

THIRTY SIXTH ANNUAL REPORT 2010



SUNDARAM BRAKE LININGS LIMITED



BOARD OF DIRECTORS

K Mahesh
Chairman and Managing Director
K Ramesh - Director
T Kannan - Director
P S Raman - Director
Ashok V Chowgule - Director
K S Ranganathan - Director
S Pattappa (Alternate Director to K S Ranganathan)

BANKERS

State Bank of India
Industrial Finance Branch
Chennai - 600 002

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

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

BOARD'S SUB-COMMITTEES

1. AUDIT COMMITTEE

T Kannan
P S Raman
Ashok V Chowgule
K S Ranganathan
S Pattappa (Alternate Director to K S Ranganathan)

2. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

P S Raman
K Mahesh
T Kannan

CHIEF OPERATING OFFICER

V R Janardhanam

PRESIDENT

R Ramasubramanian

FINANCIAL CONTROLLER & SECRETARY AND COMPLIANCE OFFICER

S Ramabadrn

AUDITORS

Sundaram & Srinivasan,
Chartered Accountants,
Chennai 600 018

REGISTERED OFFICE

180, Anna Salai, Chennai - 600 006

FACTORIES

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

TSK Puram - Plant I & II
Mustakurichi Post
Kamarajar District
Pin code 626 106
Phone Nos. 04566 - 250290 to 250295

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

SHARE DEPARTMENT

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

WEBSITE

www.tvssbrakelinings.com

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HIGHLIGHTS OF FIVE YEAR PERFORMANCE

Rs in lacs

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

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

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

SUNDARAM BRAKE LININGS LIMITED

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Thirty Sixth Annual General Meeting of the Company will be held at RANI SEETHAI HALL, No. 603, Anna Salai, Chennai - 600 006 on **Friday the 23rd July 2010 at 10.00 a.m.** to transact the following business:

ORDINARY BUSINESS:

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

RESOLVED THAT the Audited Balance Sheet as at 31st March 2010, the Profit & Loss Account for the year ended 31st March 2010, Cash Flow Statement for the year ended 31st March 2010 and the Report of the Directors and the Auditors of the Company, be and are hereby approved and adopted.

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

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

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

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

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

RESOLVED THAT the retiring auditors Messrs. Sundaram & Srinivasan, Chartered Accountants, Chennai be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company, on such remuneration as may be determined by the Board of Directors of the Company in addition to service tax, travelling and other out-of-pocket expenses actually incurred by them in connection with audit and fees, if any, for the professional services rendered by them in any other capacity from time to time.

SPECIAL BUSINESS:

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

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

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

RESOLVED THAT pursuant to the nomination of Mr. K. Mahesh as “Nominated Director” by T V Sundram Iyengar & Sons Limited in accordance with Article 26 (a) of the Articles of Association of the Company, the appointment of Mr. K. Mahesh, as Managing Director of the Company under Section 269 of the Companies Act, 1956 for the period from 21.09.2010 to 20.09.2015 on same terms of remuneration as approved at the thirty first Annual General Meeting of the company, subject to approval of the Central Government, if required, be and is hereby approved.

RESOLVED THAT in conformity with Article 38 (a) of the Articles of Association of the Company, Mr. K. Mahesh as Managing Director be paid remuneration by way of salary, dearness allowance, perquisites, commission, and other allowances, any or more than one of them, in accordance with Sections 198, 309, 349, Schedule XIII and other applicable provisions of the Companies Act, 1956 and such remuneration shall be 5% of the net profits of the Company or such other maximum percentage as may be allowed under the Companies Act, 1956, from time to time and approved by the Board or Committee thereof.

RESOLVED FURTHER THAT in the event of there being inadequacy or absence of profit in any financial year, during the currency of tenure of Mr. K. Mahesh as Managing Director, the minimum remuneration payable shall be in terms of Section II of Part II of Schedule XIII of the Companies Act, 1956, as may be applicable from time to time.

RESOLVED FURTHER THAT the aggregate remuneration drawn by Mr. K. Mahesh from the Company and T V Sundram Iyengar & Sons Limited of which he is a Wholetime Director shall not exceed the limits prescribed from time to time, in Section III of Part II of Schedule XIII of the Companies Act, 1956.

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

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

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

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

(On behalf of the Board)

Kodaikanal
May 24, 2010

K MAHESH
Chairman & Managing Director

Annexure : Explanatory Note

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of himself. Such proxy need not be a member of the Company. The instrument of proxy duly stamped and executed for use at the meeting must be lodged at the Factory and Office of the Company at **PADI, CHENNAI - 600 050** not less than 48 hours before the time fixed for the meeting.
2. Information about the Directors seeking re-appointment/appointment in this Annual General Meeting is furnished under Item 5 below.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 16-07-2010 to 23-07-2010 (both days inclusive)
4. Intimation to Shareholders concerned pursuant to Rule 4A of the Companies Unpaid Dividend (Transfer to General Reserve Account of the Central Government) Rules, is furnished in pages 23 & 24 of this Report.
5. In terms of Clause 49(IV)(G) of the Listing Agreement with the Stock Exchanges, a brief resume of the Directors, who are proposed to be re-appointed / appointed in this meeting, nature of their expertise in specific functional areas, their other Directorships and committee memberships, their shareholdings and relationships with other Directors of the Company, are given below:

Mr. P.S. Raman

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

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

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

Mr. Ashok V. Chowgule

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

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

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

Mr. K.S. Ranganathan

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

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

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

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

ANNEXURE

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

Item No 5

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

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

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

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

Item No 6

Mr. K. Mahesh, a Wholetime Director of T V Sundram Iyengar & Sons Limited (TVS) is a Nominated Director pursuant to Article 26 (a) of the Articles of Association of the Company. The Board of Directors at their meeting held on 24th May 2010 appointed Mr. K. Mahesh as the Managing Director of the Company in accordance with existing Article 38 (a) of the Articles of Association of the Company subject to approval of the Company in General Meeting and if required by the Central Government. Mr. K. Mahesh shall also continue as a Wholetime Director of T V Sundram Iyengar & Sons Limited. The current tenure of his appointment as approved at the General Meeting held on 21st July 2005 would expire on 20th September 2010.

The Company has benefited substantially on account of his rich experience and able guidance all these years. Keeping in view his invaluable contribution for the betterment of the Company, the Board of Directors have at their meeting held on 24th May 2010 approved payment of remuneration, at the same levels approved by the members on 21.07.2005, as set out in the resolution and also re-appointed Mr. K. Mahesh as Managing Director of the Company for another term of 5 years ending 20th September 2015. The Company would enter into necessary agreement with Mr. K. Mahesh to give effect to the above arrangement on the following terms:

- a. The Managing Director shall, subject to the superintendence and control of the Board of Directors of the Company, exercise all powers of management, except those which under the Companies Act, 1956 or under the Articles of the Company are exercisable only by the Board of Directors of the Company and shall carry out such further duties as may be entrusted to him by the Board of Directors.
- b. The Managing Director shall be paid remuneration by way of salary, dearness allowance, perquisites, commission, and other allowances, any or more than one of them, in accordance with Sections 198, 309, 349, Schedule XIII and other applicable provisions of the Companies Act, 1956 and such remuneration shall be 5% of the net profits of the Company or such other maximum per centage as may be allowed under the Companies Act, 1956, from time to time and approved by the Board or Committee thereof.
- c. In the event of there being inadequacy or absence of profit in any financial year, during the currency of tenure of Mr. K. Mahesh as Managing Director, the minimum remuneration payable shall be in terms of Section II of Part II of Schedule XIII of the Companies Act, 1956 as may be applicable from time to time.
- d. The aggregate remuneration drawn by Mr. K. Mahesh from the Company and T V Sundram Iyengar & Sons Limited of which he is a Whole-time Director shall not exceed the limits prescribed from time to time, in Section III of Part II of Schedule XIII of the Companies Act, 1956.

e The Managing Director shall also be paid sitting fees for each meeting of the Board or Committee attended by him, in addition to reimbursement of all expenses incurred by him on Company's business.

None of the Directors of the Company other than Mr. K. Mahesh and his brother Mr. K. Ramesh is concerned or interested in the resolution.

The Directors commend the resolutions for adoption.

This may be treated as an abstract of the draft agreement between the Company and Mr. K. Mahesh, pursuant to Section 302 of the Companies Act, 1956, sent to each of the Members.

Item No 7

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

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

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

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

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

The documents referred to in the notice and the explanatory statement will be available for inspection at the Factory and Office of the Company at Padi, Chennai-600 050 on any working day between 10.00 a.m. and 12.00 noon.

(On behalf of the Board)

Kodaikanal
May 24, 2010

K MAHESH
Chairman & Managing Director

SUNDARAM BRAKE LININGS LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Thirty Sixth Annual Report of the Company together with the audited accounts for the year ended 31st March 2010.

