



Rane Brake Linings Limited



42nd ANNUAL REPORT 2007

Rane Brake Linings Limited

Board of Directors

L LAKSHMAN

Chairman & Managing Director

L GANESH

Vice Chairman

KUNIHIO TODA

(Nominee of Nisshinbo Industries Inc., Japan)

S A MURALI PRASAD

S NANDAGOPAL (upto 26.07.2006)

V RAMACHANDRAN

D VIJAY MOHAN

ANIL KUMAR V EPUR

S SANDILYA

Audit Committee

S SANDILYA

Chairman

D VIJAY MOHAN

S A MURALI PRASAD

L GANESH

Investors' Service Committee

L GANESH

Chairman

V RAMACHANDRAN

L LAKSHMAN

President

P S RAO

General Manager - Finance & Secretary

L VENKATESWARAN

Auditors

PRICE WATERHOUSE & CO.,

Chartered Accountants

No. 32, Khader Nawaz Khan Road,

Nungambakkam, Chennai - 600 006.

Listing of Shares with

The Madras Stock Exchange Limited, Chennai

Bombay Stock Exchange Limited, Mumbai

National Stock Exchange of India Limited, Mumbai

Bankers

HDFC Bank Limited

State Bank of India

ICICI Bank Limited

Indian Overseas Bank

Registered Office

"MAITHRI", 132, Cathedral Road,

Chennai 600 086

Phone : 28112472

Fax : 28112449

Email : investorservices@rane.co.in

Plants

1) Plot No. 30, Industrial Estate

Ambattur, Chennai 600 058.

Tamil Nadu

2) Pregnapur Village, Gajwel Mandal

Siddipet Highway, Medak District 502 311.

Andhra Pradesh

3) RS No. 48, 49 & 50, Sanyasikuppam Village

Mannadipet Commune, Thirubhuvanai Post

Pondicherry 605 107.

Registrar and Transfer Agents

Integrated Enterprises (India) Limited

II Floor, "Kences Towers", No 1 Ramakrishna Street,

North Usman Road, T Nagar, Chennai 600 017.

Ph: 28140801-03

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Rane Brake Linings Limited

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the **Forty Second Annual General Meeting** of the Equity Shareholders of the Company will be held at **10.15 a.m. on Wednesday, the July 25, 2007, at Narada Gana Sabha ('Main Hall'), 314, TTK Road, Chennai 600 018, to transact the following:-**

ORDINARY BUSINESS:

1. To receive, consider and adopt the Directors' Report, the audited accounts of the Company for the year ended March 31, 2007 and the Auditors' Report thereon.

To consider adoption of the following resolution, as an ordinary resolution:

"Resolved that the Audited Balance Sheet as at 31st March 2007, the Profit and Loss Account for the year ended 31st March 2007 together with the Reports of the Directors and the Auditors of the Company thereon, as presented to the meeting be and the same are hereby approved and adopted".

2. To approve dividend on equity shares.

To consider adoption of the following resolution, with or without modification, as an ordinary resolution :

"Resolved that the first interim dividend of 40% declared by the board of directors of the company on January 23, 2007 on 7,214,980 equity shares of Rs.10/- each fully paid and the second interim dividend of 30% declared by the board of directors of the company on March 22, 2007 on 7,214,980 equity shares of Rs. 10/- each fully paid, absorbing a sum of Rs. 50,504,860 (excluding dividend tax and cess thereon) paid to the shareholders on February 05, 2007 and March 30, 2007 respectively, for the year ended March 31, 2007, be and are hereby approved as final dividend for the year ended March 31, 2007".

3. To appoint a director in the place of Mr. L Ganesh, who retires by rotation under Article 106 of the Articles

of Association of the Company and being eligible, offers himself for re-election.

To consider adoption of the following resolution, with or without modification, as an ordinary resolution:

"Resolved that Mr. L Ganesh, who retires by rotation and being eligible for re-appointment, be and is hereby re-appointed as a Director of the Company".

4. To appoint a director in the place of Mr. D Vijay Mohan, who retires by rotation under Article 106 of the Articles of Association of the Company and being eligible, offers himself for re-election.

