

# THIRTY EIGHTH ANNUAL REPORT 2012



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

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  
Chennai 600 018

**BOARD'S SUB-COMMITTEES****1. AUDIT COMMITTEE**

T Kannan  
P S Raman  
Ashok V Chowgule  
K S Ranganathan  
K S D Sambasivam

**COST AUDITORS**

Raman & Associates  
Cost Accountants  
Chennai 600 042

**REGISTERED OFFICE**

180 Anna Salai, Chennai 600 006

**2. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE**

P S Raman  
K Mahesh  
T Kannan  
K S D Sambasivam

**FACTORIES**

Padi, Chennai 600 050  
Phone Nos. 42205300, 42205407  
Fax No. 044 - 42205572  
E-Mail : sbl@tvssbl.com

TSK Puram - Plant I & II  
Mustakurichi Post  
Kamarajar District  
Pin code 626 106

Phone Nos. 04566 - 250290 to 250295

Plant 4 & 5 - Mahindra World City (SEZ)  
Natham Sub-Post, Chengalpet  
Kancheepuram District  
Pin code 603 002  
Phone No. 044 - 47490005

**CHIEF OPERATING OFFICER**

Krishna Mahesh

**SENIOR MANAGEMENT**

R Ramasubramanian - President  
G R Chandramouli - President (Marketing & Market Development)  
S Ramabadran - Financial Controller & Secretary and Compliance Officer

**SHARE DEPARTMENT**

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

**BANKERS**

State Bank of India  
Industrial Finance Branch  
Chennai 600 002

**WEBSITE:**

[www.tvsbrakelinings.com](http://www.tvsbrakelinings.com)

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## HIGHLIGHTS OF FIVE YEAR PERFORMANCE

Rs in lacs

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1 Sales & Other income	18,804	17,179	20,046	23,747	<b>25,638</b>
2 Export Sales	6,199	6,650	7,506	8,126	<b>8,366</b>
3 Profit before int, depn and Tax	2,719	1,843	2,336	2,431	<b>2,264</b>
4 Profit before extraordinary item & tax	1,862	1,025	1,523	1,528	<b>1,116</b>
5 Profit after tax	708	451	617	630	<b>56</b>
6 Net fixed assets	7,462	7,113	7,181	8,522	<b>8,803</b>
7 Share capital	271.35	271.35	393.46	393.46	<b>393.46</b>
8 Reserves & Surplus	6,737	7,061	8,862	9,309	<b>9,228</b>
9 Net worth	7,008	7,332	9,255	9,702	<b>9,622</b>
10 Return on Net Worth (RONW) - PAT/Networth	10.1%	6.2%	6.7%	6.5%	<b>0.6%</b>
11 Return on Avg. Capital Employed (ROCE)	11.5%	5.3%	8.1%	8.6%	<b>1.9%</b>
12 Cash earnings per share (Rs)	47.33	38.08	32.36 @	32.09	<b>20.81</b>
13 Earnings per share (Rs.)	26.08	16.63	16.49 @	16.01	<b>1.44</b>
14 Dividend per share (Rs)	6.00	4.00	4.00	4.00	<b>3.00</b>
15 Book value per share (Rs)	258.27	270.22	235.23 @	246.59	<b>244.54 *</b>
16 Sundry Debtors - No. of days	81	71	72	71	<b>67</b>
17 Turnover/Avg Inventory (Times)	17.6	16.0	18.7	19.3	<b>16.6</b>
18 Current Ratio	1.47	1.66	1.73	1.72	<b>1.49</b>
19 R & D Expenses - as % on Net Income	2.0%	1.5%	2.0%	1.3%	<b>1.4%</b>
20 Debt-Equity Ratio (Total debts / Networth)	0.48	0.31	0.32	0.38	<b>0.30</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 & 2011-12.

## NOTICE TO THE SHAREHOLDERS

**NOTICE** is hereby given that the Thirty Eighth Annual General Meeting of the Company will be held at SRI P OBUL REDDY HALL, Vani Mahal, No. 103, G N Chetty Road, T Nagar, Chennai - 600 017 on **Saturday the 28<sup>th</sup> July 2012, at 11.00 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 2012, the Profit & Loss Account for the year ended 31<sup>st</sup> March 2012, Cash Flow Statement for the year ended 31<sup>st</sup> March 2012 and the Report of the Directors and the Auditors of the Company, be and are hereby approved and adopted".

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

**"RESOLVED THAT** pursuant to the recommendation of the Directors, a dividend of Rs 3 per share absorbing a sum of Rs 137.19 lacs (including dividend distribution tax of Rs 19.15 lacs) be and is hereby declared on the 39,34,575 equity shares of Rs10 each fully paid-up for the year ended 31<sup>st</sup> March 2012 to those members whose names appear in the Register of Members on 28<sup>th</sup> July 2012".

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

**"RESOLVED THAT** Mr.P.S.Raman, Director, who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a Director of the Company".

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

**"RESOLVED THAT** Mr. Ashok V Chowgule , Director, who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a Director of the Company".

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

**"RESOLVED THAT** Mr.K.S.Ranganathan, Director, who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a Director of the Company".

6. 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

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

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**"RESOLVED THAT** pursuant to Section 314 (1) of the Companies Act, 1956 , the Company hereby accords its approval and consent for the appointment of Mr Krishna Mahesh, son of Mr K.Mahesh, Chairman & Managing Director of the Company, as Chief Operating Officer with effect from 01-09-2011 on a monthly salary of Rs 2,00,000/- and other benefits as approved by the Board of Directors in the meeting held on 01-09-2011".

(On behalf of the Board)

Chennai  
May 23, 2012  
Annexure: Explanatory Note

K MAHESH  
Chairman & Managing Director

**NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of himself. Such proxy need not be a member of the Company. The instrument of proxy duly stamped and executed for use at the meeting must be lodged at the Factory and Office of the Company at **PADI, CHENNAI - 600 050** not less than 48 hours before the time fixed for the meeting.
2. Information about the Directors seeking re-appointment/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 21<sup>st</sup> July 2012 to 28<sup>th</sup> July 2012 (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 38<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 in this meeting, nature of their expertise in specific functional areas, their other Directorships and committee memberships, their shareholdings and relationships with other Directors of the Company, are given below:

**Mr P S Raman**

Mr P S Raman, aged 52 years is a Commerce Graduate holding Bachelor Degree in Law from Madras University. He started his practice in law in 1984 at the Madras High Court under the late Mr V P Raman, former Advocate General of Tamil Nadu and Additional Solicitor General of India. Mr P S Raman has completed more than 28 years of practice in the Supreme Court, High Court and other judicial forum in various fields particularly in Constitutional law, Corporate Law, Contracts, Intellectual Property, Civil Law, Service Law and Indirect taxation. He is a Legal Advisor to several corporate bodies, banks, associations and prominent individuals. He is a Member of the Executive Committee of the Tamil Nadu Cricket Association as well as the Madras Management Association.

He is a member of the Audit Committee of Directors of the Company. He holds 169 equity shares in the Company and he is not related to any other Director of the Company.

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

## SUNDARAM BRAKE LININGS LIMITED

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### Mr Ashok V Chowgule

Mr Ashok V Chowgule, aged 64 years, is a Graduate in Economics and Statistics from Bristol University in England and has studied business in Case Western Reserve University in Cleveland, USA. He joined Chowgule Group of Companies with responsibilities for Finance and Administration and was the Managing Director of Narmada Cement Company Limited. He was in charge of the ship building activity of Chowgule Group that had interest in Mineral Processing, Shipping, Ship Building, Industrial Salt, Auto Agencies, Construction Materials, Industrial Explosives, Industrial Oxygen, etc. He is actively associated with various social, educational and charitable institutions.

Directorship	Committee Membership
<b>As Chairman:</b> <ul style="list-style-type: none"><li>* Chowgule Industries Private Limited</li><li>* Keltech Energies Limited</li></ul>	Share Transfer Committee
<b>As Executive Director</b> <ul style="list-style-type: none"><li>* Chowgule &amp; Company Private Limited</li></ul>	Audit Committee
<b>As Director :</b> <ul style="list-style-type: none"><li>* Chowgule Ports &amp; Infrastructure Private Ltd</li><li>* Cartybon Private Limited</li><li>* Chowgule Ship Building Private Limited</li><li>* Dolphin Extrusions Private Limited</li><li>* Dolphin Ore Extraction Private Ltd</li><li>* Dolphin Mining Services Private Ltd</li><li>* Minas e Minerais de-Goa Private Limited</li><li>* Ghatge Patil Industries Limited</li><li>* Lavgan Terminals Private Limited</li><li>* Chowgule Mining Private Limited</li></ul>	

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

### Mr K S Ranganathan

Mr K S Ranganathan, aged 74 years, had a banking career for a period of 25 years with State Bank of India and retired as Deputy General Manager of SBI in the year 1986. He was the Managing Director of India Equipment Leasing Limited promoted by Sundaram Finance Limited, State Bank of India and International Finance Corporation, Washington DC (subsidiary of World Bank).