FINANCIAL RESULTS

(Rs. in lacs)

	Year ended 31.03.2010	Year ended 31.03.2009
NET SALES	19,933.16	17,133.79
Profit before interest, depreciation and tax	2,336.08	1,842.76
Less: Interest	219.44	235.43
Profit before depreciation and tax	2,116.64	1,607.33
Less: Depreciation	593.52	581.97
Profit before tax & extraordinary items	1,523.12	1,025.36
Less: Extraordinary item – Amount paid to various banks	756.00	667.05
Profit before tax	767.12	358.31
Less: Provision for taxation		
- Current Tax	117.00	171.00
- Previous Years' Tax	–	(233.00)
- Deferred Tax	33.00	(48.00)
- Fringe Benefit Tax	–	17.00
Profit after tax	617.12	451.31
Add: Surplus/(Deficit) brought forward	695.44	416.25
Total available for appropriation	1,312.56	867.56
APPROPRIATIONS		
General Reserve – I	61.71	45.13
General Reserve – II	400.00	–
Interim Dividend	157.38	108.54
Tax on Dividend	26.75	18.45
Surplus carried over	666.72	695.44
Total	1,312.56	867.56

PAID UP CAPITAL

As reported last year, during the financial year 2009-10, the Company issued 12,21,075 Equity shares on Rights Basis to the existing Shareholders of the Company at a price of Rs. 122/- per share (including a premium of Rs. 112/- per share) in the ratio of 9 Equity Shares of Rs. 10/- each for every 20 Equity Shares of Rs. 10/- each held

in the Company on the Record Date. The issue was oversubscribed and the Directors express their gratitude to the Shareholders for their response to the Rights Issue. Upon allotment of new shares, the paid up capital of the Company increased from Rs. 2,71,35,000/= to Rs. 3,93,45,750/=. A sum of Rs. 13,67,60,400/= was received towards premium.

DIVIDEND

Your Directors consider that the interim dividend of Rs 4 per share (40%) for the year 2009-10 declared by the Board in their meeting held on 25th February 2010 and paid on 12th March 2010, would be reasonable and commensurate with the performance for the year 2009-10. Accordingly the interim dividend is considered as final dividend. The interim dividend of Rs. 4/- per share (as compared to a dividend of Rs. 4 per share on the pre-Rights Issue Capital for the previous year) has absorbed a sum of Rs. 157.38 lacs excluding a dividend distribution tax of Rs. 26.75 lakhs together with cess & surcharge thereon payable by the Company.

OPERATIONS

As could be seen from the attached accounts, the net sales for the year were higher at Rs. 199.33 crores as against Rs.171.34 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 2009-10 was Rs. 124.27 crores as compared to Rs. 104.84 crores in 2008-09. There was increase in exports as well to Rs. 75.06 crores in 2009-10 against Rs. 66.50 crores in 2008-09.

EXPORTS

Your company continued its thrust in the export market segment. Your Company could achieve a growth of 12.9 % 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.

EXPANSION AND CREATION OF ADDITIONAL CAPACITY

There has been a growing demand for Brake Linings for Heavy Duty Commercial Vehicles from Overseas Market and with a view to cater to the demand, Your Company has decided to create additional capacity. A New Plant is being set up in SEZ, Mahindra World City, Chengalpet, Kanchipuram District at a total estimated cost of Rs. 17.50 crores which is expected to go into commercial production in the Quarter III of the current financial year 2010-11. The cost of the said Plant shall be financed partly from loan sanctioned by Export-Import Bank of India and partly from internal resources.

EXTRA-ORDINARY EXPENDITURE

As reported in earlier publications and Annual Reports, there were disputes arising out of certain derivative transactions entered into on behalf of the Company with some banks and the disputes relating to such transactions with all banks have been settled. The Company does not foresee any problem in complying with the terms of such settlements. The net liability arising during the year and the amount paid by the Company against the same has been shown as Extra-ordinary expenditure.

PUBLIC DEPOSITS

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

DIRECTORS

Mr. P.S. Raman and Mr. Ashok V. Chowgule, Directors, retire by rotation at this Annual General Meeting and, being eligible, offer themselves for reappointment.

SUNDARAM BRAKE LININGS LIMITED

Mr. K.S. Ranganathan was appointed as an additional Director by the Board of Directors in their meeting held on 29th October 2009. He holds office till the conclusion of 36th Annual General Meeting. The Company has received notice from a shareholder proposing appointment of Mr. K.S. Ranganathan as a Director and the same will be considered in the 36th Annual General Meeting of the Company.

The Board of Directors in their meeting held on 24th May 2010, has appointed Mr. S. Pattappa, as an Alternate Director to Mr. K.S. Ranganathan, who has proceeded abroad for a considerable period.

Mr. K. Mahesh, Chairman & Managing Director whose current tenure as Managing Director ends on 20-09-2010, has been reappointed by the Board of Directors in their meeting held on 24th May 2010 as Managing Director for a further period of five years effective 21-09-2010. His reappointment is listed for the Shareholders' approval in the 36th Annual General Meeting.

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

The particulars required to be disclosed under the provisions of Section 217 (2A) of the Companies Act 1956 read with the Companies (Particulars of Employees) Rules 1975 are furnished in Annexure II forming part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors confirm:

- (a) that in the preparation of the annual accounts, the applicable Accounting Standards have been followed
- (b) that they have selected such accounting policies and applied them consistently and made 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 31st March 2010 are on a going concern basis.

AUDITORS

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

HUMAN RESOURCE DEVELOPMENT

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

CORPORATE GOVERNANCE

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

SECRETARIAL AUDIT

In compliance with the directives issued by the Securities and Exchange Board of India (SEBI), Secretarial Audit is being conducted by a practising company secretary at specified periodicity and the reports are being submitted to stock exchanges.

GENERAL

Your Directors wish to thank M/s State Bank of India, HDFC Bank & Export-Import Bank of India 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)

Kodaikanal
May 24, 2010

K MAHESH
Chairman & Managing Director

SUNDARAM BRAKE LININGS LIMITED

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 2009-10.
Automatic switching off of dust control motors during the time any line is not used.
- 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

Asbestosfree Friction material for Automotive Applications

1. Obtained OEM approval for Commercial Vehicle linings for Export market Trailer application.
2. Obtained approval for Commercial Vehicle linings for Export Aftermarket application.
3. Obtained approval for Air Disc Brake pad for Domestic OEM (Spares) application.
4. Commercialised Asbestosfree Brake Lining for State Transport Undertaking applications.
5. Obtained approval for Commercial Vehicle Linings for domestic OEM - Medium Commercial Vehicle application.

(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 up to 2012.
2. Raw material savings due to quality upgradation 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 PV & SUV application.
4. Development of PV Linings for Export and Domestic markets.
5. Change over to 100% Asbestosfree products for all segments.

(4) Expenditure on R&D

- | | |
|--|-----------------|
| a. Capital | Rs. 166.91 lacs |
| b. Recurring | Rs. 242.60 lacs |
| c. Total | Rs. 409.51 lacs |
| d. Total R&D expenses as % of total turnover | 2.0% |

Technology absorption, adaptation and innovation:

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

- a. Use of test equipment to develop Asbestosfree 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 export and domestic 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 2010-11

2) Total Foreign Exchange earned and used :

- | | |
|---|--------------------------|
| a) Foreign Exchange earned | Rs. 7,114.53 lacs |
| b) Foreign Exchange used | Rs. 2,051.72 lacs |
| c) Net Foreign Exchange earned (a – b) | Rs. 5,062.81 lacs |

(On behalf of the Board)

Kodaikanal
May 24, 2010

K MAHESH
Chairman & Managing Director

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

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

We confirm that the Company has in respect of the Financial Year ended 31st March 2010, 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 31st March 2010.

K MAHESH
Chairman & Managing Director

S RAMABADRAN
Financial Controller & Secretary

Kodaikanal
May 24, 2010

SUNDARAM BRAKE LININGS LIMITED

ANNEXURE II TO DIRECTORS' REPORT

Particulars of employees (as per Section 217 (2A) of the Companies Act, 1956) employed throughout the year 2009-10

Sl. No	Name of the Employee	Age Years	Designation	Nature of Employment	Qualification and Experience	Date of employment	Total remuneration Rs.	Previous employment	
								Employer	Designation
1	Mr. Chandramouli GR	61	Executive Vice President (Market Development)	Market Development	B.E. (Mech) 38 years	30.03.1976	3,026,792	Sundaram Clayton Ltd.	Sales Officer
2	Mr. Janardhanam VR	69	Chief Operating Officer	General Administration	A.M.I. Mar.E (London) C. Engg (London) 41 years	12.03.2009	4,200,058	Sundaram Brake Linings Limited	Mentor
3	Mr. Jayaraman LS	63	Executive Vice President (Projects)	Project development	B.E 40 years	09.05.1994	3,013,921	Arto Rubbers & Tools Pvt. Ltd.	General Manager
4	Mr. Ramasubramanian R	61	President	General Administration	BE (Mech.) 44 years	04.03.1976	3,308,490	Sundram Fasteners Ltd.	Asst. Foreman
5	Mr. Ravi K N*	58	Sr. General Manager (Operations) (upto 15.04.2009)	Operations	BE (Hons.) Chemical Engg. 34 years	14.07.1976	533,653	Wheels India Ltd.	Trainee
6	Mr. V Vijayaraghavan	56	Sr. General Manager (Operations)	Operations	D.M.E., M.S. 37 years	07.01.1976	2,677,130	Istead (I) Ltd.	Inspector Trainee

Note : 1. Employment are as per contract / letter of appointment.

