



Rane Brake Linings Limited



35th ANNUAL REPORT 2000

Rane Brake Linings Limited

Directors

L LAKSHMAN
(Chairman & Managing Director)

L GANESH
(Vice Chairman)

K S KRISHNASWAMY

S NANDAGOPAL

R RAJA RAJA VARMA

K TODA

D VIJAY MOHAN

Bankers

ICICI Bank 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

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Rane Brake Linings Limited**REPORT OF THE DIRECTORS**

The Directors are pleased to present their thirtyfifth annual report together with the accounts for the year ended March 31, 2000.

FINANCIAL RESULTS

	1999 - 2000 Rs. in million	1998 - 1999 Rs. in million
Sales and Operating Revenue	1,004.03	845.48
Profit before tax	98.36	68.06
Provision for tax	18.50	19.50
Profit after tax	79.86	48.56
Surplus brought forward	12.00	10.00
Debenture redemption reserve withdrawn	—	1.25
Amount available for appropriation	91.86	59.81

DIVIDEND AND RETAINED PROFITS

From the profits available for appropriation, an amount of Rs.6.20 million has been transferred to Debenture Redemption Reserve and Rs.18.25 million to Special Reserve. This would leave the Company with a balance of Rs.67.41 million. Your Directors recommended an Interim Dividend of 40% on the Equity capital which was paid on May 27, 2000. Since no further dividend is being recommended, the aggregate amount on this account including Income Tax at 10% and a surcharge thereon at 10% works out to Rs.16.02 million. This leaves the Company with retained profits of Rs.51.39 million, of which Rs.33.39 million is being transferred to the General Reserve, leaving a surplus of Rs.18.00 million in the Profit and Loss Account.

GENERAL REVIEW OF THE YEAR

The fortunes of the automotive industry changed for the better. Whilst all the sectors notched up growth, Passenger Car sales leapfrogged by a spectacular 48%. Heavy Commercial Vehicles grew by a robust 40%, but coming as it did after two years of steep declines, the demand during 1999-2000 was still substantially below the peak level achieved during 1996-97. The growth rates

seen across various segments are reflected in the table below.

	1999-2000	1998-1999
Passenger Cars	48%	-2%
Utility Vehicles	10%	-16%
Light Commercial Vehicles	11%	-12%
Heavy Commercial Vehicles	40%	-12%
Farm Tractors	5%	3%
Two Wheelers	11%	10%

(Source : ACMA Automotive Industry Report, May 2000)

The reversal in the trends of vehicle builds followed by modest recovery in the replacement markets helped your Company grow by 20%. The increase in sales to the railway segment also helped considerably. Increased sales coupled with efficient cost management enabled the Company to turn in a handsome performance.

OUTLOOK FOR THE CURRENT YEAR

Notwithstanding the growth rates witnessed, the drought in different parts of the country has

Rane Brake Linings Limited

Report of the Directors (Contd.)

brought new uncertainties. In fact, there are already worrisome signs of decline in demand in the first quarter for commercial vehicles and farm tractors. Although we expect replacement markets to remain as buoyant as in the last year and the passenger car industry to grow by at least 10%, the mood is one of caution all round. Your Company is however well positioned to enhance sales in the railway segment and this should certainly buffer the adverse impact of any softening of demand in the road transport sector.

SUBSIDIARY

The accounts of Glendale Investments Limited (GIL) for the year ended March 31, 2000 are enclosed to this Report. Shareholders may note that GIL has reported satisfactory results for the year.

JOINT VENTURE

During the year under review, Rane LuK Clutch Limited achieved sales of Rs.419.40 million up 24% from the previous year level of Rs.337.80 million. The company has successfully launched new products for fitment on commercial vehicles and farm tractors. Even if the industry growth rates turn out to be soft, the increasing application rates of the company's products should help the current year's sales significantly. During the year, your Company subscribed for 1 million rights equity shares of Rs.10 each at par.

DEPOSITS

Deposits outstanding as on March 31, 2000 amounted to Rs.8,948,000. All deposits that matured during the year were repaid / renewed except for a sum of Rs.5,000 for which claims were not lodged with the Company.

DIRECTORATE

Mr L Lakshman, Chairman has assumed the position of Managing Director with effect from April 1, 2000. Consequently, he has been designated as Chairman and Managing Director.