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

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



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## ANNEXURE

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

#### Item No. 7

Mr Krishna Mahesh, son of Mr K Mahesh, Chairman & Managing Director of the Company was appointed by the Board of Directors in their meeting held on 01-09-2011 as Chief Operating Officer effective 01-09-2011 subject to the approval of the shareholders by a special resolution.

Mr Krishna Mahesh, aged 38 years, is MS(Mechanical Engineering) from Stanford University, Stanford, CA and MBA from Harvard Business School.

He was with McKinsey for three years from 1998 to 2001 and had hands on experience in lean manufacturing techniques. He had an intensive training from 2001 to 2003 in Toyota Production System( TPS) in M/S Toyota Motor Manufacturing, North America, USA. He held the position of Executive Director in Sundaram Brake Linings Limited from 2005 to 2009.

The Board of Directors while appointing him as Chief Operating Officer effective 01-09-2011, fixed the following remuneration:

1. Consolidated Monthly Salary:- Rs 2,00,000 /-.
2. Company's contribution to Provident Fund - 12% of the above salary.
3. Company Maintained car and Telephone facility at residence.
4. Other normal perquisites as applicable to senior officers of the company.

The above stated remuneration is within the maximum permissible limit as notified by Ministry of Corporate Affairs, vide notification GSR 303(E) dated 6th April 2011, titled Director's Relatives (office or place of profit) Amendment Rules, 2011.

Mr Krishna Mahesh holds 1,11,913 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 Chief Operating Officer 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 23, 2012

K MAHESH  
Chairman & Managing Director

# SUNDARAM BRAKE LININGS LIMITED

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Thirty Eighth Annual Report of the Company together with the audited accounts for the year ended 31<sup>st</sup> March 2012.

### FINANCIAL RESULTS

	Year ended 31.03.2012	Year ended 31.03.2011
		(Rs. in lacs)
<b>Revenue from Operations</b>	<b>25,570.82</b>	<b>23,751.50</b>
Profit before interest, depreciation and tax	2,264.44	2,431.27
Less: Interest	386.39	270.59
Profit before depreciation and tax	1,885.33	2,160.68
Less: Depreciation	762.50	632.57
Profit before tax & extraordinary items	1,115.55	1,528.11
Add: Extraordinary income - Compensation received under a settlement from a supplier	(168.77)	-
Less: Extraordinary item - Amount paid to a bank	1,400.00	700.00
Profit before tax	(115.68)	828.11
Less: Provision for taxation		
- Current Tax	(0.25)	(178.00)
- Deferred Tax Liability (net)	-	(20.00)
- Deferred Tax Asset (net)	172.39	-
Profit after tax	56.46	630.11
Add: Surplus/(Deficit) brought forward	650.91	666.72
<b>Total available for appropriation</b>	<b>707.37</b>	<b>1,296.83</b>
<b>APPROPRIATIONS</b>		
General Reserve - I	5.65	63.01
General Reserve - II	-	400.00
Dividend for the year	118.04	157.38
Tax on Dividend	19.15	25.53
Surplus carried over	564.54	650.91
Total	707.37	1,296.83

It may be noted that in view of the charge of the final amount of extraordinary expenditure to the Statement of Profit & Loss, the profit for the year is Rs. 56.46 lacs. However, Your Directors recommend a dividend of Rs. 3/- per share (30%) for the year 2011-12 out of the balance available in Surplus. Accordingly the dividend of

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Rs. 3/- per share for 39,34,575 equity shares of Rs.10 each fully paid up, (as compared to a dividend of Rs. 4/- per share for the previous year) will absorb a sum of Rs. 118.04 lacs excluding a dividend distribution tax of Rs. 19.15 lacs together with cess & surcharge thereon payable by the Company.

## **FINANCIAL STATEMENTS AS PER REVISED SCHEDULE VI**

The Financial Statements and Accounts for 2011-12 have been prepared and presented as per the revised Schedule VI to the Companies Act, 1956 stipulated by Ministry of Corporate Affairs and the figures relating to the previous Financial Year 2010-11 have been restated to conform to the amended Schedule VI requirements.

## **OPERATIONS**

As could be seen from the attached accounts, the net sales for the year were higher at Rs. 255.71 crores as against Rs. 237.52 crores in the previous year. The domestic market witnessed the increase in the sales due to better off-take in commercial vehicle sector. Consequently the domestic turnover in 2011-12 was Rs. 169.88 crores as compared to Rs. 154.47 crores in 2010-11. There was marginal increase in exports, to Rs. 83.66 crores in 2011-12 against Rs. 81.26 crores in 2010-11.

## **EXPORTS**

Your company continued its thrust in the export market segment. Your Company could achieve a growth of 3% in export turnover as compared to the export turnover of the previous year. 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.

## **R&D RECOGNITION**

Your Company's R&D Centre located in Padi, Chennai, continues to enjoy the status of Recognised R&D Unit by Department of Scientific & Industrial Research, Ministry of Science & Technology, Government of India, New Delhi and the recognition is valid till 31-03-2015.

## **EXTRA-ORDINARY EXPENDITURE**

As reported in earlier publications and Annual Accounts, the Company had entered into the arrangements for settlement of disputes arising out of certain derivative transactions entered into on behalf of the Company with some banks. The settlements were subject to fulfilment of payment obligations arising on the Company for specified years which have now been fully met by the Company. With the discharge of all obligations in accordance with the settlement agreement, there is no further liability on this account. As per the practice followed in the past, the final amounts amounting to Rs.14 crores has been included in Extra-ordinary Expenditure .

With Your valuable support, Your Company has fully come out of the extraordinary crisis that had arisen in 2006-07 on account of Unauthorized derivative transactions and can now look forward to better times ahead.

## **PUBLIC DEPOSITS**

Your Company does not hold any deposit from the Public.

## **DIRECTORS**

Mr P S Raman, Mr Ashok V Chowgule and Mr K S Ranganathan, 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 SEC 217 ( 2A ) OF THE COMPANIES ACT, 1956**

None of the employees was in receipt of annual / monthly remuneration of Rs. 60 lacs / Rs. 5 lacs 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 profit of the Company for that period;
- (c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- (d) that the appended annual accounts for the year ended 31<sup>st</sup> March 2012 are on a going concern basis.

## **STATUTORY AUDITORS**

The Auditors, M/s Sundaram & Srinivasan, Chartered Accountants, Chennai, retire at the Thirty Eighth 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.

## **COST AUDITORS**

Pursuant to the notification dated 24-01-2012 of Cost Audit Branch of Ministry of Corporate Affairs , stipulating auditing of Cost Accounting Records by a Cost Accountant or a firm of Cost Accountants as mandatory from 1st April 2012, the Board of Directors in their meeting held on 23-05-2012, have appointed M/S Raman & Associates, Cost Accountants as Cost Auditors for the Financial Year 2012-13. The Cost Audit is applicable to certain product groups being manufactured by the Company.

## **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.

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## **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 wholesalers both in India and worldwide for the significant support given by them.

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

(On behalf of the Board)

Chennai  
May 23, 2012

K MAHESH  
Chairman & Managing Director

## ANNEXURE I TO DIRECTORS' REPORT

Information as required under Section 217 (1) (e) of the Companies Act, 1956

### A. CONSERVATION OF ENERGY

- a) Energy conservation measures taken during 2011-12:
  - i) Installation of Energy- efficient Air conditioners
  - ii) Replacement of CFL lamps by Sodium Vapour & Mercury Vapour lamps
- b) Additional investments and proposals, if any, implemented for reduction of consumption of energy:  
Plan to conduct more energy audits to identify areas of energy conservation 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 to some extent.

### B. TECHNOLOGY ABSORPTION

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

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

##### Asbestos free Friction material for Automotive Applications

- A. Developed and started supply of Linings for Heavy/Medium & Multi Utility Vehicles for Domestic OE manufacturers.
- B. Obtained approval for Linings in accordance with European Commission for Economy Regulation 90 (ECE R90 Regulation)

#### (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. Raw material savings due to quality up-gradation and yield improvement.
3. Improved OEM business and overall total sales turnover.

