



Rane Brake Linings Limi



34th ANNUAL REPORT 1999

Rane Brake Linings Limited

Directors

L LAKSHMAN
(Chairman)

L GANESH
(Vice Chairman)

K S KRISHNASWAMY

S NANDAGOPAL

R RAJA RAJA VARMA

C R RAO

A MIHARA

D VIJAY MOHAN

Bankers

ICICI Banking Corporation Limited

ANZ Grindlays Bank Limited

Indian Overseas Bank

Auditors

D RANGASWAMY & CO
Chartered Accountants, Chennai

Registered Office

"MAITHRI", 32, Cathedral Road
Chennai 600 086

Plant I

Plot No.30
Industrial Estate
Ambattur
Chennai 600 058
Tamil Nadu

Plant II

Pregnapur Village
Gajwel Mandal
Siddipet Highway
Medak District 502 311
Andhra Pradesh

Plant III

RS No. 48, 49 & 50
Sanyasikuppam Village
Mannadipet Commune
Thirubhuvanai Post
Pondicherry 605 107

Rane Brake Linings Limited

CONTENTS	PAGE
Report of the Directors	03
Auditors' Report	08
Balance Sheet	10
Profit and Loss Account	11
Schedules to Balance Sheet	12
Schedules to Profit and Loss Account	18
Quantitative and Other Information	20
Accounting Policies and Notes	21
Cash Flow Statement	26
Balance Sheet Abstract and Company's General Business Profile	27
Statement of Subsidiary Company	28
Financial Highlights	29
Subsidiary Company	
— Glendale Investments Limited	30

Rane Brake Linings Limited

REPORT OF THE DIRECTORS

The Directors are pleased to present their thirty fourth annual report together with the accounts for the year ended 31st March 1999.

FINANCIAL RESULTS

	(Rs. in million)	
	1998-99	1997-98
Sales and Operating Revenue	832.45	774.69
Profit before tax	68.06	58.61
Provision for tax	19.50	13.00
Profit after tax	48.56	45.61
Surplus brought forward	10.00	10.00
Debenture redemption reserve withdrawn	1.25	-
Amount available for appropriation	59.81	55.61

DIVIDEND AND RETAINED PROFITS

From the profits available for appropriation, an amount of Rs.5.09 million has been transferred to Special Reserve. This would leave the Company with a balance of Rs.54.72 million. The recommendation of dividend for the year 1998-99 is 28% on the equity capital amounting to Rs.10.10 million. As per the provisions of the Indian Income Tax Act 1961, there will be no deduction of tax at source on dividend payment, but the Company is liable to pay tax at 10% of the amount distributed, plus a surcharge of 10% on the tax, amounting to Rs.1.11 million. This leaves the Company with retained profits of Rs.43.51 million, of which Rs.31.51 million is being transferred to the General Reserve, leaving a surplus of Rs.12.00 million in the Profit and Loss Account.

GENERAL REVIEW OF THE YEAR

It has been another disappointing year for the economy with resurgence of industrial activity continuing to elude us. Although there were policy initiatives by the Government of India

and significant increase in infrastructural spending, the associated multiplier effect was not felt during the fiscal year. The last quarter witnessed a change in the trends, with some growth being recorded in various segments of the automotive industry, but this by itself was inadequate to enhance capacity utilisation during the year. Growth rates as may be seen from the table below were far from satisfactory.

	1998-99	1997-98
Passenger Cars	- 2%	1%
Utility Vehicles	- 16%	-1%
Light Commercial Vehicles	- 12%	-24%
Heavy Commercial Vehicles	- 12%	-39%
Farm Tractors	3%	11%
Two Wheelers	10%	16%

(Source: ACMA Automotive Industry Report, May 1999)

Rane Brake Linings Limited

Report of the Directors (Contd.)

During the year, the Company undertook various cost saving measures such as conserving capital spend, and other initiatives to counter the decline in the OE volumes. It is as a result of such measures that your Company was able to report improved performance during the year, compared to previous year. Profits for the year would have been even better, but for the depressed conditions in the OE market.

OUTLOOK FOR THE CURRENT YEAR

Your Directors are more optimistic on the prospects for the year 1999-2000. However, political instability may continue to plague industrial performance. The resultant impact on automotive industry could be continued sluggishness. As part of a long term strategy to counter the vicissitudes of industry fortunes, your Company has generated new business opportunities, part of which will come to fruition during the current year. These would position the Company well for the future and ensure significantly higher growth rate, in comparison with industry growth rate.

SUBSIDIARIES

Glendale Investments Limited continues to progress in its investments .