He continues as Chairman and Managing Director of Rane (Madras) Limited.

Nisshinbo Industries Inc. Japan nominated Mr K Toda in place of Mr A Mihara, with effect from June 26, 1999.

During the year, Mr C R Rao resigned from the Board. The Directors record their sincere appreciation for the services rendered by Mr Rao during his association with the Company.

Mr K S Krishnaswamy and Mr D Vijay Mohan retire by rotation and are eligible for re-election.

CONSERVATION OF ENERGY

During the year the Company conducted energy audit and implemented the recommendations in some areas of dust collection and oven heating. The completion of this process is expected to result in substantial energy savings.

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 the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is enclosed to this report.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign exchange earned during 1999-2000 by export is Rs.38.97million and foreign exchange outgo is Rs.117.53 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.

Rane Brake Linings Limited**Report of the Directors (Contd.)****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.

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.

DEMATERIALISATION OF SHARES

Your Company entered into an agreement with Central Depository Services (India) Limited

(CDSL), Mumbai for dematerialisation of the equity shares of the Company. With this, shareholders have the option of dematerialising the shares with NSDL and CDSL.

LISTING OF EQUITY SHARES

Your Directors are happy to inform the shareholders that the equity shares have been admitted for trading with The Stock Exchange, Mumbai with effect from May 22, 2000. The shares are also traded as "Permitted Security" with National Stock Exchange of India Limited with effect from February 9, 2000.

CORPORATE GOVERNANCE

The amended provisions of the listing agreement entered into with the Stock Exchanges are applicable to your Company with effect from April 1, 2001. Your Company has initiated steps for compliance with these provisions ahead of this date.



For and on behalf of the Board

L LAKSHMAN
Chairman & Managing Director

Chennai
June 2, 2000

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 March 31, 2000.

RESEARCH AND 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	20,595,058
Recurring	9,798,158
Total	30,393,216
Total R & D expenditure as a percentage of total turnover	3.03%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

The Company has added an additional Dynamometer to develop and test new range of products applicable to passenger car segment. With the assistance of the technical collaborator, M/s. Nisshinbo Industries Inc. Japan, the Company has successfully developed and commercialised many new formulations for the new range of vehicles.

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For and on behalf of the Board

L LAKSHMAN
Chairman & Managing Director

Chennai
June 2, 2000

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 2000.

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.	Sundar Ram S	43	President	1,046,501	B.Tech., M.B.A.	20	19-03-1997	Chief Executive Marketing Road Masters Cycles Limited
2.	Ramakrishnan V	54	Vice President Technical	1,030,455	B.E. (Mech.)	31	16-04-1969	Junior Engineer Mahindra & Mahindra Limited
3.	Eisenhower S N	47	Vice President Operations	1,002,698	B.Tech. (Chem.) PGDBM	25	02-03-1998	General Manager Operations Neycer India Limited
4.	Sankar T S	43	General Manager Finance	735,488	B.Sc., A.C.A.	18	01-12-1995	Deputy Manager Finance Bharat Heavy Electricals Limited
5.	Badrinarayanan S	45	Deputy General Manager Marketing	661,269	B.E.(Mech.)	22	11-09-1978	—

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.	Ram Mohan A V	47	President	736,670	B.Tech. (Hons.) PGDM	24	16-05-1997	Director, Industrial Activity Shriram Group companies (Finance and Investments)
2	Srinivasan S	55	Vice President Projects & Materials	1,369,232	B.Tech. (Hons.)	33	10-11-1995	Divisional Manager Commercial & Projects Ennore Foundaries Limited

Notes : 1. 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 & Managing Director

Chennai
June 2, 2000

L GANESH
Vice Chairman

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

We have audited the attached Balance Sheet of Rane Brake Linings Limited as at March 31, 2000 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 has 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 stock 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 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) In our opinion and according to the information and explanations given to us, the transactions of purchases of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the Register under Section 301 of the Companies Act, 1956 and aggregating during the year Rs.50,000 or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices of such goods, materials or services or the prices at which transactions of similar goods, materials or services have been made with other parties.

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 March 31, 2000, 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 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 March 31, 2000, 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
June 2, 2000

R BALAGANGADHARAN
Partner