#### (3) Future plan of action

1. Indigenization of raw materials.
2. Alternate source development for critical raw materials.
3. Development of Disc Pads for Passenger Vehicle & Sports Utility Vehicle applications.
4. Development of Passenger Vehicle Linings for Export and Domestic Markets.

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

- |  |                 |
|--|-----------------|
| a. Capital                                   | Rs. 72.74 lacs  |
| b. Recurring                                 | Rs. 276.79 lacs |
| c. Total                                     | Rs. 349.53 lacs |
| d. Total R&D expenses as % of total turnover | 1.4%            |

#### Technology absorption, adaptation and innovation:

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

- a. Use of test equipment to develop Asbestos-free products for certain overseas markets and other emerging new markets.

- 
- b. Exposure to advanced methodology for problem solving in product and process development.
  - c. Continuous use of Failure Mode and Effect Analysis (FMEA) and Finite Element Analysis (FEA) for problem solving and product development continuously.

## 2. Benefits derived as a result of the above efforts

- a. Quality upgradation and optimal use of raw materials leading to substantial savings.
- b. Development of products for Export and Domestic Markets.
- 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 2012-13.

### 2) Total Foreign Exchange earned and used :

- |   |                          |
|---|--------------------------|
| a) Foreign Exchange earned                  | Rs. 8,512.09 lacs        |
| b) Foreign Exchange used                    | Rs. 2,972.70 lacs        |
| <b>c) Net Foreign Exchange earned (a-b)</b> | <b>Rs. 5,539.39 lacs</b> |

(On behalf of the Board)

Chennai  
May 23, 2012

K MAHESH  
Chairman & 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 31<sup>st</sup> March 2012, 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 2012.

K MAHESH  
Chairman & Managing Director

S RAMABADRAN  
Financial Controller & Secretary

Chennai  
May 23, 2012

**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 Wholetime Director of the Promoter Company and is the Chairman and Managing Director of Sundaram Brake Linings Limited out of the total strength of seven Directors. The remaining five Directors are Non-Executive Independent Directors.

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

During the year 2011-12, the Board of Directors met five times on 9<sup>th</sup> May 2011, 27<sup>th</sup> July 2011, 1<sup>st</sup> September 2011, 31<sup>st</sup> October 2011 and 9<sup>th</sup> February 2012. The time gap between any two meetings did not exceed four months. The last Annual General Meeting was held on 27<sup>th</sup> July 2011.

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 27 <sup>th</sup> July 2011	Other Directorships	Committee Memberships	Committee Chairmanships
K Mahesh	E	5	Yes	6	1	Nil
K Ramesh	NE	-	No	6	Nil	Nil
T Kannan	NE-I	4	Yes	8	3	Nil
P S Raman	NE-I	1	No	1	-	Nil
Ashok V Chowgule	NE-I	4	Yes	13	2	Nil
K S Ranganathan	NE-I	4	No	Nil	Nil	Nil
K S D Sambasivam	NE-I	5	Yes	1	Nil	Nil

**E** : Executive Director ;

**NE** : Non Executive ;

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

**3 AUDIT COMMITTEE:**

During the year 2011-12, the Audit Committee of Directors met four times as per Listing Agreement requirement on, 9<sup>th</sup> May 2011, 27<sup>th</sup> July 2011, 31<sup>st</sup> October 2011 and 9<sup>th</sup> February 2012.



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. All other Directors are paid sitting fees for the Board/Committee meetings attended. The Company has not provided for or paid managerial remuneration due to inadequacy of profits for the year. The following sitting fees were paid to Directors:

Sl. No.	Name of the Director	Sitting Fees paid (Rs.)
1	Mr K Mahesh	45,000/-
2	Mr K Ramesh	–
3	Mr T Kannan	60,000/-
4	Mr P S Raman	15,000/-
5	Mr Ashok V Chowgule	40,000/-
6	Mr K.S.Ranganathan	35,000/-
7	Mr K S D Sambasivam	45,000/-

#### 5 INVESTORS' GRIEVANCE COMMITTEE:

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

Mr S Ramabadrnan, 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 2011-12 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	–

All the complaints received during the year were attended to the satisfaction of the concerned investors. No investor complaint was pending on 31<sup>st</sup> March 2012. There were no certificates pending for dematerialisation on that date.

**6 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
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
35 <sup>th</sup>	2008-09	Rani Seethai Hall, 603, Anna Salai, Chennai - 600 006	12-08-2009	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 Eighth Annual General Meeting of the Company, Mr P S Raman, Mr Ashok V Chowgule and Mr K S Ranganathan, Directors, retire by rotation and being eligible, offer themselves for re-appointment.

The brief resumes of Mr P S Raman, Mr Ashok V Chowgule and Mr K S Ranganathan and other information have been detailed in the notice convening the Annual General Meeting of the Company.

**7 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.

**8 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.

**9 GENERAL INFORMATION TO SHAREHOLDERS:**

(a)	<p><b>38<sup>th</sup> Annual General Meeting</b></p> <ul style="list-style-type: none"> <li>- Date and Time</li> <li>- Venue</li> </ul>	<p>28<sup>th</sup> July 2012 at 11.00 a.m.                      "Sri P Obul Reddy Hall",                      Vani Mahal,                      No. 103, G N Chetty Road,                      T Nagar                      Chennai 600 017</p>
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<p><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 2012  - Unaudited financial results for the second quarter ending 30<sup>th</sup> September 2012  - Unaudited financial results for the third quarter ending 31<sup>st</sup> December 2012  - Audited financial results for the year ending 31<sup>st</sup> March 2013</p> <p><b>(c) Book Closure period :</b></p> <p><b>(d) Dividend payment date:</b>  - Dividend</p> <p><b>(e) a. Listing of Equity Shares &amp; Stock Code :</b></p> <p>b. Demat ISIN Numbers in NSDL &amp; CDSL</p>	<p>Before 30<sup>th</sup> September 2013</p> <p>Any day before 14<sup>th</sup> August 2012</p> <p>Any day before 14<sup>th</sup> November 2012</p> <p>Any day before 14<sup>th</sup> February 2013</p> <p>Any day before 30<sup>th</sup> May 2013</p> <p>21.07.2012 to 28.07.2012</p> <p>Will be paid within the due date after shareholders' approval at 38<sup>th</sup> AGM</p> <p>1. Madras Stock Exchange Limited Code : SAB</p> <p>2. National Stock Exchange Code : SUNDRMBRAK EQ</p> <p>3. Bombay Stock Exchange Scrip Code : 590072 (Permitted Security)</p> <p>Equity Shares : INE 073D01013</p>
Listing fee has been paid to MSE & NSE for the year 2012-13	

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

Rs.

Month	Madras Stock Exchange *		National Stock Exchange	
	High	Low	High	Low
April '11	–	–	174.00	169.15
May	–	–	160.00	150.20
June	–	–	154.40	149.10
July	–	–	173.60	164.00
August	–	–	161.00	151.15
September	–	–	153.70	145.35
October	–	–	157.00	150.05
November	–	–	159.00	151.10
December	–	–	149.40	147.40
January '12	–	–	170.00	166.00
February	–	–	171.90	168.10
March	–	–	164.00	156.90

\* No trading was reported during the year

## SUNDARAM BRAKE LININGS LIMITED

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 also 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 2012:

No. of shares held	No. of share-holders	% of shareholders	No. of shares held	% of share-holding
Upto 500	7,266	94.38	6,69,041	17.00
501 - 1000	245	3.18	1,76,550	4.49
1001 - 2000	101	1.31	1,41,807	3.60
2001 - 3000	29	0.38	75,236	1.91
3001 - 4000	9	0.12	32,687	0.83
4001 - 5000	7	0.09	32,051	0.82
5001 - 10000	21	0.27	1,60,831	4.09
10001 & above	21	0.27	26,46,372	67.26
Total	7,699	100.00	39,34,575	100.00

### (j) Distribution of shareholding as on 31<sup>st</sup> March 2012:

Shareholder	No. of shares held	% of total shares held
Promoter companies	16,80,873	42.72
Directors & relatives	8,62,108	21.91
Mutual Funds	110	0.00
Banks	50	0.00
Insurance companies	22,184	0.56
Body corporates	1,02,209	2.60
Non-Resident Indians	9,959	0.25
Clearing Member	4,230	0.11
Public-Resident individuals	12,52,852	31.85
Total	39,34,575	100.00

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**(k) Dematerialisation and Liquidity:**

Out of equity shares held by persons other than Promoters, 11,91,299 equity shares have been dematerialised as on 31<sup>st</sup> March 2012 accounting for 30.3 % of the total number of shares of 39,34,575. 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.

