first charge on present and future current assets and extension by way of second charge on other fixed assets - present and future (excluding vehicles)	2,536.41	2,714.91
	<u>2,536.41</u>	<u>2,714.91</u>
<b>8. TRADE PAYABLES</b>		
Sundry creditors	2,301.62	1,922.35
	<u>2,301.62</u>	<u>1,922.35</u>
Included in Sundry Creditors is an amount of Rs. 55.48 lakhs (PY – Rs. 67.95 lakhs) due to micro enterprises and small enterprises (based on information available with the Company).		



# SUNDARAM BRAKE LININGS LIMITED

## NOTES ON FINANCIAL STATEMENTS (Contd.)

	As at 31.03.2013	Rs. in lacs As at 31.03.2012
a) Principal amount remaining unpaid	55.48	67.95
b) Interest due thereon	-	-
c) Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount paid to the supplier beyond the appointed day during the year	-	-
d) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006	-	-
e) Interest accrued and remaining unpaid	-	-
f) Further Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise	-	-
<b>9. OTHER CURRENT LIABILITIES</b>		
a) Current maturities of long term debt: From Export-Import Bank of India referred to in 4(a) above	282.20	282.36
b) Advances from customers	7.92	52.68
c) Interest accrued but not due on loans	4.64	5.45
d) Unclaimed dividend	17.88	20.60
	<u>312.64</u>	<u>361.09</u>
<b>10. SHORT-TERM PROVISIONS</b>		
a) Provision for employee benefits	36.49	37.00
b) Provision for expenses	655.92	550.85
c) Provision for Dividend	-	118.04
d) Provision for Tax (including surcharge & cess) on dividend	-	19.15
	<u>692.41</u>	<u>725.04</u>

**NOTES ON FINANCIAL STATEMENTS (Contd.)**

**11. FIXED ASSETS**

**Tangible Assets**

Rs. in lacs

Description	GROSS BLOCK			DEPRECIATION/AMORTISATION			NET CARRYING VALUE					
	Opening Balance	Additions	Acquisition through Business Combination	Disposals	At the end of the year	Opening Balance	For the Year	On disposals	Impairment loss/Reversal of impairment Loss for the year	At the end of the year	As at 31.03.2013	As at 31.03.2012
Land												
- Freehold	133.66	-	-	-	133.66	-	-	-	-	-	133.66	133.66
- Leasehold	322.94	-	-	-	322.94	19.66	3.26	-	22.92	22.92	300.02	303.28
Buildings	2,136.36	22.96	-	-	2,159.31	673.04	66.73	-	739.77	739.77	1,419.54	1,463.31
Plant & Equipment	13,033.92	551.38	-	69.99	13,515.30	6,244.43	686.09	64.04	-	6,866.48	6,648.83	6,789.48
Furniture & Fixtures	124.62	0.62	-	-	125.24	93.00	7.81	-	-	100.81	24.43	31.62
Office Equipments	116.80	6.15	-	-	122.95	62.45	5.66	-	-	68.11	54.84	54.35
Others - Computers	205.60	5.69	-	-	211.29	200.90	6.04	-	-	206.94	4.35	4.70
Vehicles	51.66	3.71	-	-	55.37	33.62	4.18	-	-	37.80	17.57	18.04
<b>Total</b>	<b>16,125.55</b>	<b>590.51</b>	<b>-</b>	<b>69.99</b>	<b>16,646.06</b>	<b>7,327.10</b>	<b>779.76</b>	<b>64.04</b>	<b>-</b>	<b>8,042.83</b>	<b>8,603.23</b>	<b>8,798.44</b>
Intangible asset - Licence Fees for Windows software application	21.02	-	-	-	21.02	21.02	-	-	-	21.02	-	-
Capital Work-in-Progress	4.80	-	-	-	4.80	-	-	-	-	-	4.80	4.80
Intangible assets under development	-	-	-	-	-	-	-	-	-	-	-	-
<b>Previous Year</b>	<b>15,127.65</b>	<b>1,053.80</b>	<b>0.00</b>	<b>55.90</b>	<b>16,125.55</b>	<b>6,605.51</b>	<b>762.50</b>	<b>40.91</b>	<b>-</b>	<b>7,327.10</b>	<b>-</b>	<b>-</b>