2. Remuneration includes salary, house rent allowance, contribution to Provident/Superannuation Fund, Reimbursement of medical and other expenses and Leave Travel Assistance.

* Employed for a part of the year and remuneration shown includes payment for leave encashment.

(On behalf of the Board)

Kodaiakanal
May 24, 2010

K MAHESH
Chairman & Managing Director

ANNEXURE III 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 six Directors. The remaining four Directors are Non-Executive Independent Directors

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

During the year 2009-10, the Board of Directors met six times on 4th May 2009, 29th June 2009, 27th July 2009, 29th October 2009, 24th January 2010 and 25th February, 2010. The time gap between any two meetings did not exceed four months. The last Annual General Meeting was held on 12th August 2009.

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	Cate- gory	Attendance particulars		Number of other Directorships and Committee Memberships / Chairmanships		
		Board Meeting	Last AGM on 12th August 2009	Other Directorships	Committee Memberships	Committee Chairman- ships
K Mahesh	E	6	Yes	6	1	Nil
K Ramesh	NE	1	No	6	Nil	Nil
T Kannan	NE-I	3	Yes	6	3	Nil
P S Raman	NE-I	5	No	1	1	Nil
Ashok V Chowgule	NE-I	4	Yes	10	2	Nil
K S Ranganathan*	NE-I	3	No	Nil	Nil	Nil

E : Executive Director; **NE** : Non Executive; **NE-I** : Non Executive - Independent

* Appointed as an additional Director with effect from 29th October 2009

3 AUDIT COMMITTEE:

During the year 2009-10, the Audit Committee of Directors met six times as per Listing Agreement requirement on 4th May 2009, 29th June 2009, 27th July 2009, 29th October 2009, 24th January 2010 and 25th February 2010.

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.

SUNDARAM BRAKE LININGS LIMITED

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 provided for a total managerial remuneration of Rs. 35.00 lacs for the year 2009-10 besides paying the following sitting fees to Directors:

Sl.No.	Name of the Director	Sitting fees paid (Rs.)
1	Mr. K Mahesh	50,000
2	Mr. K Ramesh	5,000
3	Mr. T Kannan	40,000
4	Mr. P S Raman	70,000
5	Mr. Ashok V Chowgule	40,000
6	Mr. K S Ranganathan*	30,000

* Appointed as an additional Director with effect from 29th October 2009

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. Ramabadrhan, 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 2009-10 are:

Sl No.	Nature of complaint	No. of complaints
1	Non-receipt of dividend/interest warrants	2
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 31st March 2010. 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
35 th	2008-09	Rani Seethai Hall, 603, Anna Salai, Chennai 600 006	12.08.2009	10.00 A.M.
34 th	2007-08	Rani Seethai Hall, 603, Anna Salai, Chennai 600 006	27.08.2008	9.00 A.M.
33 rd	2006-07	Rani Seethai Hall, 603, Anna Salai, Chennai 600 006	20.07.2007	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 Sixth Annual General Meeting of the Company, Mr. P.S. Raman and Mr. Ashok V. Chowgule, Directors, retire by rotation and being eligible, offer themselves for re-appointment.

Mr. K.S. Ranganathan, Additional Director appointed by the Board of Directors on 29-10-2009 holds office till the conclusion of the ensuing Annual General Meeting and is proposed for appointment at the 36th Annual General Meeting for which a notice from a shareholder under Section 257 of the Companies Act, 1956 has been received.

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:

- 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.
- There were no instances of non-compliance on any matter related to the capital market, during the last three years.

8 MEANS OF COMMUNICATION:

- 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
- The Company has created a web site with the address "www.tvsbrakelinings.com". The Company is displaying its quarterly financial results on its web site.
- The Company has also furnished a Management Discussion and Analysis Report which forms part of the Annual Report.

9 GENERAL INFORMATION TO SHAREHOLDERS:

<p>(a) 36th Annual General Meeting: Date and time: Venue:</p> <p>(b) Financial calendar (Tentative): Annual General Meeting of the next year</p> <ul style="list-style-type: none"> - Unaudited financial results for the first quarter ending 30th June 2010 - Unaudited financial results for the second quarter ending 30th September 2010 	<p>23rd July 2010 at 10.00 a.m. "Rani Seethai Hall", 603, Anna Salai, Chennai 600 006.</p> <p>August 2011 Any day before 14th August 2010 Any day before 14th November 2010</p>
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SUNDARAM BRAKE LININGS LIMITED

<ul style="list-style-type: none"> - Unaudited financial results for the third quarter ending 31st December 2010 - Audited financial results for the year ending 31st March 2011 <p>(c) Book Closure period:</p> <p>(d) Dividend payment date:</p> <ul style="list-style-type: none"> - Interim Dividend <p>(e) a. Listing of Equity Shares & Stock Code:</p> <p>b. Demat ISIN Numbers in NSDL & CDSL</p>	<p>Any day before 14th February 2011</p> <p>Any day before 30th May 2011</p> <p>From 16-07-2010 To 23-07-2010 (both days inclusive)</p> <p>Paid on 12th March 2010</p> <p>1 Madras Stock Exchange Ltd 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 and NSE for the year 2010-11	

(f) Share market price data:

Rs.

Month	Madras Stock Exchange*		National Stock Exchange	
	High	Low	High	Low
April 09	-	-	126.00	94.15
May	-	-	183.95	110.50
June	-	-	210.00	132.00
July	-	-	165.00	120.60
August	-	-	174.80	145.10
September	-	-	218.75	165.60
October	-	-	201.90	161.20
November	-	-	199.80	151.00
December	-	-	194.80	166.30
January '10	-	-	268.00	175.05
February	-	-	237.00	191.10
March	-	-	258.00	212.55

* No trading was reported during the year.

As an investor friendly initiative, Bombay Stock Exchange included the Company's scrip for trading in Bombay Stock Exchange under "Permitted Securities" category effective 28th 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 1st 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 29th 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 1st 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 31st March 2010:

No. of shares held	No. of shareholders	% of shareholders	No. of shares held	% of shareholding
Upto 500	6,902	94.50	6,37,176	16.19
501 - 1000	224	3.07	1,59,646	4.06
1001 - 2000	90	1.23	1,24,907	3.17
2001 - 3000	28	0.38	71,954	1.83
3001 - 4000	10	0.14	35,827	0.91
4001 - 5000	8	0.11	38,163	0.97
5001 - 10000	17	0.23	1,25,491	3.19
10001 & above	24	0.34	27,41,411	69.67
Total	7,303	100.00	39,34,575	100.00

(j) Distribution of shareholding as on 31st March 2010:

Shareholder	No. of shares held	% of total shares held
Promoter companies	16,80,873	42.72
Directors & relatives	8,63,665	21.95
Mutual Funds	65,191	1.66
Banks	50	0.00
Insurance companies	22,184	0.56
Body corporates	1,20,245	3.06
Non-resident Indians	6,189	0.16
Public-resident individuals	11,76,178	29.89
Total	39,34,575	100.00

SUNDARAM BRAKE LININGS LIMITED

(k) Dematerialisation and Liquidity:

Out of equity shares held by persons other than Promoters, 11,69,956 equity shares have been dematerialised as on 31st March 2010 accounting for 29.7 % of the total number of shares of 39,34,575. As per the directives issued by SEBI, effective 26th March 2001 the equity shares of the company are placed in its compulsory demat list of securities for the purpose of trading.

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

We have no GDRs/ADRs or any convertible instrument.