During the year your Company has divested part of its holding in Rane Auto Components (Madras) Limited (RACL). As a result, RACL has ceased to be subsidiary of your Company.

JOINT VENTURE

During the year under review, Rane LuK Clutch Limited (RLCL) achieved a sales of Rs.337.80 million. Sales of passenger cars were substantially below the levels originally

projected. Consequently, fuller utilisation of the investments in technology and capacity is likely to take a couple of years more than earlier expected. With development of new products and new customers, long term prospects for this company, however, appear bright.

During the year your Company subscribed for 2.50 million equity shares of Rs.10/- each at par in RLCL, retaining its 50% holding.

DEPOSITS

Deposits outstanding as on 31st March 1999 amounted to Rs.4,220,000. All deposits that matured during the year were repaid / renewed.

DIRECTORATE

Mr K S Krishnaswamy retired as Whole-time Director with effect from 31st March 1999. However, he continues as a Director on the Board. The Board wishes to place on record its appreciation for Mr K S Krishnaswamy, who has contributed substantially towards the growth of the Company, during his tenure with the Company.

Messrs S Nandagopal and C R Rao, retire under Article 113 of the Articles of Association of the Company and are eligible for re-election.

DEMATERIALISATION OF SHARES

The Directors are pleased to report that the Company has entered into an agreement with National Security Depositories Limited (NSDL) for dematerialisation of the equity shares of the Company.

CONSERVATION OF ENERGY

The Company has benefited from the measures implemented during the year for conservation of energy.

Rane Brake Linings Limited**Report of the Directors (Contd.)****RESEARCH AND DEVELOPMENT ACTIVITIES**

R & D efforts in the Company in upgradation of the existing products and development of new products continue. The statement giving information as required under Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 is enclosed to this Report.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign exchange earned during 1998-99 by export is Rs.24.14 million and foreign exchange outgo is Rs.85.35 million.

EMPLOYEES

The particulars of employees, as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are given in the annexed statement which forms part of this report.

TRAINING AND DEVELOPMENT

Your Company continues its endeavours to be a learning organisation. More employees have

participated in the training programmes conducted by Rane Institute for Employee Development (RIED). Your Company works closely with RIED in developing modern training modules relevant to the upcoming types of markets and technologies.

YEAR 2000 (Y2K) RELATED ISSUES

Your Company does not face any major Y2K related issues that could significantly affect its operations. Your Directors are taking steps to ensure that all date dependent systems are fully Y2K compliant before the end of September 1999. Your Company has contingency plans to ensure continuity in its operations, in the unlikely event of failure of any of the systems. The implementation of these is estimated to cost Rs.5.00 million.

AUDITORS

The Company's auditors Messrs D Rangaswamy & Co. retire at the ensuing Annual General Meeting and are eligible for reappointment. The declaration under Section 224 (1-B) of the Companies Act, 1956 has been received from them.

For and on behalf of the Board

L LAKSHMAN
Chairman

Chennai
31st May 1999

L GANESH
Vice Chairman

Rane Brake Linings Limited**FORM B**

Disclosure of particulars with respect to Research & Development absorption, as required under the Companies Act (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Report of the Board of Directors for the year ended 31st March 1999.

RESEARCH & DEVELOPMENT (R & D)

The Company's emphasis is on development of non-asbestos friction products both for automotive and railway applications, besides continuous efforts to enhance product quality and upgrade process technology.

EXPENDITURE ON R & D

	Rs.
Capital	1,388,894
Recurring	8,089,283
Total	9,478,177
Total R & D expenditure as a percentage of total turnover	1.14%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Under the technology agreement with Nisshinbo Industries Inc., Japan,

- * the Company has acquired the technology for manufacture of cord wound Clutch Facings and the commercial production has started from March 1999.
- * and also developed asbestos free Brake Linings for commercial vehicles and new formulation for Disc Pads.

The Licence and Technical Assistance Agreement with BBA Group plc., UK has been renewed for a further period upto 17th June 2002 to develop Brake Blocks for passenger coaches and freight wagons of Indian Railways.

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For and on behalf of the Board

L LAKSHMAN
Chairman

Chennai
31st May 1999

L GANESH
Vice Chairman

Rane Brake Linings Limited

Statement under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, annexed to and forming part of the Directors' Report for the year ended 31st March 1999.