In accordance with the SEBI Circular SEBI/Cir/ISD/3 2011 dated June 17, 2011, the entire shareholding of promoters' and promoter group of 25,41,841 shares are held in dematerialized form.

**(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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**(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 : yesbalu@iepindia.com sureshbabu@iepindia.com corpserv@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 Executive 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 2004, 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:

Financial Year	Dividend Reference - %	Date of Declaration of Dividend	Due for transfer on
2004-05	31 <sup>st</sup> AGM II Interim - 50 %	14 <sup>th</sup> May 2005	19 <sup>th</sup> June 2012
2005-06	32 <sup>nd</sup> AGM I Interim - 50 % II Interim - 50 %	25 <sup>th</sup> January 2006 4 <sup>th</sup> May 2006	2 <sup>nd</sup> March 2013 9 <sup>th</sup> June 2013
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

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<b>Financial Year</b>	<b>Dividend Reference - %</b>	<b>Date of Declaration of Dividend</b>	<b>Due for transfer on</b>
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> February 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

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 2012 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 2012, no investor grievances are pending against the Company as on 23-05-2012 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 23, 2012

M PADHMANABHAN  
Partner  
(Membership No.13291)



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## MANAGEMENT DISCUSSION AND ANALYSIS REPORT - 2012

### Industry and Company Trend :

Automobile Industry annual production volumes were 202.37 lacs units for the year 2011-12 as compared to 179.16 lacs units for the year 2010-11 indicating a growth of 13 % in volumes.

Automobile Industry annual sales volumes were at 201.31 lacs units for year 2011-12 as compared to 178.52 lacs units for the year 2010-11 indicating an overall growth of 13%.

The above growth was possible due to good production & sales volumes in Commercial Vehicles, Light Commercial Vehicles and Two Wheeler segments.

During the year 2011-12 the Heavy commercial segment saw marginal growth of 3% in vehicle sales and a production increase of 10% as compared to year 2010-11 and the Light Commercial segment had a substantial sales increase of 28 % and production increase of 31% .

Passenger car segment had a marginal growth of 2% in sales & production. Two wheeler segments showed significant increase in both sales & production volumes by 15% over 2010-11.

Following are the Auto-Industry Production & Sales data in vehicle units (in lacs / nos.)

Vehicle Category	Vehicle Production		Growth	Vehicle sales		Growth
	2010-11	2011-12	%	2010-11	2011-12	%
M & HCV	3.45	3.78	10%	3.52	3.61	3%
LCV	4.09	5.37	31%	4.01	5.12	28%
Passenger	29.87	30.58	2%	29.74	30.36	2%
Three-Wheeler	7.99	8.84	11%	7.96	8.87	11%
Two-Wheeler	133.76	153.80	15%	133.29	153.32	15%
Total	179.16	202.37	13%	178.52	201.31	13%

Source: ACMA

The Automobile Sector for the year 2011-12 had exports registering a growth of 25% with passenger vehicles up by 10%, two wheeler segment up by 27%, decline in heavy commercial vehicle exports by 6% and light commercial vehicles exports registering a significant increase of 36%.

Your Company showed significant growth during the year 2011-12 in the domestic OE segment with 13% increase in sales and aftermarket sales grew marginally by 2%, and exports grew by 3% as compared to year 2010-11. The company's overall sales was up by 7.6% for the year 2011-12.

Your Company also introduced a wider range of Disc pads for Passenger car market in the aftermarket 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 is looking at opportunity to become an OE supplier 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 2012-13.

### **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 2012 in all the Plants was 1,619.

### **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 counter measures are taken for complying with the system.

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**Financial and Operational performance:**

Rs. in lacs

<b>Particulars</b>	<b>Year 2011-12</b>	<b>Year 2010-11</b>
Revenue from Operations	<b>25,570.82</b>	23,746.71
Other Income	<b>67.35</b>	134.00
<b>TOTAL INCOME</b>	<b>25,638.17</b>	23,885.50
Cost of materials consumed	<b>13,179.28</b>	12,327.83
Changes in Inventories of finished goods & work-in-progress	<b>(185.35)</b>	(7.12)
Employee benefit expenses	<b>3,337.58</b>	2,800.23
Finance cost	<b>386.39</b>	270.59
Depreciation and amortization expense	<b>762.50</b>	632.57
Other expenses	<b>7,042.22</b>	2,391.97
Total expenditure	<b>24,522.62</b>	22,218.60
Profit before tax & before extraordinary item	<b>1,115.55</b>	1,528.11
Extraordinary items (net)	<b>1,231.23</b>	700.00
Profit before tax after extraordinary item	<b>(115.68)</b>	828.11
Tax expense		
Current Tax	<b>(0.25)</b>	(178.00)
Deferred Tax Liability	<b>-</b>	(20.00)
Deferred Tax asset	<b>172.39</b>	-
Profit / (Loss) for the period	<b>56.46</b>	630.11

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.

## **AUDITORS' REPORT**

To

THE MEMBERS OF SUNDARAM BRAKE LININGS LIMITED

We have audited the Balance Sheet of M/s Sundaram Brake Linings Limited as at 31<sup>st</sup> March 2012, the Profit & Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- (a) As required by the Companies (Auditors' Report) Order 2003, issued by the Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and as amended, we enclose in the annexure a statement on the matters specified in paragraphs (4) and (5) of the said Order, to the extent applicable to the Company.
- (b) Further to our comments in the annexure referred to in paragraph (a) above, we report that :
- 1 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.
  - 2 In our opinion, proper books of accounts as required by law have been kept by the Company, so far as appears from our examination of those books.
  - 3 The Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - 4 In our opinion, the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - 5 On the basis of written representations received from the Directors, and taken on record by the Board of Directors, none of the Directors is disqualified as at 31<sup>st</sup> March 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act 1956.
  - 6 In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required, give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2012;
    - (ii) in the case of the Profit & Loss Account, of the Profit of the Company for the year ended on that date; and
    - (iii) in the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For SUNDARAM & SRINIVASAN  
Chartered Accountants (FRN 004207 S)

M PADHMANABHAN  
Partner  
(Membership No.13291)

Chennai  
May 23, 2012

**ANNEXURE TO AUDITORS' REPORT REFERRED TO IN PARAGRAPH (a) OF 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 program of verification, which in our opinion provides for physical verification of all the 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 of 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 account.
- 4 The Company has not granted / taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- 5 In our opinion and according to the information and explanations given to us there is adequate Internal Control System commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the 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.

In our opinion and according to the information and explanations given to us, in respect of the deposits accepted by the Company from public, the Company has complied with the directives issued by the

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## SUNDARAM BRAKE LININGS LIMITED

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Reserve Bank of India and the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Rules framed there under, wherever applicable.

- 7 In our opinion, the Company has an Internal Audit System 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 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-Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess 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	2008-09	Appeal proposed to be made to Income Tax Appellate Tribunal	38.45
2	2009-10	Appeal made to Commissioner of Income Tax (Appeals)-pending	130.88

- 10 The Company does not have any accumulated losses and has not incurred cash losses in the current financial year and in the immediate preceding financial year.
- 11 Based on our audit procedures and the information and explanations given to us, we are of the opinion that the Company has not defaulted in the repayment of dues to banks or financial institutions.
- 12 The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13 The Company has not given any guarantee for loans taken by others from banks or financial institutions
- 14 To the best of our knowledge and belief and according to the information and the 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 the 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.