# SUNDARAM BRAKE LININGS LIMITED

## NOTES ON FINANCIAL STATEMENTS (Contd.)

	As at 31.03.2013	Rs. in lacs As at 31.03.2012
<b>12. NON-CURRENT INVESTMENTS</b>		
Unquoted Investments - Non-Trade		
a) 500 shares (Previous Year 500 shares) of Re.1/- each fully paid up of TVS Co-operative Stores Limited (cost Rs.500/-)	0.01	0.01
	<u>0.01</u>	<u>0.01</u>
<b>13. LONG-TERM LOANS &amp; ADVANCES - UNSECURED</b>		
a) Capital Advances	128.22	84.55
b) Security Deposits	166.75	161.72
c) Loans & Advances to related parties	-	-
d) Other loans & advances		
i) Advances to employees	9.14	35.14
ii) Disputed Income Tax/Sales Tax paid	16.33	13.99
	<u>25.47</u>	<u>49.14</u>
	<u>320.44</u>	<u>295.41</u>
<b>14. OTHER NON-CURRENT ASSETS</b>		
Long Term Trade Receivables	-	8.09
	<u>-</u>	<u>8.09</u>
<b>15. CURRENT INVESTMENTS</b>		
Investments in equity instruments - unquoted Non-trade 5,25,000 shares of Rs.10/- each fully paid up of M/s Arkay Energy (Rameswaram) Limited	-	52.50
	<u>-</u>	<u>52.50</u>
<b>16. INVENTORIES</b>		
a) Raw Materials:		
i) In stock	829.76	973.85
ii) In transit	33.66	19.93
b) Work-in-progress	177.99	148.41
c) Finished goods	1,114.64	373.58
d) Stores & spares	243.72	201.42
e) Loose tools	74.44	68.25
	<u>2,474.21</u>	<u>1,785.44</u>
Inventories other than Finished Goods are valued at cost on Weighted average basis. Finished goods are valued at cost or net realisable value whichever is lower. Work-in-progress is valued at raw material cost plus cost of conversion excluding interest.		
Provision for excise duty on Finished goods manufactured but remaining in stock at the end of the year	42.82	41.54

**NOTES ON FINANCIAL STATEMENTS (Contd.)**

	<b>As at 31.03.2013</b>		Rs. in lacs As at 31.03.2012
<b>17. TRADE RECEIVABLES</b>			
(Unsecured, considered good)			
a) More than six months	2.03	1.75	
b) Others	<u>5,109.89</u>	<u>5,221.78</u>	
	<u><u>5,111.92</u></u>		<u><u>5,223.53</u></u>
<b>18. CASH AND CASH EQUIVALENTS</b>			
a) Balances with banks			
i) On Current Account with banks	39.30	209.42	
ii) On Deposit Accounts with banks with maturity less than three months from Balance Sheet Date	<u>300.00</u>	<u>700.00</u>	
	<b>339.30</b>		909.42
iii) Cash on Hand	<u>8.17</u>		<u>6.31</u>
	<b>347.47</b>		915.73
b) Other Balances			
i) Deposit with Banks with maturity more than three months but less than twelve months	-	-	
ii) Earmarked balances with banks - for unclaimed dividends	<u>17.88</u>	<u>20.60</u>	
	<b>17.88</b>		20.60
	<u><u>365.35</u></u>		<u><u>936.33</u></u>
<b>19. SHORT TERM LOANS AND ADVANCES - UNSECURED, CONSIDERED GOOD</b>			
a) Loans and advances to related parties	-	-	
b) Others			
i) Prepaid Expenses	89.79	64.30	
ii) Balances with Central Excise	129.86	116.97	
iii) Cenvat Credit in VAT	18.48	15.08	
iv) Advance Income tax less provisions	216.60	260.10	
v) Advances for expenses	<u>198.27</u>	<u>94.30</u>	
	<b>653.00</b>		550.75
<b>20. REVENUE FROM OPERATIONS</b>	<b>Year ended 31.03.2013</b>		Year ended 31.03.2012
a) Sale of Products	25,109.95		27,389.79
b) Other operating revenue			
i) Gain / (loss) on foreign currency transactions	51.38	170.89	
ii) Export duty drawback	68.67	-	
iii) Scrap Sales	46.41	45.32	
iv) Miscellaneous Income	<u>13.03</u>	<u>-</u>	
	<b>179.50</b>		216.21
	<u><u>25,289.45</u></u>		<u><u>27,606.00</u></u>
Less Excise Duty	<u>2,071.23</u>		<u>2,035.18</u>
	<u><u>23,218.22</u></u>		<u><u>25,570.82</u></u>