(m) Plant locations:

Padi, Chennai 600 050 Phone Nos: 044 - 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 Plot No: AA6, 6th Avenue Auto Ancillary SEZ Mahindra World City Natham Sub Post, Chengalpet, Kancheepuram District Pin: 603 002 Phone : 044 - 47490005
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(n) Registrar and Share Transfer Agents :

Effective 1st April 2003, the Company appointed M/s Integrated Enterprises (India) Limited, 2nd 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 : corserv@iepindia.com sureshbabu@iepindia.com
For Fixed Deposits	Sundaram Brake Linings Ltd Finance Department Padi Chennai 600 050	Phone : 91-44-42205407 Fax: 91-44-42205572 E-mail : finance@tvssbl.com
For any other general matters or in case of any difficulty / grievance	Financial Controller & Secretary Sundaram Brake Linings Ltd Padi Chennai 600 050	Phone : 91-44-42205407 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 is, 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 31st March 2002, 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
2002-03	29 th AGM (Interim/ Final) – 75 %	28 th July 2003	5 th September 2010
2003-04	30 th AGM I Interim – 50% II Interim – 40%	25 th January 2004 17 th May 2004	1 st March 2011 22 nd June 2011
2004-05	31 st AGM I Interim – 50 % II Interim – 50 %	22 nd January 2005 14 th May 2005	27 th February 2012 19 th June 2012
2005-06	32 nd AGM I Interim – 50 % II Interim – 50 %	25 th January 2006 4 th May 2006	2 nd March 2013 9 th June 2013

SUNDARAM BRAKE LININGS LIMITED

Financial Year	Dividend Reference – %	Date of Declaration of Dividend	Due for transfer on
2006-07	33 rd AGM I Interim – 50 % II Interim – 50 % III Interim – 30%	22 nd January 2007 15 th March 2007 7 th June 2007	27 th February 2014 20 th April 2014 13 th July 2014
2007-08	34 th AGM Interim – 60 %	16 th June 2008	23 rd July 2015
2008-09	35 th AGM Interim – 40%	29 th June 2009	5 th August 2016

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 31st March 2010 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 31st March 2010, no investor grievances are pending against the Company as on 24-05 2010 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)

Kodaikanal
May 24, 2010

M PADHMANABHAN
Partner
(Membership No. 13291)

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry and Company trend:

Indian Auto Industry which had shown phenomenal growth during the period 2004-08 (Apr- Mar) faced a setback due to global economic meltdown by way of drop in vehicle sales between Oct-08 to Feb-09 and showed signs of recovery after Jun-09.

Automobile industry annual production volumes were 140.48 lakh units for the year 2009-10 as compared to 111.73 lakh units for the year 2008-09 indicating a good growth of overall production volumes by 26 %.

Automobile industry annual sales volumes were at 140.94 lakh units for year 2009-10 as compared to 112.53 lakh units for the year 2008-09 indicating a good growth of overall sales volumes by 25 %.

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

During the year 2009-10 the Medium & Heavy commercial segment saw vehicle sales increase of 32% and a production increase of 30% and the Light commercial segment had a substantial increase in sales by 37% and production increase by 40% mainly due to stimulus package introduced by government, increased allocation of funds from government for infrastructure development and stable interest rates for vehicle loans & borrowings.

Passenger car segment had a growth in sales volume by 27% and vehicle production volumes grew by 28%. Two wheeler segments also showed significant increase in both sales & production volumes by 25%

Following are the Auto-industry Production & Sales data in vehicle units (In lakh/nos.)

Vehicle Category	Vehicle Production		Growth	Vehicle sales		Growth
	2008-09	2009-10	%	2008-09	2009-10	%
M & HCV	1.93	2.50	30%	2.01	2.65	32%
LCV	2.25	3.16	40%	2.26	3.10	37%
Passenger	18.39	23.51	28%	18.88	23.95	27%
Three wheelers	4.97	6.19	25%	4.97	6.13	23%
Two wheelers	84.19	105.12	25%	84.41	105.11	25%
TOTAL	111.73	140.48	26%	112.53	140.94	25%

Source: ACMA

Despite the global slowdown, Indian Economy had a GDP of 7.2 % for the year 2009-10 as compared to the GDP of 6.7 % for the year 2008-09.

The Automobile sector for the year 2009-10 had exports registering a growth of 17.9% with passenger vehicles up by 32.9%, two wheeler segment up by 13.5% and significantly heavy commercial vehicle exports also grew by 21.4%. Only light commercial vehicle exports registered a drop of 5.0%.

Your company showed significant growth in the domestic OE and aftermarket sales by 20%, as well as export segment grew by 12% during FY 2009 - 10.

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.

Your company's strategy of changing over to 100% Asbestosfree was accepted by most of the OEM's & for various product groups. Expected changeover is likely to happen in a year's time.

Opportunities and threats:

Your company has geared up to meet the requirement of new generation commercial vehicles slated to touch Indian roads by this year 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 various competitors, both in organized and unorganized sectors, by offering low priced non-asbestos linings for Medium & Heavy Commercial vehicles.

Risk and concerns:

Rising input raw material costs like those of phenolic resin, steel, brass and increase in power cost would be a major threat for your company to deal with during 2010-11.

Human Resources / Industrial Relations:

The industrial relations in all four 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 31st March 2010 in different Plants was 1,465.

Quality and Quality Management Systems:

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

Internal control system:

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

SUNDARAM BRAKE LININGS LIMITED

Financial and Operational performance:

Particulars	Rs. in lacs	
	Year 2009-10	Year 2008-09
Sales:		
- Domestic	12,426.86	10,484.14
- Export	7,506.30	6,649.65
Total	19,933.16	17,133.79
Other Income	113.30	45.22
TOTAL INCOME	20,046.46	17,179.01
Raw Materials consumed	9,678.85	8,326.34
Employee cost	2,355.71	2,173.11
Stores, Spares & Tools consumed	538.56	513.23
Power and Fuel	2,267.65	1,702.07
Repairs and Maintenance	347.76	467.73
Other expenses	2,521.85	2,153.77
Interest	219.44	235.43
Depreciation	593.52	581.97
Total Expenditure	18,523.34	16,153.65
Profit Before Tax Before Extraordinary Item	1,523.12	1,025.36
Extraordinary item – amounts paid to banks	756.00	667.05
Profit Before Tax After Extraordinary Item	767.12	358.31
Provision for Tax:		
- Current Tax	117.00	171.00
- Previous Years' Tax	-	(233.00)
- Deferred Tax	33.00	(48.00)
- Fringe Benefit Tax	-	17.00
Profit After Tax	617.12	451.31

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 31st March 2010, 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 (Auditor's 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 31st March 2010 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 and taking into account Note No. I (15) of schedule 16, 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 31st March 2010;
 - (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

Camp: Kodaikanal
May 24, 2010

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.
- 7 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 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.
- 8 In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- 9 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.

-
- 10 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 lakhs in respect of disputed demands of sales tax of which appeals involving Rs. 14.61 lakhs are pending before Appellate Assistant Commissioner of Sales Tax and appeals involving Rs. 0.83 lakh are pending before the Sales Tax Appellate Tribunal.
 - 11 The Company does not have any accumulated losses and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
 - 12 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.
 - 13 The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
 - 14 The Company has not given any guarantee for loans taken by others from banks or financial institutions.
 - 15 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.
 - 16 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.
 - 17 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.
 - 18 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.
 - 19 The Company raised in June 2009, additional Equity Share Capital on Rights basis by issue of 12,21,075 Equity Shares of Rs.10/- each with a premium of Rs. 112/- per share for a total value of Rs. 14,89,71,150/- and utilized the same for the purpose of Working Capital requirements.
 - 20 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

Camp: Kodaikanal
May 24, 2010

SUNDARAM BRAKE LININGS LIMITED
BALANCE SHEET AS AT 31st MARCH, 2010

		Rs. in lacs	
	Sch. No.	As at 31.03.2010	As at 31.03.2009
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Capital	1	393.46	271.35
b) Reserves & Surplus	2	<u>8,861.68</u>	<u>7,061.09</u>
		9,255.14	7,332.44
2. Loan Funds			
Secured Loans	3	<u>2,970.13</u>	<u>2,271.97</u>
		2,970.13	2,271.97
3. Deferred Tax Liability	4	1,324.76	1,291.76
Total		<u>13,550.03</u>	<u>10,896.17</u>
II APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block	5	13,082.63	12,523.77
b) Less Depreciation		<u>5,996.16</u>	<u>5,410.41</u>
c) Net Block		<u>7,086.47</u>	<u>7,113.36</u>
d) Capital Work-in-progress		<u>94.43</u>	-
		7,180.90	7,113.36
2. Investments			
		52.51	52.51
3. Current Assets, Loans & Advances			
a) Inventories	6	1,139.46	988.16
b) Sundry Debtors	7	4,301.37	3,782.53
c) Cash & Bank balances	8	1,704.41	115.17
d) Loans & Advances	9	1,941.31	924.43
(A)		<u>9,086.55</u>	<u>5,810.29</u>
Less : Current Liabilities & Provisions			
a) Liabilities	10	2,693.68	1,884.14
b) Provisions	11	76.25	195.85
(B)		<u>2,769.93</u>	<u>2,079.99</u>
Net Current Assets (A) - (B)		6,316.62	3,730.30
Total		<u>13,550.03</u>	<u>10,896.17</u>
Notes on Accounts	16		