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- 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 (FRN 004207 S)

M PADHMANABHAN  
Partner  
(Membership No.13291)

Chennai  
May 23, 2012

# SUNDARAM BRAKE LININGS LIMITED

## BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2012

	Note No.	As at		Rs. in lacs
		31.03.2012		As at 31.03.2011
<b>(I) EQUITY AND LIABILITIES:</b>				
1. Shareholders' Funds				
a) Share Capital	2	393.46	393.46	
b) Reserves and Surplus	3	9,228.15	9,308.88	
c) Money received against Share Warrants		—	—	
		<b>9,621.61</b>		9,702.33
2. Share Application Money Pending Allotment		—	—	—
3. Non-current Liabilities				
a) Long-Term Borrowings	4	1,075.59	1,040.95	
b) Deferred Tax Liabilities (Net)	5	1,172.37	1,344.76	
c) Other Long Term Liabilities		—	—	
d) Long Term Provisions	6	62.34	50.76	
		<b>2,310.30</b>		2,436.47
4. Current Liabilities				
a) Short-term Borrowings	7	2,714.91	2,331.79	
b) Trade Payables	8	1,922.35	1,681.05	
c) Other Current Liabilities	9	361.09	367.58	
d) Short-term Provisions	10	725.04	1,029.51	
		<b>5,723.39</b>		5,409.93
<b>TOTAL</b>		<b>17,655.30</b>		<b>17,548.73</b>
<b>(II) ASSETS</b>				
1. Non-current Assets				
a) Fixed Assets	11			
(i) Tangible Assets		8,798.44	8,522.14	
(ii) Intangible Assets		—	—	
(iii) Capital Work-in-progress		4.80	—	
(iv) Intangible Assets under development		—	—	
		<b>8,803.24</b>		8,522.14
b) Non-Current Investments	12	0.01	52.51	
c) Deferred Tax Assets (Net)		—	—	
d) Long-term Loans & Advances	13	295.41	349.37	
e) Other Non-Current Assets	14	8.09	31.01	
		<b>303.51</b>		432.88
2. Current Assets				
a) Current Investments	15	52.50	—	
b) Inventories	16	1,785.44	1,303.16	
c) Trade Receivables	17	5,223.53	4,838.63	
d) Cash and Cash Equivalents	18	936.33	1,238.73	
e) Short term loans and advances	19	550.75	1,213.19	
f) Other Current Assets		—	—	
		<b>8,548.55</b>		8,593.71
<b>TOTAL</b>		<b>17,655.30</b>		<b>17,548.73</b>
<b>Significant Accounting Policies</b>	1			
See Accompanying Notes to the Financial Statements				

K MAHESH  
Chairman & Managing Director

ASHOK V CHOWGULE  
Director

K S D SAMBASIVAM  
Director

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

Place : Chennai  
Date : May 23, 2012

S RAMABADRAN  
Financial Controller &  
Secretary

M PADHMANABHAN  
Partner  
Membership No.13291



## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2012

	Note No.	For the Year ended 31.03.2012	Rs. in lacs For the Year ended 31.03.2011
I. Revenue from Operations	20	25,570.82	23,751.50
II. Other Income	21	67.35	134.00
III. <b>Total Revenue</b>		<u>25,638.17</u>	<u>23,885.50</u>
IV. <b>Expenses</b>			
Cost of materials consumed	22	13,179.28	12,327.83
Changes in inventories of finished goods & work-in-progress	23	(185.35)	(7.12)
Employee benefit expenses	24	3,337.58	2,800.23
Finance cost	25	386.39	270.59
Depreciation and amortisation expense	11	762.50	632.57
Other expenses	26	7,042.22	6,333.30
<b>Total expenses</b>		<u>24,522.62</u>	<u>22,357.39</u>
V. Profit before exceptional and extra-ordinary items and tax (III - IV)		1,115.55	1,528.11
VI. Exceptional items		-	-
VII. <b>Profit before extra-ordinary items and tax (V - VI)</b>		<u>1,115.55</u>	<u>1,528.11</u>
VIII. Extra-ordinary items (net)	27	1,231.23	700.00
IX. <b>Profit Before Tax (VII - VIII)</b>		<u>(115.68)</u>	<u>828.11</u>
X. Tax expense:			
- Current Tax		(0.25)	(178.00)
- Deferred Tax Liability (net)		-	(20.00)
- Deferred Tax Asset (net)		172.39	-
XI. <b>Profit / (Loss) for the period from continuing operations</b>		<u>56.46</u>	<u>630.11</u>
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>		56.46	630.11
XVI. Earnings per equity share - Basic and Diluted Rs. (Face Value Rs. 10)	28	1.44	16.01
<b>Significant Accounting Policies</b>	1		
See Accompanying Notes to the Financial Statements			

K MAHESH  
Chairman & Managing Director

ASHOK V CHOWGULE  
Director

K S D SAMBASIVAM  
Director

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

Place : Chennai  
Date : May 23, 2012

S RAMABADRAN  
Financial Controller &  
Secretary

M PADHMANABHAN  
Partner  
Membership No.13291

SUNDARAM BRAKE LININGS LIMITED

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012**

	For the year ended 31.03.2012	Rs. in lacs For the year ended 31.03.2011
<b>A Cash flow from Operating Activities:</b>		
Net Profit Before Tax	(115.68)	828.11
Add: Extraordinary items:		
Amounts paid to a bank	1,400.00	700.00
Amount received under a settlement from a supplier	(168.77)	0.00
Compensation paid to employees under Early Retirement Scheme	0.00	1.89
<b>Net Profit Before Tax and Extraordinary items</b>	<b>1,115.55</b>	<b>1,530.00</b>
Adjustments for :		
Interest (net)	319.87	137.44
Unrealised Foreign Exchange Loss/(Gain)	(73.25)	(77.28)
(Profit) / Loss on sale of assets (net)	6.34	(0.01)
Depreciation	762.50	632.57
<b>Operating Profit before Extra ordinary items &amp; Working Capital changes</b>	<b>2,131.02</b>	<b>2,222.71</b>
Amounts paid to a bank	(1,400.00)	(700.00)
Amount received under a settlement from a supplier	168.77	0.00
Compensation paid to employees under Early Retirement Scheme	0.00	(1.89)
Adjustments for :		
Trade & other receivables	(361.98)	(568.27)
Inventories	(482.28)	(163.70)
Loans & Advances	889.31	68.34
Trade Payables	(5.04)	(138.02)
<b>Cash generation from operations</b>	<b>939.79</b>	<b>719.17</b>
Income Tax (Paid) / Refund	(172.80)	(316.37)
<b>Net Cash from Operating Activities - "A"</b>	<b>766.99</b>	<b>402.80</b>
<b>B Cash flow from Investing Activities</b>		
Purchase of fixed assets	(1,053.80)	(2,069.38)
Capital Work-in-Progress	(4.80)	94.43
Interest Received	66.51	133.15
Sale / deletion of fixed assets	55.90	3.34
<b>Net Cash used in Investing Activities - "B"</b>	<b>(936.19)</b>	<b>(1,838.46)</b>

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

	For the year ended 31.03.2012	Rs. in lacs For the year ended 31.03.2011
<b>C Cash flow from Financing Activities</b>		
Proceeds from Rights Issue	-	-
Proceeds from / (reduction) in short term borrowings	383.12	305.87
Proceeds from long term borrowings	313.46	954.23
Repayment of long term borrowings	(316.35)	(541.14)
Interest paid	(386.39)	270.59
Dividend paid	(160.92)	(157.38)
Tax on Dividend paid	(25.53)	(26.75)
<b>Net cash used in Financing Activities - "C"</b>	<u>(192.61)</u>	<u>805.42</u>
<b>Net increase in Cash and Cash Equivalents - A+B+C</b>	<u>(361.80)</u>	<u>(630.24)</u>
Cash and Cash Equivalents as at the beginning	1,147.60	1,777.84
Cash and Cash Equivalents as at the end	<u>785.80</u>	<u>1,147.60</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		
1 Cash & Cash Equivalents as per Balance Sheet	936.33	1,238.73
Unrealised Foreign Exchange Loss/(Gain)	(73.25)	(77.28)
	<u>863.08</u>	<u>1,161.45</u>
Unrealised Foreign Exchange Loss/(Gain) as on 1st April	(77.28)	(13.85)
Cash & Cash Equivalents as per Cash Flow Statement	<u>785.80</u>	<u>1,147.60</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 MAHESH  
Chairman & Managing Director

ASHOK V CHOWGULE  
Director

K S D SAMBASIVAM  
Director

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

Place : Chennai  
Date : May 23, 2012

S RAMABADRAN  
Financial Controller &  
Secretary

M PADHMANABHAN  
Partner  
Membership No.13291

# SUNDARAM BRAKE LININGS LIMITED

## NOTES ON FINANCIAL STATEMENTS

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### 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 costs 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 31.03.2012	Rs. in lacs As at 31.03.2011
<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 31.03.2012		As at 31.03.2011	
	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

	As at 31.03.2012		As at 31.03.2011	
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