# SUNDARAM BRAKE LININGS LIMITED

## NOTES ON FINANCIAL STATEMENTS (Contd.)

	Year ended 31.03.2013	Rs. in lacs Year ended 31.03.2012
<b>21. OTHER INCOME</b>		
a) Interest Income	47.88	66.51
b) Other Non-Operating Revenue		
i) Profit/(loss) on sale of assets (net)	4.10	-
ii) Rent	0.84	0.84
	<u>4.94</u>	<u>0.84</u>
	<u>52.82</u>	<u>67.35</u>
<b>22. COST OF MATERIALS CONSUMED - RAW MATERIALS &amp; COMPONENTS</b>		
Opening Stock : Raw materials & Components	973.85	689.60
Add: Purchase of Raw Materials & Components	<u>11,935.81</u>	<u>13,463.52</u>
	<u>12,909.66</u>	<u>14,153.13</u>
Less : Closing Stock -Raw materials & Components	<u>829.76</u>	<u>973.85</u>
	<u>12,079.90</u>	<u>13,179.28</u>
Raw materials comprises of resins, glass fibre and other metals and chemicals		
<b>23. CHANGES IN INVENTORIES OF FINISHED GOODS &amp; WORK-IN-PROGRESS</b>		
a) Opening Stocks:		
i) Work in progress	148.41	226.66
ii) Finished goods	<u>373.58</u>	<u>109.98</u>
	521.99	336.64
b) Closing Stocks:		
i) Work in progress	177.99	148.41
ii) Finished goods	<u>1,114.64</u>	<u>373.58</u>
	1,292.63	521.99
Net (increase)/decrease	<u>(770.64)</u>	<u>(185.35)</u>
<b>24. EMPLOYEE BENEFIT EXPENSES</b>		
a) Salaries, wages, bonus	2,637.79	2,526.64
b) Contribution to Employee benefit funds:		
i) Provident Fund	120.09	109.01
ii) Gratuity Fund	30.09	93.77
iii) Other funds	6.57	21.43
c) Staff welfare expenses	<u>638.33</u>	<u>586.73</u>
	<u>3,432.87</u>	<u>3,337.58</u>
<b>25. FINANCE COST</b>		
a) Interest expense	299.81	386.39
b) Other borrowing cost	-	-
	<u>299.81</u>	<u>386.39</u>