To consider adoption of the following resolution, with or without modification, as an ordinary resolution:

"Resolved that Mr. D Vijay Mohan, who retires by rotation and being eligible for re-appointment, be and is hereby re-appointed as a Director of the Company".

5. To appoint auditors in the place of retiring auditors and to determine their remuneration.

To consider adoption of the following resolution, with or without modification, as an ordinary resolution:

"Resolved that, M/s Price Waterhouse & Co., Chartered Accountants, be and are hereby re-appointed as the auditors of the company to hold office from the conclusion of this Annual General Meeting until 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 reimbursement of traveling and other out-of-pocket expenses actually incurred by them in connection with the audit."

(By Order of the Board)
For Rane Brake Linings Limited

Chennai

L Venkateswaran

May 24, 2007. General Manager-Finance & Secretary

NOTES:

1. Any member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of himself. The proxy need not be a member of the Company. The proxies should however be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.
2. The Register of Members of the Company will remain closed from **Saturday, July 21, 2007** to **Wednesday, July 25, 2007** (both days inclusive).
3. Pursuant to the provisions of Section 205A of the Companies Act, 1956, dividend for the financial year ended March 31, 2000 and thereafter which remains unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government. Members who have not encashed the dividend warrants for the said period are requested to make their claim to the Company.

Information in respect of such unclaimed dividend when due for transfer to the said fund is given below:

Year	Date of declaration	Last date for claiming unpaid dividend	Due date for transfer to IEPF u/s 205A(5)
31.03.00 *	30/03/2000	16/05/2007	14/06/2007
31.03.01	26/07/2001	31/08/2008	29/09/2008
31.03.02	25/07/2002	30/08/2009	28/09/2009
31.03.03	25/07/2003	28/08/2010	26/09/2010
31.03.04 *	31/01/2004	04/03/2011	02/04/2011
31.03.05 *	27/01/2005	04/03/2012	02/04/2012
31.03.05	22/07/2005	26/08/2012	25/09/2012
31.03.06 *	23/01/2006	26/03/2013	27/03/2013
31.03.06	26/07/2006	29/08/2013	27/09/2013
31.03.07 *	23/01/2007	27/02/2014	28/03/2014
31.03.07 *	22/03/2007	25/04/2014	24/05/2014

* Interim dividends

4. Members holding shares in physical form are requested to notify to the Company immediately any change in address to the following address:

M/s. Integrated Enterprises (India) Limited,
II Floor, "Kences Towers",
No. 1, Ramakrishna Street, North Usman Road,
T. Nagar, Chennai 600 017.

Members holding shares in Dematerialized form may inform the change in address to their Depository Participants (DPs).

5. Members / Proxies should bring the attendance slip duly filled in for attending the meeting.

(By Order of the Board)
For Rane Brake Linings Limited

Chennai
May 24, 2007. L Venkateswaran
General Manager-Finance & Secretary

Rane Brake Linings Limited

INFORMATION ABOUT DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT IN THIS ANNUAL GENERAL MEETING IN RESPECT OF RESOLUTION NO. 3 & 4 ABOVE

(in accordance with Clause 49 IV of the Listing Agreement)

Re-appointments:	Item No. 3	Item No. 4
Name of the director	Mr. L Ganesh	Mr. D Vijay Mohan
Father's Name	Mr. L L Narayan	Mr. N Damotharan
Date of birth	March 18, 1954	November 10, 1947
Educational Qualifications	ACA, MBA	B.E., MMS
Date of appointment	September 26, 1986	June 27, 1986
Other Directorships	Rane Engine Valves Limited Rane (Madras) Limited Rane TRW Steering Systems Limited Rane NSK Steering Systems Limited Rane Investments Limited Rane Holdings Limited Techcons Limited Kar Mobiles Limited Rane Diecast Limited EIH Associated Hotels Limited	Pricol Limited English Tools and Castings Limited Precot Meridian Limited Pricol Holdings Limited Pricol Packaging Limited Xenos Technologies Limited Synoro Technologies Limited Pricol Property Development Limited Pricol Technologies Limited Priana Enterprises Indian Limited Bhavani Infin Services India Private Limited
Committee Memberships	Chairman – Audit EIH Associated Hotels Ltd.	
	Member – Audit Rane Holdings Limited Rane Brake Linings Ltd. Rane TRW Steering Systems Limited Rane NSK Steering Systems Limited Kar Mobiles Limited	Member – Audit Rane Brake Linings Limited
	Chairman – Investors' Service Rane (Madras) Limited Rane Brake Linings Ltd. Kar Mobiles Limited	Member – Shareholders / Investors' Relations Pricol Limited
	Member – Investors' Service Rane Engine Valves Ltd.	Member – Investors' Relations Precot Meridian Limited