K MAHESH
Chairman &
Managing Director

K RAMESH
Director

T KANNAN
Director

P S RAMAN
Director

SPATTAPPA
Alternate Director

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

Kodaikanal
May 24, 2010

S RAMABADRAN
Financial Controller &
Secretary

M PADHMANABHAN
Partner
Membership No.13291

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010

	Sch. No.	Year ended 31.03.2010	Rs. in lacs Year ended 31.03.2009
INCOME			
Sales (excludes Excise Duty – Rs.1,259.17 lacs (PY - Rs. 1,596.74 lacs))		19,933.16	17,133.79
Other Income	12	113.30	45.22
Total		20,046.46	17,179.01
EXPENDITURE			
Raw Materials & Components consumed, Increase/(decrease) in Work-in-Progress and Finished Goods	13	9,678.85	8,326.34
Stores consumed, Salaries & Wages and other Expenses	14	8,031.53	7,009.91
Interest	15	219.44	235.43
Depreciation		593.52	581.97
Profit for the year		1,523.12	1,025.36
Total		20,046.46	17,179.01
Profit from Ordinary Activities Before Tax		1,523.12	1,025.36
Less: Extraordinary items: Amount paid to various banks (Refer Note No. 15 of Schedule 16(I))		756.00	667.05
Profit before tax		767.12	358.31
Less: Provision for taxation - Current Tax		117.00	171.00
- Previous Year's Tax		-	(233.00)
- Deferred Tax		33.00	(48.00)
- Fringe Benefit Tax		-	17.00
Profit After Tax		617.12	451.31
Add: Surplus/(Deficit) brought forward		695.44	416.25
Transfer to P& L Appropriation		1,312.56	867.56
APPROPRIATIONS			
Interim Dividend		157.38	108.54
Tax on Dividend (including Surcharge & Cess)		26.75	18.45
Transfer to General Reserve I		61.71	45.13
Transfer to General Reserve II		400.00	-
Surplus Carried Over		666.72	695.44
Total		1,312.56	867.56
Earnings per share (basic and diluted) (Rs.)		16.49	16.02
Face value of shares Rs.10/- each (Refer Note No. 16 of Schedule 16(I))			
Notes on Accounts	16		

K MAHESH
Chairman &
Managing Director

K RAMESH
Director

T KANNAN
Director

P S RAMAN
Director

SPATTAPPA
Alternate Director

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

Kodaikanal
May 24, 2010

S RAMABADRAN
Financial Controller &
Secretary

M PADHMANABHAN
Partner
Membership No.13291

SUNDARAM BRAKE LININGS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

	For the Year Ended 31.03.2010	Rs. in lacs For the Year Ended 31.03.2009
A. Cash flow from operating activities :		
Net Profit Before Tax	767.12	358.31
Add: Extraordinary items:		
Amount paid to various banks	756.00	667.05
Compensation paid to employees under Early Retirement Scheme	0.00	6.15
Net Profit Before Tax and Extraordinary items	<u>1,523.12</u>	<u>1,031.51</u>
Adjustments for :		
Interest (net)	138.64	219.96
Unrealised Foreign Exchange Loss/(Gain)	13.85	(59.58)
Loss on sale of assets (net)	3.27	7.13
Depreciation	593.52	581.97
Operating Profit before Extra ordinary items & Working Capital changes	<u>2,272.40</u>	1,780.99
Amount paid to various banks	(756.00)	(667.05)
Compensation paid to employees under Early Retirement Scheme	0.00	(6.15)
Adjustments for :		
Trade & other receivables	(518.84)	1,020.59
Inventories	(151.30)	165.12
Loans & Advances	(1,012.95)	66.25
Trade Payables	818.06	(583.44)
Cash generation from operations	<u>651.37</u>	<u>1,776.30</u>
Income Tax (Paid) / Refund	(112.80)	(217.06)
Net cash from operating activities - "A"	<u><u>538.57</u></u>	<u><u>1,559.24</u></u>
B. Cash flow from investing activities		
Purchase of fixed assets	(574.55)	(286.16)
Capital Work-in-Progress	(94.43)	0.00
Interest Received	80.80	15.47
Sale / deletion of fixed assets	15.69	112.25
Net Cash used in investing activities - "B"	<u><u>(572.49)</u></u>	<u><u>(158.44)</u></u>

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

Rs. in lacs

	For the Year Ended 31.03.2010	For the Year Ended 31.03.2009
C. Cash flow from financing activities :		
Proceeds from Right Issue	1,489.71	-
Proceeds from / (reduction in) short term borrowings	954.92	(657.66)
Proceeds from long term borrowings	291.24	204.97
Repayment of long term borrowings	(548.00)	(618.00)
Interest paid	(219.44)	(235.43)
Dividend paid	(265.92)	(162.81)
Tax on Dividend paid	(45.20)	(27.67)
Net cash used in financing activities - "C"	<u>1,657.31</u>	<u>(1,496.60)</u>
Net increase in Cash and Cash Equivalents - A+B+C	1,623.40	(95.80)
Cash and Cash Equivalents as at the beginning (Note 1)	154.44	250.24
Cash and Cash Equivalents as at the end (Note 1)	1,777.84	154.44
Notes:		
1. Cash & Cash Equivalents as per Balance Sheet	1,704.41	115.17
Unrealised Foreign Exchange Loss/(Gain)	13.85	(59.58)
	<u>1,718.26</u>	<u>55.59</u>
Unrealised Foreign Exchange Loss/(Gain) as on 1 st April	59.58	98.85
Cash & Cash Equivalents as per Cash Flow Statement	<u>1,777.84</u>	<u>154.44</u>

- 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.
- Cash and Cash Equivalent represents Cash and Bank balances only.
- Additions to Fixed Assets are stated exclusive of Capital Work-in-Progress between the beginning and end of the year and treated as part of investing activities.

K MAHESH
Chairman &
Managing Director

K RAMESH
Director

T KANNAN
Director

P S RAMAN
Director

SPATTAPPA
Alternate Director

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

Kodaikanal
May 24, 2010

S RAMABADRAN
Financial Controller &
Secretary

M PADHMANABHAN
Partner
Membership No.13291

SUNDARAM BRAKE LININGS LIMITED

SCHEDULES

	As at 31.03.2010		Rs. in lacs As at 31.03.2009	
1. CAPITAL				
Authorised				
50,00,000 equity shares of Rs.10/- each		500.00		500.00
Issued, Subscribed and Paid-up #				
39,34,575 (Previous Year - 27,13,500) equity shares of Rs.10/- each		393.46		<u>271.35</u>
2. RESERVES AND SURPLUS:				
a) Capital Reserve		0.03		0.03
b) Share Premium Account				
As per last Balance Sheet	332.83		332.83	
Addition during the year #	1,367.60	1,700.43	0.00	<u>332.83</u>
		1,700.46		<u>332.86</u>
c) General Reserve - I				
As per last Balance Sheet	1,094.60		1,049.47	
Add: Transfer from P & L Appropriation Account	61.71	1,156.31	45.13	<u>1,094.60</u>
d) General Reserve - II				
As per last Balance Sheet	4,938.19		4,938.19	
Add: Transfer from P & L Appropriation Account	400.00		0.00	
		5,338.19		<u>4,938.19</u>
		8,194.96		<u>6,365.65</u>
Add: Surplus carried over		666.72		<u>695.44</u>
		8,861.68		<u><u>7,061.09</u></u>

The Company raised in June 2009, additional Equity Share Capital by issue of 12,21,075 Equity Shares of Rs. 10/- each with a premium of Rs. 112/- per share on Rights basis for a total value of Rs. 14,89,71,150/-.

As a result, the Equity Share Capital increased from Rs. 271.35 lacs to Rs. 393.46 lacs and Share Premium Account from Rs. 332.83 lacs to Rs. 1,700.43 lacs.

SCHEDULES (Contd.)