## NOTES ON FINANCIAL STATEMENTS (Contd.)

	Year ended 31.03.2013	Rs. in lacs Year ended 31.03.2012
<b>26. OTHER EXPENSES</b>		
a) Stores consumed : Stores and spares		
i) Stores and Spares	503.97	457.67
ii) Loose Tools	244.28	234.63
	<u>748.25</u>	692.30
b) Power and Fuel	3,694.88	3,173.00
c) Rates & Taxes	127.78	68.73
d) Insurance	48.08	48.88
e) Repairs to Building	141.63	121.15
f) Repairs to Machinery	231.40	223.47
g) Other Repairs	36.14	40.61
h) Travelling expenses	222.95	157.11
i) Packing & Forwarding	1,215.36	1,303.19
j) Advertisement & Publicity	66.07	57.77
k) Managerial Remuneration & Sitting fee	11.33	2.40
l) Auditors' remunerations		
i) As auditors	7.87	7.30
ii) Tax Audit Fees	0.56	0.56
iii) Other services	6.65	5.40
iv) Reimbursement of expenses	0.43	1.00
	<u>15.51</u>	14.26
m) Postage & Telephones	61.37	51.57
n) Loss on sale of assets (net)	-	6.34
o) Research & Development expenses - refer Note no. 30 C (ii)	511.48	276.79
p) Commission on Sales	385.39	351.14
q) Miscellaneous expenses	342.40	453.51
	<u>7,860.02</u>	<u>7,042.22</u>
<b>27. EXTRAORDINARY EXPENDITURE (NET)</b>		
a) Compensation received under a settlement agreement with a supplier.	-	(168.77)
b) Final amounts paid to a Bank under a settlement agreement relating to some derivative transactions entered into on behalf of the Company.	-	1,400.00
	<u>-</u>	<u>1,231.23</u>

# SUNDARAM BRAKE LININGS LIMITED

## NOTES ON FINANCIAL STATEMENTS (Contd.)

	Year ended 31.03.2013	Rs. in lacs Year ended 31.03.2012
<b>28. EARNING PER SHARE</b>		
Earning per share is calculated by dividing the profit attributable to shareholders by the number of equity shares outstanding during the year. The earning per share is calculated as follows:		
Profit after tax - Rs. lacs	(440.80)	56.46
Number of Equity shares	3,934,575	3,934,575
Face value per share	Rs. 10	Rs. 10
Earnings per share (EPS)	Rs. (11.20)	Rs. 1.44
<b>29. CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)</b>		
a) Estimated value of contracts remaining to be executed:		
- On Capital Account (net)	-	2.39
- Others	67.77	23.88
b) Income Tax / Sales Tax liability in appeal.	191.57	53.89
c) Liability towards Labour cases	7.86	7.86
d) Other Contingent Liabilities :		
i) Bank Guarantees for domestic sales	35.83	41.69
ii) Bank Guarantees for purchase of third party power	90.74	-
<b>30. OTHER INFORMATION</b>		
a) Imports on CIF basis:		
i) Raw Materials	2,179.94	2,776.54
ii) Components, Spare Parts etc.,	41.64	4.80
iii) Capital Goods	-	48.50
b) Expenditure in Foreign Currency :		
i) Royalty, Consultancy & Retainer Fee	51.84	38.45
ii) Others	197.24	104.41
c) Research & Development Expenditure on the in-house R&D facility approved by the Department of Scientific & Industrial Research, New Delhi		
i) Capital expenditure	26.40	72.72
ii) Revenue expenditure		
- Raw Material & Components consumed	21.63	24.01
- Salaries, Wages & Bonus	199.83	156.85
- Stores & Tools consumed	74.47	13.49
- Power cost	58.07	60.20
- Travelling expenses	11.69	1.09
- Product development expenses	123.30	18.63
- Other expenses	22.48	2.52
	<u>511.48</u>	<u>276.79</u>
	<u>537.88</u>	<u>349.51</u>