Sl. No.	Name	Age	Designation / Nature of Duties	Remuneration Rs.	Qualification	Experience (Years)	Date of Commencement of employment	Particulars of last employment
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A. Employed throughout the year under review and were in receipt of remuneration for the year in the aggregate not less than Rs.6,00,000/-

1.	KRISHNASWAMY K S	62	Director & CEO	1,732,011	B.A.	39	01-07-1967	Purchase / Admn. Department Engine Valves Limited
2.	RAM MOHAN A V	46	President	1,194,982	B.Tech. (Hons.) PGDM	23	16-05-1997	Director, Industrial Activity Shriram Group Companies (Finance and Investments)
3.	SRINIVASAN S	54	Vice President Projects & Materials	768,665	B.Tech., (Hons.)	32	10-11-1995	Divisional Manager Commercial & Projects Ennore Foundries Limited
4.	SUNDAR RAM S	42	Vice President Marketing & Sales	763,150	B.Tech., M.B.A.	19	19-03-1997	Chief Executive Marketing Road Masters Cycles Limited
5.	RAMAKRISHNAN V	53	General Manager Technical	690,625	B. E. (Mech.)	30	16-04-1969	Junior Engineer Manindra & Mahindra Limited
6.	EISENHOWER S N	46	General Manager Operations	635,022	B.Tech.(Chem.) PGDBM	24	02-03-1998	General Manager Operations Neycer India Limited

B. Employed for a part of the year under review and were in receipt of remuneration in the aggregate not less than Rs.50,000/- per month.

1.	RAMAN S V	53	Vice President Finance & Secretary	721,766	A.C.A., A.I.C.W.A. A.C.S.	29	01-10-1989	Finance Manager & Secretary Durametallic India Limited
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- NOTES : 1. The employment of Mr K S Krishnaswamy is on a contractual basis, approved by shareholders.
2. Remuneration as shown above includes salary, allowances, contribution to provident and other funds and perquisites.

For and on behalf of the Board

L LAKSHMAN
Chairman

L GANESH
Vice Chairman

Chennai
31st May 1999

AUDITORS' REPORT**TO THE SHAREHOLDERS OF RANE BRAKE LININGS LIMITED**

We have audited the attached Balance Sheet of Rane Brake Linings Limited as at 31st March 1999 and the Profit and Loss Account for the year ended on that date annexed thereto and report that -

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we give below a statement on the matters specified in paragraphs 4 and 5 of the said Order.
 - (i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. Most of the assets have been physically verified by the Management during the year and there is a regular programme of verification which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on verification.
 - (ii) None of the fixed assets have been revalued during the year.
 - (iii) The stocks 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.
 - (iv) The procedures 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.
 - (v) The discrepancies noticed on verification between the physical stocks and the book records were not significant and have been properly dealt with in the books of account.
 - (vi) On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles, and is on the same basis as in the preceding year.
 - (vii) According to the information and explanations given to us, no loans have been taken from Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 and / or from the Companies under the same management, as defined under sub-section (1-B) of Section 370 of the Companies Act, 1956.
 - (viii) According to the information and explanations given to us, no loans have been granted to the Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 and / or to the Companies under the same management, as defined under sub-section (1-B) of Section 370 of the Companies Act, 1956.
 - (ix) In respect of loans and advances in the nature of loans given by the Company, parties have repaid the principal amounts and interest wherever applicable as stipulated.
 - (x) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of stores, raw materials including components, plant and machinery, equipment and other assets and with regard to sale of goods.
 - (xi) According to the information and explanations given to us, there were no transactions of purchase of goods and raw materials and sale of goods, raw materials and services which are required to be entered in the Register maintained under Section 301 of the Companies Act, 1956.

Auditors' Report (Contd.)

- (xii) As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
- (xiii) According to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
- (xiv) In our opinion, reasonable records have been maintained by the Company for the sale and disposal of scrap. No by-products arise in the manufacturing operations.
- (xv) The Company has an internal audit system commensurate with the size and nature of its business.
- (xvi) The industry in which the Company is engaged does not come within the provisions of the Order made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and the question of the Company maintaining accounts and records prescribed under the aforesaid Order does not arise.
- (xvii) According to the records of the Company, Provident Fund and Employees' State Insurance dues have been regularly deposited during the year with the appropriate authorities.
- (xviii) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty were outstanding, as at 31st March 1999, for a period of more than six months from the date they became payable.
- (xix) According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
- (xx) The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
2. Further to the foregoing, we report that :
- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
- (c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account.
- (d) In our opinion the Balance Sheet and the Profit and Loss Account have complied with the Accounting Standards referred to in Section 211 of the Companies Act, 1956.
- (e) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit and Loss Account read together with the Notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :
- (i) as it relates to the Balance Sheet, of the state of affairs of the Company as at 31st March 1999, and
- (ii) as it relates to the Profit and Loss Account, of the profit of the Company for the year ended on that date.

For D RANGASWAMY & CO
Chartered Accountants

Chennai
31st May 1999

B RAMANI
Partner