	As at 31.03.2010	Rs. in lacs As at 31.03.2009
3. SECURED LOANS		
a) Term Loans (See Note No. 1 of Sch. 16(e))	944.21	1,200.97
b) Cash Credit from bank (See Note No. 2 of Sch. 16(e))	2,025.92	1,071.00
	2,970.13	2,271.97
4. DEFERRED TAX LIABILITY:		
Balance brought forward	1,291.76	1,339.76
Add / Less : Provision for current year	33.00	(48.00)
	1,324.76	1,291.76

5. FIXED ASSETS :

Rs. in lacs

Description	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 01.04.2009	Additions for the year	Deletions during the year	As at 31.03.2010	As at 01.04.2009	For the year	On Deletion of assets	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
Land - Freehold	133.66	0.00	0.00	133.66	0.00	0.00	0.00	0.00	133.66	133.66
- Leasehold	322.94	0.00	0.00	322.94	9.88	3.17	0.00	13.05	309.89	313.16
Buildings	1,651.28	0.00	0.00	1,651.28	503.77	50.24	0.00	554.01	1,097.27	1,147.51
Plant & Machinery	9,892.65	563.17	0.00	10,455.82	4,535.11	518.12	0.00	5,053.23	5,402.59	5,357.41
Furniture & Fixtures	123.16	0.00	0.00	123.16	71.48	7.45	0.00	78.93	44.23	51.68
Office Equipments	95.24	4.12	0.00	99.36	47.59	4.56	0.00	52.15	47.21	47.65
Computers	185.08	7.26	0.00	192.34	172.63	0.32	0.00	172.95	19.39	12.45
Vehicles	98.74	0.00	15.69	83.05	52.88	7.66	7.72	52.82	30.23	45.85
Intangible asset	21.02	0.00	0.00	21.02	17.02	2.00	0.00	19.02	2.00	3.99
Capital Work-in-Progress	12,523.77	574.55	15.69	13,082.63	5,410.35	593.52	7.72	5,996.16	7,086.48	7,113.36
									94.43	
Total	12,523.77	574.55	15.69	13,082.63	5,410.35	593.52	7.72	5,996.16	7,180.91	7,113.36
Previous Year	12,349.86	286.16	112.25	12,523.77	4,887.52	581.91	59.08	5,410.35		

SUNDARAM BRAKE LININGS LIMITED

SCHEDULES (Contd.)

	As at 31.03.2010	Rs. in lacs As at 31.03.2009
6. INVENTORIES		
a) Stores & Spares	119.97	115.29
b) Loose Tools	56.80	57.00
c) Raw Materials	471.16	447.69
d) Goods in Transit	162.01	44.03
e) Finished Goods	185.34	179.36
f) Work-in-Progress	144.18	144.79
	<u>1,139.46</u>	<u>988.16</u>
See Note No. 2 of Schedule 16 (a)		
7. SUNDRY DEBTORS (Unsecured)		
a) Debts outstanding for a period exceeding six months		
– considered good	44.19	359.71
– considered doubtful	0.00	105.06
	<u>44.19</u>	<u>464.77</u>
b) Other debts - considered good	4,257.18	3,422.82
	<u>4,301.37</u>	<u>3,887.59</u>
Less: Provision for bad and doubtful debts	0.00	105.06
	<u>4,301.37</u>	<u>3,782.53</u>
8. CASH AND BANK BALANCES		
a) Cash on hand & imprest	6.64	6.23
b) With scheduled banks :		
on Current accounts	263.45	83.57
on Fixed Deposits	1,410.00	0.00
	<u>1,673.45</u>	<u>83.57</u>
c) Unclaimed Dividend	24.32	25.37
	<u>1,704.41</u>	<u>115.17</u>
9. LOANS AND ADVANCES		
a) Advances recoverable in cash or in kind or for value to be received (unsecured considered good)	1,191.62	222.52
b) Prepaid expenses	48.12	46.35
c) Deposits	192.93	158.27
d) Balance in Central Excise Account	69.51	63.75
e) Advance Tax (net of tax provision)	432.80	428.87
f) Balance in TN VAT Account	6.32	4.67
	<u>1,941.31</u>	<u>924.43</u>

SCHEDULES (Contd.)

	As at 31.03.2010	As at 31.03.2009	Rs. in lacs
10. CURRENT LIABILITIES			
a) Sundry Creditors *	2,666.93	1,856.34	
b) Unpaid dividend **	24.32	25.37	
c) Unpaid matured fixed deposits **	0.06	0.06	
d) Warrants issued but not encashed **			
Fixed deposit interest	1.71	1.71	
Debenture interest	0.66	0.66	
	<u>2,693.68</u>	<u>1,884.14</u>	
* See note No. (f) of Schedule 16			
** There are no amounts due and outstanding to be credited to Investor Education & Protection Fund			
11. PROVISIONS :			
a) Provision for leave encashment	76.25	68.86	
b) Provision for dividend	0.00	108.54	
c) Provision for Tax on Dividend	0.00	18.45	
	<u>76.25</u>	<u>195.85</u>	
	Year ended	Year ended	
	31.03.2010	31.03.2009	
12. OTHER INCOME			
a) Interest Receipts (Gross) on deposits (Tax deducted at Source - Rs.4.30 Lacs - Previous Year Rs.2 lacs)	80.80	15.47	
b) Miscellaneous Income	32.50	29.75	
	<u>113.30</u>	<u>45.22</u>	
13. RAW MATERIALS & COMPONENTS CONSUMED, INCREASE/(DECREASE) IN WORK IN PROGRESS AND FINISHED GOODS			
Opening Stock :			
Raw materials	447.69	566.08	
Work in progress	144.79	187.91	
Finished goods	179.36	194.73	948.72
Add: Purchase of Raw Materials & Components	9,707.69	8,149.46	
	<u>10,479.53</u>	<u>9,098.18</u>	
Less : Closing Stock :			
Raw materials	471.16	447.69	
Work in progress	144.18	144.79	
Finished goods	185.34	179.36	771.84
	<u>800.68</u>	<u>771.84</u>	
	<u>9,678.85</u>	<u>8,326.34</u>	

SUNDARAM BRAKE LININGS LIMITED

SCHEDULES (Contd.)

	Year ended 31.03.2010		Rs. in lacs Year ended 31.03.2009	
14. STORES CONSUMED, SALARIES, WAGES AND OTHER EXPENSES:				
Stores consumed : Stores and spares	359.48		321.80	
Loose Tools	179.08	538.56	<u>191.43</u>	513.23
Salaries, Wages & Bonus (includes extra-ordinary expenditure of Rs. Nil being compensation paid to employees under Early Retirement Scheme) (last year - Rs. 6.15 lacs)	1,834.39		1,667.46	
Contribution to Provident Fund and other Funds	117.84		129.83	
Staff and Workmen welfare expenses	403.48	2,355.71	<u>375.82</u>	2,173.11
Power and Fuel		2,267.65		1,702.07
Rent	4.95		6.60	
Rates & Taxes	41.59	46.54	<u>64.20</u>	70.80
Insurance		38.42		43.45
Repairs & Maintenance				
Building	103.07		143.07	
Machinery	193.55		275.92	
Others	51.14	347.76	<u>48.74</u>	467.73
Travelling expenses		153.49		175.14
Packing & Forwarding		1,137.99		1,043.24
Advertisement & Publicity		63.71		85.81
Managerial Remuneration & Sitting fee		37.35		12.01
Audit Fee :				
As Auditors	4.96		4.96	
For certification / taxation matters	3.04		0.82	
Out of pocket expenses	0.40	8.40	<u>0.70</u>	6.48
Postage & Telephones		57.00		68.73
Loss on sale of assets (net)		3.27		7.13
Provision for bad & doubtful debts-write-back		(105.06)		105.06
Bad debts written off		96.89		-
Research & Development expenses - refer Note No.8 of Schedule 16 (l)		242.60		255.54
Miscellaneous expenses		741.25		280.38
		8,031.53		<u>7,009.91</u>
15. INTEREST				
a) On term loans		136.29		135.94
b) Others		83.15		99.49
		219.44		<u>235.43</u>

SCHEDULES (Contd.)

16. NOTES ON ACCOUNTS

a) **Accounting Policies**

1. **Basis of accounting:**

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

2. **Valuation of Inventories:**

Inventories are valued at lower of cost or net realisable value and in accordance with the method of valuation prescribed by the Institute of Chartered Accountants of India in Accounting Standard 2 at weighted average rates. Work-in-progress and Finished Goods are valued at raw material cost plus cost of conversion excluding interest.

3. **Cash Flow Statement:**

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

4. **Depreciation:**

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

5. **Revenue recognition:**

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

6. **Fixed assets:**

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

7. **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 account.

8. **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.

9. **Investments:**

Investments are accounted at cost.

10. **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 account. 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.

SUNDARAM BRAKE LININGS LIMITED

SCHEDULES (Contd.)

NOTES ON ACCOUNTS (Contd.)

11. Borrowing cost

The 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.

12. Excise Duty:

The 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.

13. Segment Reporting:

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

14. 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).

15. Leases:

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

16. 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.

	As at/ Year ended 31.03.2010	Rs. in lacs As at/ Year ended 31.03.2009
b) Subscribed Capital includes Rs.22.50 lacs (2,25,000 equity shares of Rs.10/= each) allotted as fully paid-up, pursuant to a contract, without payment being received in cash Additional Equity Share Capital raised by issue of 12,21,075 Equity Shares of Rs. 10/- each with a premium of Rs. 112/- per share on Rights basis for a total value of Rs. 14,89,71,150/- has been fully utilised for augmenting the Working Capital of the Company		
c) Contingent Liabilities not provided for : Estimated value of contracts remaining to be executed on Capital Account (net)	443.15	182.35
Sales Tax liability contested / being contested in appeal. In case of a favourable decision in the appeal, the liability may not arise	15.44	15.44
Liability towards Labour cases	5.46	4.26
d) Other Contingent Liabilities : Bank Guarantees for import of capital goods / domestic Sales & Others See also Note No. I (15)	28.89	24.81

SCHEDULES (Contd.)