**NOTES ON FINANCIAL STATEMENTS (Contd.)**

	Value Rs. in lacs	%	Value Rs. in lacs	%
d) Value of imported and indigenous raw-materials, spares and components consumed during the year and their percentages to total consumption				
i) Raw Materials				
Imported - Glass Fibres & Metals	110.17	0.9%	112.54	0.9%
Imported - Chemicals & Minerals	1,256.11	10.4%	1,498.01	11.4%
Total	<u>1,366.28</u>	<u>11.3%</u>	1,610.55	12.2%
Indigenous - Glass Fibres, Resins & Metals	5,158.02	42.7%	5,584.47	42.4%
Indigenous - Chemicals & Minerals	3,486.53	28.9%	3,630.94	27.6%
Indigenous - Components & others	2,069.06	17.1%	2,353.32	17.9%
	<u>12,079.90</u>	<u>100.0%</u>	<u>13,179.28</u>	<u>100.0%</u>
ii) Spares :				
Imported	3.64	1.5%	5.65	2.8%
Indigenous	232.38	98.5%	193.33	97.2%
	<u>236.02</u>	<u>100.0%</u>	<u>198.98</u>	<u>100.0%</u>
e) Earnings in Foreign Exchange :				
i) FOB value of goods exported		8,342.03		8,341.20
ii) Exchange fluctuation on Foreign Currency A/c (Net)		51.38		170.89
<b>31. Computation of Managerial Remuneration u/s 309 (5) read with sections 198 &amp; 349 of the Companies Act 1956</b>		<b>As at / Year ended</b>		
		<b>31.03.2013</b>		
Profit Before Tax as per P & L A/c		(410.69)		
Add:				
Book Depreciation	779.77			
Loss on sale of fixed assets as per books (net)	-			
Provision for bad & doubtful debts	-			
Remuneration paid to Directors #	9.38			
Directors' Sitting Fee	1.95	791.10		
		<u>380.41</u>		
Less:				
Depreciation u/s 350	779.77			
Profit on sale of fixed assets as per Sec.349	4.10	783.87		
Net Loss for the purpose of Sec.349		<u>(403.46)</u>		
Maximum Remuneration		-		
Amount provided in the accounts		-		

# Represents remuneration paid to Mr Krishna Mahesh, Joint Managing Director for the period from 6<sup>th</sup> Feb. 2013, the date on which he was appointed as Joint Managing Director



# SUNDARAM BRAKE LININGS LIMITED

## NOTES ON FINANCIAL STATEMENTS (Contd.)

### 32. RELATED PARTY DISCLOSURE AS REQUIRED BY AS - 18

- a) Description of relationship and Names of related Parties
- i) Subsidiaries None
  - ii) Associates T V Sundram Iyengar & Sons Limited
  - iii) Key Management Personnel Mr. K Mahesh, Chairman & Managing Director  
Mr. Krishna Mahesh, Joint Managing Director
  - iv) Relatives of Key Management Personnel Mrs. Shrimathi Mahesh  
Ms. Shrikirti Mahesh
  - v) Enterprise with common Key Management Personnel None
  - vi) Enterprise in which relatives of Key Management Personnel have significant interest Alagar Farms Private Limited  
Alagar Resins Private Limited

Rs. in Lacs

	Nature of transaction	Associates	Key Management Personnel	Relatives of Key Management Personnel	Enterprises in which Relatives of Key Management Personnel has significant interest
a.	Purchases		2.21 (3.86)		3,125.51 (3,134.49)
b.	Sales		2,322.17 (2,135.03)		
c.	Interest received				
d.	Services received			32.52 (16.13)	
e.	Rent received		0.72 (0.72)		0.12 (0.12)
f.	Trade Receivables		208.00 (181.49)		
g.	Creditors		- (4.38)	- -	631.19 (405.53)

Figures in ( ) are for PY

### 32. DISCLOSURES REQUIRED UNDER ACCOUNTING STANDARD 15 (REVISED) "EMPLOYEE BENEFITS" NOTIFIED IN THE COMPANIES (ACCOUNTING STANDARDS) RULES 2006:

#### a) Defined Contribution Plan:

Contribution to Defined Contribution Plans are charged off for the year as under:

	31.03.2013	Rs. lacs
Employer's Contribution to Provident Fund	139.09	31.03.2012 117.19
Employer's Contribution to Superannuation Fund	26.57	26.00
	<u>165.66</u>	<u>143.19</u>

The Company had obtained exemption for its Provident Fund Trust under Section 17 of Employee's Provident Fund and Miscellaneous Provisions Act, 1952. Conditions for grant of exemptions stipulate that the employer shall make good deficiency, if any, in the interest rate declared by trust vis-a-vis statutory rate.

## NOTES ON FINANCIAL STATEMENTS (Contd.)

### b) Defined Benefit Plan:

The employees' gratuity fund scheme managed by Life Insurance Corporation of India is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for leave encashment is recognised in the same manner as gratuity.