	As at 31.03.2012		As at 31.03.2011	
i) <b>General Reserve - I</b> As per last Balance Sheet	1,219.32		1,156.31	
Transferred from Surplus	5.65		63.01	
	1,224.97		1,219.32	
ii) <b>General Reserve - II</b> As per last Balance Sheet	5,738.19		5,338.19	
Transferred from Surplus	–		400.00	
	5,738.19		5,738.19	
iii) <b>Surplus from Statement of Profit And Loss</b> As per last Balance Sheet	650.91		666.72	
Profit for the year	56.46		630.11	
	707.37		1,296.83	
Transfer to General Reserve I	(5.65)		(63.01)	
Transfer to General Reserve II	0.00		(400.00)	
Proposed dividend	(118.04)		(157.38)	
Tax on dividend including surcharge and cess	(19.15)		(25.53)	
	564.54		650.91	
	7,527.69		7,608.42	
Total (i+ii+iii)	9,228.15		9,308.88	

## NOTES ON FINANCIAL STATEMENTS (Contd.)

	As at 31.03.2012	Rs. in lacs As at 31.03.2011
<b>4. LONG-TERM BORROWINGS</b>		
Secured Borrowings		
Term Loan from Banks		
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	<u>1,075.59</u>	<u>1,040.95</u>
	<u>1,075.59</u>	<u>1,040.95</u>
<b>5. DEFERRED TAX LIABILITIES (NET)</b>		
a) Deferred Tax Liability		
On account of depreciation	1,100.42	1,416.18
b) Deferred Tax Asset		
On account of employee benefits	<u>71.95</u>	<u>71.42</u>
	<u>1,172.37</u>	<u>1,344.76</u>
<b>6. LONG-TERM PROVISIONS</b>		
On account of employee benefits	<u>62.34</u>	<u>50.76</u>
	<u>62.34</u>	<u>50.76</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 the present and future assets	<u>2,714.91</u>	<u>2,331.79</u>
	<u>2,714.91</u>	<u>2,331.79</u>
<b>8. TRADE PAYABLES</b>		
Sundry creditors	<u>1,922.35</u>	<u>1,681.05</u>
	<u>1,922.35</u>	<u>1,681.05</u>
Included in Sundry Creditors is an amount of Rs. 67.95 lacs (PY - Rs. 26.43 lacs) due to micro enterprises and small enterprises (based on information available with the Company)		
a) Principal amount remaining unpaid	67.95	26.43
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	-	-

# SUNDARAM BRAKE LININGS LIMITED

## NOTES ON FINANCIAL STATEMENTS (Contd.)

	<b>As at 31.03.2012</b>	Rs. in lacs As at 31.03.2011
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 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 within 12 months	<b>282.36</b>	316.35
b) Advances from customers	<b>52.68</b>	25.58
c) Interest accrued but not due on loans	<b>5.45</b>	3.60
d) Unclaimed dividend	<b>20.60</b>	22.05
	<u><b>361.09</b></u>	<u>367.58</u>
<b>10. SHORT-TERM PROVISIONS</b>		
a) Provision for employee benefits	<b>37.00</b>	36.77
b) Provision for expenses	<b>550.85</b>	809.83
c) Provision for Dividend	<b>118.04</b>	157.38
d) Provision for Tax (including surcharge & cess) on dividend	<b>19.15</b>	25.53
	<u><b>725.04</b></u>	<u>1,029.51</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 31.03.2012	As at 31.03.2011
Land												
- Freehold	133.66	-	-	-	133.66	-	-	-	-	-	133.66	133.66
- Leasehold	322.94	-	-	-	322.94	16.40	3.26	-	19.66	19.66	303.28	306.54
Buildings	2,093.27	43.09	-	-	2,136.36	607.63	65.42	-	673.05	673.05	1,463.31	1,485.64
Plant & Equipment	12,054.71	989.50	-	10.30	13,033.91	5,607.97	646.25	9.79	6,244.43	6,244.43	6,789.48	6,446.74
Furniture & Fixtures	123.38	1.24	-	-	124.62	86.22	6.78	-	93.00	93.00	31.62	37.16
Office Equipments	109.49	7.31	-	-	116.80	57.05	5.40	-	62.45	62.45	54.35	52.44
Others - Computers	203.24	2.36	-	-	205.60	173.63	27.27	-	200.90	200.90	4.70	29.61
Vehicles	86.96	10.30	-	45.60	51.66	56.61	8.13	31.12	33.62	33.62	18.04	30.35
<b>Total</b>	<b>15,127.65</b>	<b>1,053.80</b>	<b>-</b>	<b>55.90</b>	<b>16,125.55</b>	<b>6,605.51</b>	<b>762.50</b>	<b>40.91</b>	<b>7,327.10</b>	<b>7,327.10</b>	<b>8,798.44</b>	<b>8,522.14</b>
Intangible asset - Licence Fees for Windows software application	21.02	-	-	-	21.02	21.02	-	-	21.02	21.02	-	-
Capital Work-in-Progress	-	4.80	-	-	4.80	-	-	-	-	-	4.80	-
Intangible assets under development	-	-	-	-	-	-	-	-	-	-	-	-
<b>Previous Year</b>	<b>13,082.63</b>	<b>2,069.38</b>	<b>-</b>	<b>3.34</b>	<b>15,148.67</b>	<b>5,996.16</b>	<b>632.57</b>	<b>2.20</b>	<b>6,626.53</b>	<b>6,626.53</b>	<b>-</b>	<b>-</b>

# SUNDARAM BRAKE LININGS LIMITED

## NOTES ON FINANCIAL STATEMENTS (Contd.)

	As at 31.03.2012	Rs. in lacs As at 31.03.2011
<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
b) 5,25,000 shares of Rs.10/- each fully paid up of M/s Arkay Energy (Rameswarm) Limited	—	52.50
	<u>0.01</u>	<u>52.51</u>
<b>13. LONG-TERM LOANS &amp; ADVANCES - UNSECURED</b>		
a) Capital Advances	84.55	65.80
b) Security Deposits	161.72	223.56
c) Loans & Advances to related parties	—	—
d) Other loans & advances		
i) Advances to employees	35.14	46.02
ii) Disputed Income Tax/Sales Tax paid	13.99	13.99
	<u>49.14</u>	<u>60.01</u>
	<u>295.41</u>	<u>349.37</u>
<b>14. OTHER NON-CURRENT ASSETS</b>		
Long Term Trade Receivables	8.09	31.01
	<u>8.09</u>	<u>31.01</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 (Rameswarm) Limited	52.50	—
	<u>52.50</u>	<u>—</u>
<b>16. INVENTORIES</b>		
a) Raw Materials:		
i) In stock	973.85	689.60
ii) In transit	19.93	48.39
b) Work-in-progress	148.41	226.66
c) Finished goods	373.58	109.98
d) Stores & spares	201.42	171.28
e) Loose tools	68.25	57.25
	<u>1,785.44</u>	<u>1,303.16</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	41.54	9.31

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

	As at 31.03.2012		Rs. in lacs As at 31.03.2011
<b>17. TRADE RECEIVABLES</b>			
(Unsecured, considered good)			
a) More than six months	1.75	3.99	
b) Others	<u>5,221.78</u>	<u>4,834.64</u>	
	<u><u>5,223.53</u></u>		<u><u>4,838.63</u></u>
<b>18. CASH AND CASH EQUIVALENTS</b>			
a) Balances with banks			
i) On Current Account with banks	209.42	209.12	
ii) On Deposit Accounts with banks with maturity less than three months from Balance Sheet Date	<u>700.00</u>	-	
	<u>909.42</u>		209.12
iii) Cash on Hand	<u>6.31</u>		<u>7.56</u>
	<u>915.73</u>		<u>216.68</u>
b) Other Balances			
i) Deposit with Banks with maturity more than three months but less than twelve months	-	1,000.00	
ii) Earmarked balances with banks - for unclaimed dividends	<u>20.60</u>	<u>22.05</u>	
	<u>20.60</u>		1,022.05
	<u><u>936.33</u></u>		<u><u>1,238.73</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	64.30	54.56	
ii) Balances with Central Excise	116.97	97.96	
iii) Cenvat Credit in VAT	15.08	11.34	
iv) Advance Income tax less provisions	260.10	87.20	
v) Advances for expenses	<u>94.30</u>	<u>962.13</u>	
	<u>550.75</u>		<u>1,213.19</u>
<b>20. REVENUE FROM OPERATIONS</b>			
a) Sale of Products	27,389.79		25,410.94
b) Other operating revenue			
i) Gain / (loss) on foreign currency transactions	170.89	138.79	
ii) Scrap Sales	<u>45.32</u>	<u>40.06</u>	
	<u>216.21</u>		<u>178.85</u>
	<u>27,606.00</u>		<u>25,589.79</u>
Less Excise Duty	<u>2,035.18</u>		<u>1,838.29</u>
	<u><u>25,570.82</u></u>		<u><u>23,751.50</u></u>