NOTES ON ACCOUNTS (Contd.)

	As at/ Year ended 31.03.2010	Rs. in lacs As at/ Year ended 31.03.2009
e) Secured Loans:		
(1) Term Loans :		
a) Loans from State Bank of India, Chennai, Secured by first charge on the fixed assets acquired out of the loan and extension of charge on fixed assets - present and future	804.21	1,200.97
b) Loan from Export-Import Bank of India, Mumbai, secured by exclusive charge on the moveable and immoveable fixed assets financed out of the Term Loan and a pari passu first charge on the land situated at Mahindra World City, SEZ, Kancheepuram District, near Chennai with State Bank of India for its Term Loan of Rs. 12 Crores.	140.00	-
	944.21	<u>1,200.97</u>
(2) Cash Credit from SBI: Secured by first charge on present and future current assets and extension by way of second charge on the fixed assets, present and future	2,025.92	1,071.06
f) Included in Sundry Creditors is an amount of Rs. 22.35 lakhs (PY – Rs. 17.73 lakhs) due to micro enterprises and small enterprises (based on information available with the Company)		
a. Principal amount remaining unpaid	22.35	17.73
b. Interest due thereon	-	-
c. Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount paid to the supplier beyond the appointed day during the year	-	-
d. Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006	-	-
e. Interest accrued and remaining unpaid	-	-
f. Further Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise	-	-
g) Miscellaneous Expenses include commission paid on sales	338.22	255.97
h) Gratuity :		
Contribution to Gratuity Fund included in contribution to Provident & Other Funds	34.87	37.54
i) Provision for Excise duty payable on finished goods in stock as at the year end and also included in the value of such stock	5.42	7.39

SUNDARAM BRAKE LININGS LIMITED

SCHEDULES (Contd.)

NOTES ON ACCOUNTS (Contd.)

	As at/ Year ended 31.03.2010		Rs. in lacs As at/ Year ended 31.03.2009	
j) Provision for Taxation represents:				
i) Income Tax	116.50		170.50	
ii) Wealth Tax	0.50	117.00	0.50	171.00
k) Investments represent long term trade investments as under :				
500 shares (Previous Year – 500 shares) of Re. 1/- each fully paid up of TVS Co-operative Stores Ltd. (cost Rs. 500/-) - unquoted.	0.01		0.01	
5,25,000 shares (Previous Year - 5,25,000 shares) of Rs.10/- each fully paid up of M/s Arkay Energy (Rameswarm) Limited - unquoted	52.50		52.50	
		52.51		52.51
l) Information pursuant to Part II of Schedule VI of the Companies Act, 1956				
(1) Licensed capacity: Information is not furnished in view of the abolition of the Industrial Licensing requirements				
(2) Installed capacity (Metric Tonne)		22,151 MT		20,024 MT
(3) Production: Organic automotive, non-automotive and industrial friction materials – in sets (in lacs) (including non-asbestos products)		173.41		141.89
(4) Turnover:				
(i) Organic automotive, non-automotive and industrial friction materials – Quantity in sets (in lacs)		173.58		142.22
– Value	19,690.64		16,949.59	
(ii) Others	242.52	19,933.16	184.20	17,133.79
Turnover includes Export sales		7,506.30		6,649.65
(5) Stock of Goods produced:				
Opening Stock-in sets (in lacs)		1.78		2.11
Closing Stock-in sets (in lacs)		1.60		1.78
(6) Imports on CIF Basis:				
(i) Raw Materials		1,709.38		1,243.28
(ii) Components, Spare Parts etc.		17.03		55.42
(iii) Capital Goods		149.22		0.66
(7) Expenditure in Foreign Currency:				
(i) Royalty, Consultancy & Retainer Fee		39.50		28.27
(ii) Others		136.59		164.82

SCHEDULES (Contd.)

NOTES ON ACCOUNTS (Contd.)

	Rs. in lacs	
	As at/ Year ended 31.03.2010	As at/ Year ended 31.03.2009
(8) Research & Development Expenditure #		
(i) Capital expenditure	166.91	10.55
(ii) Revenue expenditure:		
a) Raw Material & Components consumed	11.77	17.64
b) Salaries, Wages & Bonus	155.52	147.15
c) Stores & Tools consumed	16.08	16.61
d) Power cost	17.93	16.70
e) Travelling expenses	0.13	2.59
f) Product development expenses	23.92	38.82
g) Subscription	—	3.65
h) Other expenses	17.25	12.38
Total Revenue expenditure	242.60	255.54

On the in-house R & D facility approved by Department of Scientific & Industrial Research, New Delhi

(9) Value of imported and indigenous raw-materials, spares and components consumed during the year and their percentages to total consumption

	As at/Year ended 31.03.2010			As at / Year ended 31.03.2009		
	Qty in M.T.	Value Rs. in lacs	%	Qty in M.T.	Value Rs. in lacs	%
(i) Raw Materials:						
Imported — Asbestos & Other Materials	1,845	1,240.83	12.8%	1,427	1,169.21	14.2%
Imported — Chemicals	470	700.29	7.2%	141	461.78	5.6%
Indigenous	16,629	6,325.88	65.3%	11,197	5,289.30	64.0%
(ii) Other components (indigenous) which do not individually account for more than 10% of the total consumption		1,417.22	14.7%		1,342.36	16.2%
		9,684.22	100.0%		8,262.65	100.0%
(iii) Spares:						
Imported		7.74	4.6%		9.87	8.2%
Indigenous		159.79	95.4%		109.94	91.8%
		167.53	100.0%		119.81	100.0

SUNDARAM BRAKE LININGS LIMITED

SCHEDULES (Contd.)

NOTES ON ACCOUNTS (Contd.)

Rs. in lacs

	As at/ Year ended 31.03.2010	As at/ Year ended 31.03.2009
(10) Earnings in Foreign Exchange:		
(i) FOB Value of goods exported	7,221.26	6,305.56
(ii) Exchange fluctuation on Foreign Currency A/c (Net)	(106.73)	266.08
(11) Computation of Managerial Remuneration u/s 309 (5) read with sections 198 & 349 of the Companies Act,1956		
Profit Before Tax as per P & L A/c	767.12	358.31
Add:		
Book Depreciation	593.52	581.97
Loss on sale of fixed assets as per books (net)	3.27	7.13
Provision for bad and doubtful debts	(105.06)	105.06
Remuneration paid to Directors	35.00	35.56
Directors' Sitting Fee	2.35	1.85
	529.08	731.57
	1,296.20	1,089.88
Less:		
Depreciation u/s 350	593.52	581.97
Profit on sale of fixed assets as per Sec.349	-	-
	593.52	581.97
Net Profit for the purpose of Sec.349	702.68	507.91
Maximum Remuneration	35.13	50.79
Amount provided in the accounts	35.00	35.56

SCHEDULES (Contd.)

NOTES ON ACCOUNTS (Contd.)

(12) Deferred Tax Liability:

The Company has estimated the deferred tax charge (credit) using the applicable rate of income tax based on the impact of timing differences between financial statements and estimated taxable income for the current year.

The movement of provision for deferred tax is as follows:

	As at / Year ended 31.03.2010			As at / Year ended 31.03.2009		
	Opening As at 01.04.09	Charge (credit) during the year	Closing As at 31.03.10	Opening As at 01.04.08	Charge (credit) during the year	Closing As at 31.03.09
Provision for Deferred Tax :						
Liability (Depreciation)	1,393.78	(1.87)	1,391.91	1,418.93	(25.15)	1,393.78
Others	(102.02)	34.87	(67.15)	(79.17)	(22.85)	(102.02)
Deferred Tax Liability (net)	1,291.76	33.00	1,324.76	1,339.76	(48.00)	1,291.76

(13) Intangible assets:

Licence Fees for Windows software application of Rs. 10 lacs has been recognised as an intangible asset in 2006-07 & an amortisation policy of 5 years period has been adopted. For the current year a sum of Rs. 2 lacs has been included as amortisation cost.

(14) Disclosure of Related Party Transactions :

Names of related parties and description of relationship

1 Subsidiaries	None
2 Associates	T V Sundram Iyengar & Sons Limited
3 Key Management Personnel	Mr. K Mahesh (Chairman & Managing Director)
4 Enterprise with common Key Management Personnel	-
5 Relatives of Key Management Personnel	Mrs. Shrimathi Mahesh, Ms. Shripriya Mahesh, Mr. Krishna Mahesh and Ms. Shrikirti Mahesh
6 Enterprises in which relatives of Key Management Personnel have significant interest	Alagar Farms Private Limited Alagar Resins Private Limited

SUNDARAM BRAKE LININGS LIMITED

SCHEDULES (Contd.)