	As at / Year ended 31.03.2013		As at / Year ended 31.03.2012	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Rs. Lacs				
<b>c) Reconciliation of opening and closing balances of Defined Benefit obligation</b>				
Defined Benefit obligation as at beginning of the year	453.69	99.34	366.94	87.53
Current Service cost	27.48	18.02	23.16	16.18
Interest cost	36.30	7.16	29.36	5.53
Actuarial (gain) / loss	1.77	20.09	84.64	26.86
Benefits paid	(31.89)	(33.97)	(50.41)	(36.77)
Defined Benefit obligation as at end of the year	487.35	110.64	453.69	99.34
<b>d) Reconciliation of opening and closing balances of fair value of plan assets</b>				
Fair value of plan assets at beginning of the year	483.86		407.18	
Expected return of plan assets	43.64		35.65	
Actuarial gain / (loss)	–		–	
Employer's contribution	27.51	33.97	91.44	36.77
Benefits paid	(31.89)	(33.97)	(50.41)	(36.77)
Fair value of plan assets at the end of the year	523.12		483.86	
<b>e) Reconciliation of fair value of assets and obligations</b>				
Fair value of plan assets as at the end of the year	523.12	–	483.86	–
Present value of obligation as at the end of the year	487.35	110.64	453.69	99.34
Amount not recognised / recognised in Balance Sheet	35.77	110.64	30.17	99.34
<b>Expenses recognised during the year</b>				
Current Service cost	27.48	18.02	23.16	16.18
Interest cost	36.30	7.16	29.36	5.53
Expected return on plan assets	(43.64)	–	(35.65)	–
Actuarial (gain) / loss	1.77	20.09	84.64	26.86
Net cost	21.91	45.28	101.51	48.57

# SUNDARAM BRAKE LININGS LIMITED

## NOTES ON FINANCIAL STATEMENTS (Contd.)

Investment details	<b>31.03.2013</b>		31.03.2012	
LIC Group Gratuity (Cash Accumulation) Policy	<b>100%</b>		100%	
f. Actuarial assumptions				
Mortality Table (LIC)	<b>1994-96</b>	<b>1994-96</b>	1994-96	1994-96
Discount rate (per annum)	<b>8.00%</b>	<b>8.70%</b>	8.00%	8.70%
Expected rate of return on plan assets (per annum)	<b>8.00%</b>	<b>0.00%</b>	8.00%	0.00%
Rate of escalation in salary (per annum)	<b>5.00%</b>	<b>5.00%</b>	5.00%	5.00%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by an actuary.

**34.** Figures for the previous year have been regrouped wherever necessary to conform to this year's classification.

K RAMESH  
Director

K S RANGANATHAN  
Director

K S D SAMBASIVAM  
Director

KRISHNA MAHESH  
Joint Managing Director  
As per our Report Annexed  
for SUNDARAM & SRINIVASAN  
Chartered Accountants  
(FRN 004207 S)

Place : Chennai  
Date : May 29, 2013

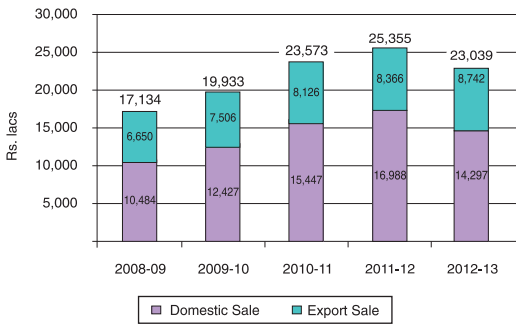
S RAMABADRAN  
Financial Controller &  
Secretary