# SUNDARAM BRAKE LININGS LIMITED

## NOTES ON FINANCIAL STATEMENTS (Contd.)

	Year ended 31.03.2012	Rs. in lacs Year ended 31.03.2011
<b>21. OTHER INCOME</b>		
a) Interest Income	66.51	133.15
b) Other Non-Operating Revenue		
i) Profit/(loss) on sale of assets		0.01
ii) Rent	0.84	0.84
	<u>0.84</u>	<u>0.85</u>
	<u>67.35</u>	<u>134.00</u>
<b>22. COST OF MATERIALS CONSUMED - RAW MATERIALS &amp; COMPONENTS</b>		
Opening Stock : Raw materials & Components	689.60	471.16
Add: Purchase of Raw Materials & Components	<u>13,463.52</u>	<u>12,546.27</u>
	<u>14,153.12</u>	<u>13,017.43</u>
Less : Closing Stock -Raw materials & Components	<u>973.85</u>	<u>689.60</u>
	<u>13,179.28</u>	<u>12,327.83</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	226.66	144.18
ii) Finished goods	<u>109.98</u>	<u>185.34</u>
	<u>336.64</u>	329.52
b) Closing Stocks:		
i) Work in progress	148.41	226.66
ii) Finished goods	<u>373.58</u>	<u>109.98</u>
	<u>521.99</u>	336.64
Net (increase)/decrease	<u>(185.35)</u>	<u>(7.12)</u>
<b>24. EMPLOYEE BENEFIT EXPENSES</b>		
a) Salaries, wages, bonus	2,526.64	2,195.79
b) Contribution to Employee benefit funds:		
i) Provident Fund	109.01	87.76
ii) Gratuity Fund	93.77	-
iii) Other funds	21.43	20.13
c) Staff welfare expenses	<u>586.73</u>	<u>496.55</u>
	<u>3,337.58</u>	<u>2,800.23</u>
<b>25. FINANCE COST</b>		
a) Interest expense	386.39	270.59
b) Other borrowing cost	-	-
	<u>386.39</u>	<u>270.59</u>

## NOTES ON FINANCIAL STATEMENTS (Contd.)

	Year ended 31.03.2012	Rs. in lacs Year ended 31.03.2011
<b>26. OTHER EXPENSES</b>		
a) Stores consumed : Stores and spares		
i) Stores and Spares	457.67	415.46
ii) Loose Tools	<u>234.63</u>	<u>216.79</u>
	<b>692.30</b>	632.25
b) Power and Fuel	<b>3,173.00</b>	2,773.10
c) Rates & Taxes	<b>68.73</b>	76.93
d) Insurance	<b>48.88</b>	51.46
e) Repairs to Building	<b>121.15</b>	130.21
f) Repairs to Machinery	<b>223.47</b>	220.71
g) Other Repairs	<b>40.61</b>	46.25
h) Travelling expenses	<b>157.11</b>	168.01
i) Packing & Forwarding	<b>1,303.19</b>	1,231.08
j) Advertisement & Publicity	<b>57.77</b>	53.27
k) Managerial Remuneration & Sitting fee	<b>2.40</b>	45.70
l) Auditors' remunerations		
i) As auditors	<b>7.30</b>	6.07
ii) Tax Audit Fees	<b>0.56</b>	0.55
iii) Other services	<b>5.40</b>	4.66
iv) Reimbursement of expenses	<u>1.00</u>	<u>0.07</u>
	<b>14.26</b>	11.35
m) Postage & Telephones	<b>51.57</b>	47.45
n) Loss on sale of assets (net)	<b>6.34</b>	-
o) Research & Development expenses - refer Note no. 30 c (ii)	<b>276.79</b>	270.46
p) Commission on Sales	<b>351.14</b>	284.66
q) Miscellaneous expenses	<b>453.51</b>	290.41
	<u><b>7,042.22</b></u>	<u>6,333.30</u>
<b>27. EXTRAORDINARY EXPENDITURE (NET)</b>		
a) Compensation received under a settlement agreement with a supplier.	<b>(168.77)</b>	-
b) Final amounts paid to a Bank under a settlement agreement relating to some derivative transactions entered into on behalf of the Company.	<b>*1,400.00</b>	700.00
	<u><b>1,231.23</b></u>	<u>700.00</u>
* The Company has fulfilled all its obligations under the agreement signed with a bank for settlement of disputes arising out of certain derivative transactions entered into on behalf of the Company. The final amount has been charged off as shown above.		

# SUNDARAM BRAKE LININGS LIMITED

## NOTES ON FINANCIAL STATEMENTS (Contd.)

	Year ended 31.03.2012	Rs. in lacs Year ended 31.03.2011
<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	56.46	630.11
Number of Equity shares	3,934,575	3,934,575
Face value per share	Rs. 10	Rs. 10
Earnings per share (EPS)	Rs. 1.44	Rs. 16.01
<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	146.92
- Others	23.88	-
b) Income Tax / Sales Tax liability in appeal.	53.89	106.82
c) Liability towards Labour cases	7.86	6.66
d) Other Contingent Liabilities :		
i) Bank Guarantees for domestic sales	41.69	79.32
<b>30. OTHER INFORMATION</b>		
a) Imports on CIF basis:		
i) Raw Materials	2,776.54	1,859.76
ii) Components, Spare Parts etc.,	4.80	-
iii) Capital Goods	48.50	-
b) Expenditure in Foreign Currency :		
i) Royalty, Consultancy & Retainer Fee	38.45	36.99
ii) Others	104.41	124.06
c) Research & Development Expenditure on the in-house R&D facility approved by the Department of Scientific & Industrial Research, New Delhi		
i) Capital expenditure	72.72	69.26
ii) Revenue expenditure		
- Raw Material & Components consumed	24.01	7.86
- Salaries, Wages & Bonus	156.85	178.96
- Stores & Tools consumed	13.49	14.09
- Power cost	60.20	33.67
- Travelling expenses	1.09	3.65
- Product development expenses	18.63	23.31
- Other expenses	2.52	8.92
	<u>276.79</u>	<u>270.46</u>
	<u>349.51</u>	<u>339.72</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	112.54	0.9%	233.78	1.9%
Imported - Chemicals & Minerals	1,498.01	11.4%	1,429.35	11.6%
Total	1,610.55	12.2%	1,663.14	13.5%
Indigenous - Glass Fibres, Resins & Metals	5,584.47	42.4%	5,514.74	44.7%
Indigenous - Chemicals & Minerals	3,630.94	27.6%	2,991.49	24.3%
Indigenous - Components & others	742.77	5.6%	495.32	4.0%
	13,179.28	100.0%	12,327.83	100.0%
ii) Spares :				
Imported	5.65	2.8%	5.49	2.9%
Indigenous	193.33	97.2%	186.06	97.1%
	198.98	100.0%	191.55	100.0%
e) Earnings in Foreign Exchange :				
i) FOB value of goods exported		8,341.20		8,085.04
ii) Exchange fluctuation on Foreign Currency A/c (Net)		170.89		138.79

### 31. 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, Chief Operating Officer
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

# SUNDARAM BRAKE LININGS LIMITED

## NOTES ON FINANCIAL STATEMENTS (Contd.)

Rs. in Lacs

	Nature of transaction	Associates	Key Management Personnel	Relatives of Key Management Personnel	Enterprises in which Relatives of Key Management Personnel have significant interest
a.	Purchases	3.86 (2.31)			3,134.49 (3,897.30)
b.	Sales	2,135.03 (2,090.08)			
c.	Interest received				
d.	Services received		16.13 (43.95)		
e.	Rent received	0.72 (0.72)			0.12 (0.12)
f.	Trade Receivables	181.49 (244.93)			
g.	Creditors	4.38 (0.25)	– (43.50)		405.53 (645.23)

Figures in ( ) are for PY

### 32. PROPOSED DIVIDEND

The total dividend proposed by the Board of Directors subject to the approval of the shareholders is Rs. 118.04 lacs (PY-157.38) the rate of dividend is 30% (PY-40%) which works out to Rs. 3/- (PY-Rs. 4/-) per share.

### 33. 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:

	31.03.2012	Rs. lacs 31.03.2011
Employer's Contribution to Provident Fund	117.19	94.50
Employer's Contribution to Superannuation Fund	26.00	23.81
	<u>143.19</u>	<u>118.31</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.