NOTES ON ACCOUNTS (Contd.)

(14) Disclosure of Related Party Transactions : (Contd.)

Rs. in Lacs

Sl. No.	Particulars	Associates	Key Management Personnel	Relatives of Key Management Personnel	Enterprises in which relatives of Key Management Personnel have significant interest
	Transactions for the year ended 31.03.2010 (P.Y. – 31.03.2009)				
1	Purchases	6.54 (55.14)			2,494.97 (2,628.39)
2	Sales	2,233.03 (1,525.58)			
3	Interest received				
4	Interest paid		– –	– –	
5	Services rendered				– –
6	Services received	– –	35.50 (36.06)	– (2.05)	
7	Rent paid		4.50 (6.00)	0.45 (0.60)	
8	Rent received	0.72 (0.72)			0.12 (0.12)
9	Outstanding as on 31.3.2010 / (P.Y. – 31.3.2009)				
a)	Debtors	221.64 (141.37)			– –
b)	Creditors	0.25 (0.93)	35.00 (10.16)		595.24 (362.25)

(15) Extraordinary items : Amount paid to various banks :

As reported in earlier publications and Annual Accounts, there were disputes arising out of certain derivative transactions entered into on behalf of the Company with some banks and the disputes relating to such transactions with all banks have been settled. The net amount paid by the Company relating to the period has been shown as Extraordinary Expenditure. If the Company defaults in any of its financial commitments under the said settlement, the entire amount claimed by the Bank (net of payments made) equivalent to Rs. 87.62 Crores would become payable.

SCHEDULES (Contd.)

NOTES ON ACCOUNTS (Contd.)

(16) Earnings per share:

Earnings per share is calculated by dividing the profit attributable to shareholders by the number of equity shares outstanding during the year. Earnings per Share has been calculated as follows:

Particulars			As at / Year ended 31.03.2010	As at / Year ended 31.03.2009
Profit After Tax	A	Rs. Lacs	617.12	451.31
Number of Equity Shares	B	Nos.	3,741,442	2,816,613
Face Value per share		Rs.	10.00	10.00
Earnings per share for current year / restated for Rights Issue for previous year		Rs.	16.49	16.02

As per AS 20, Equity shares issued on Rights basis of 12,21,075 have been given a weighted average of 9 months to arrive at the Weighted Average Number of Equity Shares for the year ended 31.03.2010 & considering the adjustment factor for the bonus element in the Rights issue as detailed below:

Nature of Equity Shares	No. of Equity Shares	No. of months	Weighted Average	Adjustment Factor	No. of shares after considering Adjustment Factor
Number of shares before Rights Issue	2,713,500	3	8,140,500		8,140,500
Number of shares after Rights Issue	3,934,575	9	35,411,175	1.038	36,756,800
Weighted Average Number of Equity Shares for 2009-10		12	3,629,306		3,741,442
			No. of shares	Adjustment Factor	No. of shares after considering Adjustment Factor
Number of Equity Shares restated for Rights Issue for 2008-09			2,713,500	1.038	2,816,613

Adjustment factor = Fair value per share immediately prior to the exercise of Rights / Theoretical Ex-Rights fair value per share.

Fair value per share immediately prior to Rights issue is Rs. 138.50.

Theoretical Ex-Rights fair value per share = (Fair value of all shares immediately prior to exercise of Rights + Total amount received from exercise of Rights) / (No. of shares outstanding prior to Rights Issue + No. of shares issued in Rights Issue)

Adjustment Factor = $((138.50 \times 2713500) + 148971150) / (2713500 + 1221075)$, i.e., 1.038

SUNDARAM BRAKE LININGS LIMITED

SCHEDULES (Contd.)

NOTES ON ACCOUNTS (Contd.)

(17) Borrowing cost:

During the year an amount of Rs. 12.51 lacs was capitalised according to the accounting policy of the Company (PY Rs. 0.54lac).

(18) Disclosures required under Accounting Standard 15 (Revised) "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006:

Defined Contribution Plan:

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

	As at / Year ended 31.03.2010	As at / Year ended 31.03.2009
Employer's Contribution to Provident Fund / Sr. Staff Provident Fund	87.67	81.49
Employer's Contribution to Superannuation Fund	5.49	20.29
	<u>93.16</u>	<u>101.78</u>

Rs. in lacs

The Company has obtained exemption for its Provident Fund Trust under Section 17 of Employees' 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.

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.

Rs. in lacs

	As at/ Year ended 31.03.2010		As at/ Year ended 31.03.2009	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
a. Reconciliation of opening and closing balances of Defined Benefit obligation				
Defined Benefit obligation as at beginning of the year	331.69	68.86	284.43	67.56
Current Service cost	18.79	8.83	16.12	2.48
Interest cost	26.53	4.72	22.27	4.62
Actuarial (gain) / loss	15.13	5.84	20.99	6.32
Benefits paid	(34.96)	(12.00)	(12.12)	(12.12)
Defined Benefit obligation as at end of the year	357.17	76.25	331.69	68.86

SUNDARAM BRAKE LININGS LIMITED

SCHEDULES (Contd.)

NOTES ON ACCOUNTS (Contd.)

	As at/ Year ended 31.03.2010		Rs. in lacs As at/ Year ended 31.03.2009	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
b. Reconciliation of opening and closing balances of fair value of plan assets				
Fair value of plan assets at beginning of the year	358.96		307.13	
Expected return of plan assets	30.87		25.53	
Actuarial gain / (loss)	-		2.39	
Employer's contribution	33.18		36.03	
Benefits paid	(34.96)		(12.12)	
Fair value of plan assets at the end of the year	388.04		358.96	
c. Reconciliation of fair value of assets and obligations				
Fair value of plan assets as at 31 st March 2010	388.04	-	358.96	-
Present value of obligation as at 31 st March 2010	357.17	76.25	331.69	68.86
Amount not recognised / recognised in Balance Sheet	30.87	76.25	27.27	68.86
d. Expenses recognised during the year				
Current Service cost	18.79	8.83	16.12	2.48
Interest cost	26.53	4.72	22.27	4.62
Expected return on plan assets	(30.87)	-	(25.53)	-
Actuarial (gain) / loss	15.13	5.84	18.60	6.32
Net cost	29.58	19.39	31.46	13.42
e. Investment details				
	% invested as at 31 st March 2010		% invested as at 31 st March 2009	
LIC Group Gratuity (Cash Accumulation) Policy	100		100	
	% invested as at 31 st March 2010		% invested as at 31 st March 2009	
f. Actuarial assumptions				
Mortality Table (LIC)	1994-96	1994-96	1994-96	1994-96
Discount rate (per annum)	8.00%	7.50%	8.00%	7.50%
Expected rate of return on plan assets (per annum)	8.00%	-	8.00%	-
Rate of escalation in salary (per annum)	5.00%	5.00%	5.00%	4.00%

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.

SUNDARAM BRAKE LININGS LIMITED

SCHEDULES (Contd.)

NOTES ON ACCOUNTS (Contd.)

m) Balance Sheet Abstract and Company's General Business Profile as per part IV to Schedule VI to the Companies Act, 1956

I Registration details

Company Identification No. U34300TN1974PLC006703 State Code 18
Balance Sheet Date 31.03.2010

II Capital raised during the year (amount in Rs. thousands)

Public Issue: Nil Rights Issue 148971
Bonus Issue: Nil Private Placement Nil

III Position of mobilisation and deployment of funds: (amount in Rs. thousands)

Total Liabilities		Total Assets	
Sources of Funds		Application of Funds	
Paid up Capital	39,346	Net Fixed Assets	718,090
Reserves & Surplus	886,168	Investments	5,251
Secured Loans	297,013	Net Current Assets	631,662
Unsecured Loans	0		
Deferred Tax Liability	132,476		

IV Performance of Company (amount in Rs. thousands)

Turnover (incl. Other Income) : 2,004,646 Profit (+)/Loss(-) After Tax : 61,712
Total Expenditure : 1,852,334 Earnings per share - in Rs. : 16.49
Profit (+)/Loss(-) Before Tax : 152,312 Dividend (%) : 40%

V Generic names of four principal products/services of Company (as per monetary terms)

Item Code No. (ITC Code)	Product description
68132010	Brake Linings and Pads (containing asbestos)
68138100	Brake Linings and Pads (not containing asbestos)
87083000	Disc Brake Pads (Mounted Brake Linings)
87089300	Clutches and Parts thereof (Clutch Facings)

Figures in respect of previous year have been regrouped wherever necessary to conform to this year's classification.

(Signatures to Schedule 1 to 16)

K MAHESH
Chairman &
Managing Director

K RAMESH
Director

T KANNAN
Director

P S RAMAN
Director

SPATTAPPA
Alternate Director

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

Kodaikanal
May 24, 2010

S RAMABADRAN
Financial Controller &
Secretary

M PADHMANABHAN
Partner
Membership No.13291