P MENAKSHI SUNDARAM  
Partner  
Membership No.217914

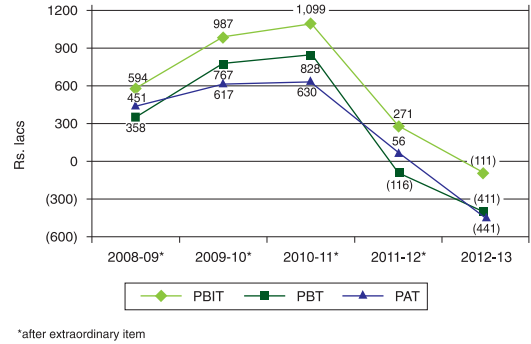




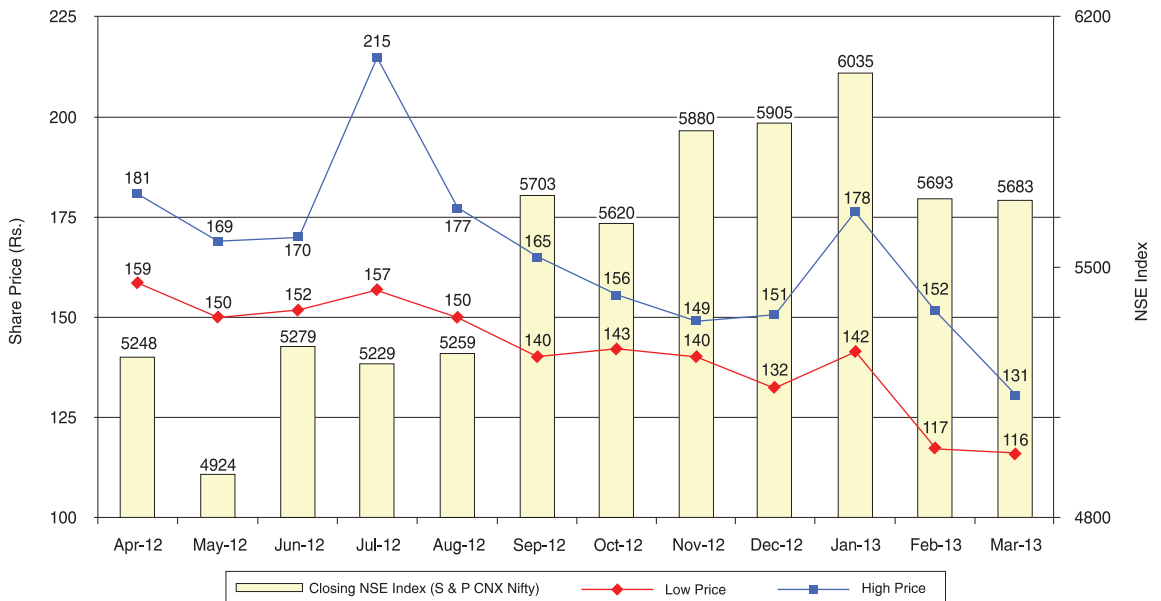
### Net Sales



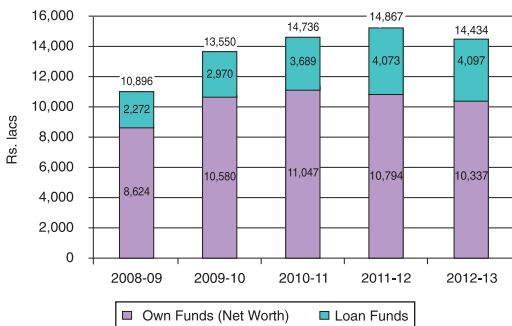
### Profit Trend



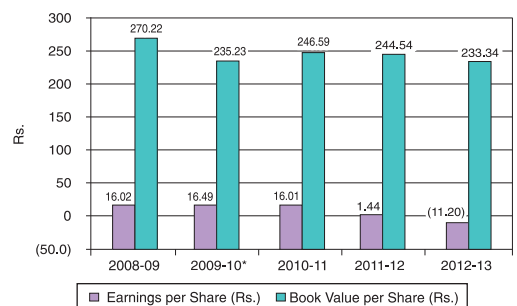
### Share Price Movement & NSE Index



### Capital Employed



### Earnings per share & Book Value



\*Adjusted for Rights Issue during 2009-10