#### 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.



NOTES ON FINANCIAL STATEMENTS (Contd.)

	As at / Year ended 31.03.2012		Rs. Lacs As at / Year ended 31.03.2011	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
<b>c) Reconciliation of opening and closing balances of Defined Benefit obligation</b>				
Defined Benefit obligation as at beginning of the year	366.94	87.53	357.17	76.25
Current Service cost	23.16	16.18	22.54	14.26
Interest cost	29.36	5.53	28.57	5.14
Actuarial (gain) / loss	84.64	26.86	(15.98)	15.95
Benefits paid	(50.41)	(36.77)	(25.37)	(24.07)
Defined Benefit obligation as at end of the year	453.69	99.34	366.94	87.53
<b>Reconciliation of opening and closing balances of fair value of plan assets</b>				
Fair value of plan assets at beginning of the year	407.18		388.04	
Expected return of plan assets	35.65		35.12	
Actuarial gain / (loss)	–		–	
Employer's contribution	91.44	36.77	–	24.07
Benefits paid	(50.41)	(36.77)	(15.98)	(24.07)
Fair value of plan assets at the end of the year	483.86		407.18	
<b>Reconciliation of fair value of assets and obligations</b>				
Fair value of plan assets as at the end of the year	483.86	–	407.18	–
Present value of obligation as at the end of the year	453.69	99.34	366.94	87.53
Amount not recognised / recognised in Balance Sheet	30.17	99.34	40.24	87.53
<b>Expenses recognised during the year</b>				
Current Service cost	23.16	16.18	22.54	14.26
Interest cost	29.36	5.53	28.57	5.14
Expected return on plan assets	(35.65)	–	(35.12)	–
Actuarial (gain) / loss	84.64	26.86	(25.37)	15.95
Net cost	101.51	48.57	(9.37)	35.35
Investment details	31.03.2012		31.03.2011	
LIC Group Gratuity (Cash Accumulation) Policy	100%		100%	

# SUNDARAM BRAKE LININGS LIMITED

## NOTES ON FINANCIAL STATEMENTS (Contd.)

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f. Actuarial assumptions

	1994-96	1994-96	1994-96	1994-96
Mortality Table (LIC)				
Discount rate (per annum)	8.00%	8.70%	8.00%	8.00%
Expected rate of return on plan assets (per annum)	8.00%	—	8.00%	—
Rate of escalation in salary (per annum)	5.00%	5.00%	1 - 3%	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. The Company has prepared the Financial Statements in accordance with the revised Schedule VI to the Companies Act, 1956 which was notified on 28-02-2011. Accordingly the figures for the previous year have been rearranged and reclassified so as to make them comparable with those of the current year.

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K MAHESH  
Chairman & Managing Director

ASHOK V CHOWGULE  
Director

K S D SAMBASIVAM  
Director

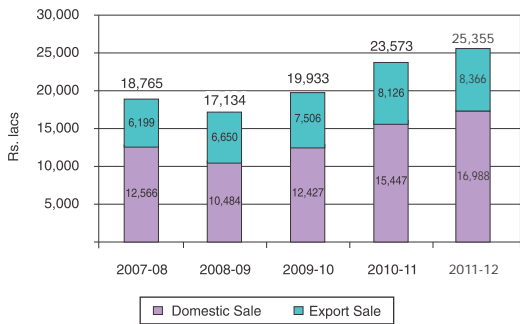
As per our Report Annexed  
for SUNDARAM & SRINIVASAN  
Chartered Accountants  
(FRN 004207 S)

Place : Chennai  
Date : May 23, 2012

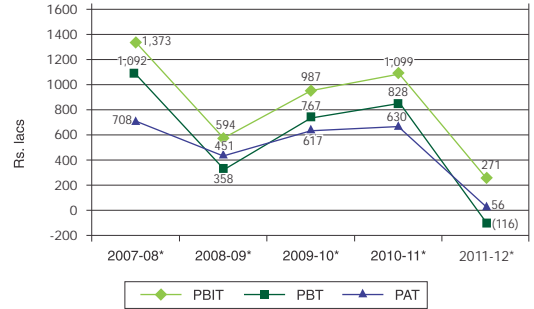
S RAMABADRAN  
Financial Controller &  
Secretary

M PADHMANABHAN  
Partner  
Membership No.13291

### Net Sales

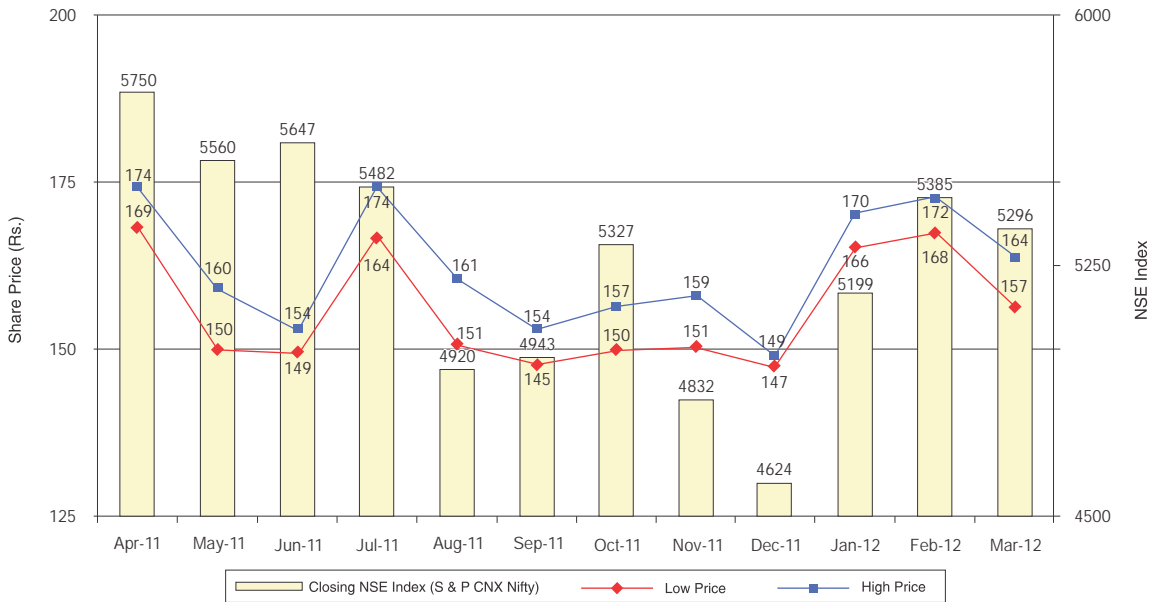


### Profit Trend

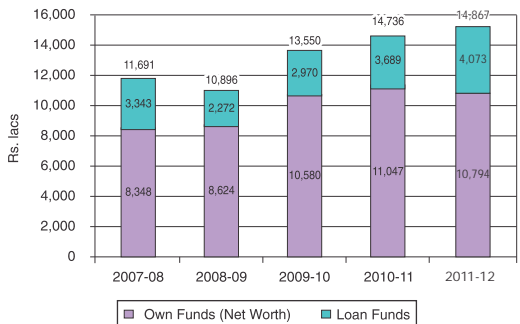


\*after extraordinary item

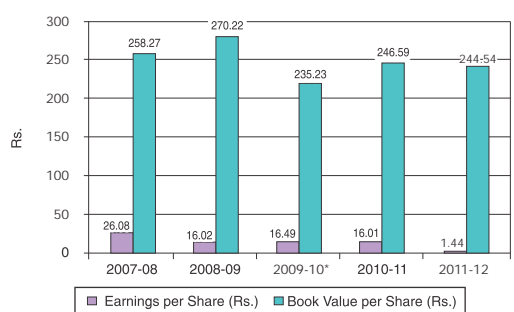
### Share Price Movement & NSE Index



### Capital Employed



### Earnings per share & Book Value



\*Adjusted for Rights Issue during 2009-10



SUNDARAM BRAKE LININGS LTD

MOST COMPANIES  
RESPOND TO CHANGE  
SOME ANTICIPATE CHANGE  
**A FEW, INITIATE CHANGE**

Pioneering a new dimension for our country's Brake Lining industry.  
Sundaram Brake Lining's entire range is **100% ASBESTOSFREE**

A breakthrough inspired by our commitment to environmental  
stewardship for the well being of our planet.

Sundaram Brake Linings is the First Indian Company to  
become 100% Asbestosfree



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