(By Order of the Board)
For Rane Brake Linings Limited

Chennai
May 24, 2007.

L Venkateswaran
General Manager - Finance & Secretary

REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting their forty second annual report together with the accounts for the year ended March 31, 2007. The financial highlights of the year under review are as follows:-

A. FINANCIAL PERFORMANCE : (Rs. Million)

	2006-07	2005-06
Sales and Operating Revenues	1,796.73	1,572.06
Other Income	122.35	50.75
Profit before tax	212.46	190.52
Provision for tax	43.60	52.82
Profit after tax	168.86	137.70
Surplus brought forward	33.00	33.00
Amount available for appropriation	201.86	170.70

The sales and operating revenues grew over 14% compared to previous year. Escalation in the input costs has resulted in decline in operating margins.

B. APPROPRIATION

Profit available for appropriation is Rs.201.86 million. The directors have declared and paid interim dividends of 40% in January 2007 and 30% in March 2007 on the equity capital for the year ended March 31, 2007. The amount on this account inclusive of tax on distributed profits and surcharge thereon, works out to Rs.57.59 million leaving the company with retained profits of Rs. 144.27 million. Out of this, Rs. 86.27 million is being transferred to the General Reserve and Rs. 58.00 million being retained as surplus in the Profit and Loss Account.

C. MANAGEMENT DISCUSSION & ANALYSIS**1. FINANCIAL AND OPERATIONAL PERFORMANCE**

Increase in input costs and pricing pressures resulted in a decline in margins that could not be fully offset by various cost management measures. In addition, the company also invested considerably in technology upgradation as a future strategy. Consequently despite sales levels being higher the operating profits declined marginally.

2. INDUSTRY STRUCTURE AND DEVELOPMENTS

The year under review has seen continued buoyancy in the OEM markets.

The table below highlights the segmental growth of the Indian Automotive Industry

Growth Percentage

	2006-07	2005-06
Passenger Cars	19	9
Utility Vehicles	13	7
Light Commercial Vehicles	7	23
SCV (One T & below)	146	—
Medium and Heavy Commercial Vehicles	34	4
Farm Tractors	15	15
Three Wheelers	28	17
Two Wheelers	11	18

Source: Society of Indian Automobile Manufacturers and Tractor Manufacturers Association

3. OUTLOOK

Sustained spending on infrastructure, and the continuing general economic growth, are beneficial factors that should aid business growth in the medium and long term.

Concerns of inflation caused through supply side constraints and increases in prices of commodities continued. These have resulted in monetary measures, which have driven up the interest rates. It should be expected these would have a dampening effect on the growth sentiments.

Export and new product opportunities will continue to be focus areas.

4. OPPORTUNITIES, THREATS AND RISK

Pursuit of new export opportunities should bear fruit in the coming years, presenting your company an opportunity to spur growth beyond organic levels. Also, in the medium term the growth potential for the domestic industry will continue to be in double digits.

The main threats arise out of:-

- Volatility in commodity prices – steel and other inputs
- Low priced products import from China and Taiwan
- Strengthening Rupee
- Apprehended temporary slow down of the Economy

Besides these, there is also a possibility of greater constraints being introduced in India on the use of

Rane Brake Linings Limited

Report of the Directors (Contd.)

asbestos currently used in your Company's products. Whilst your company already has a plant dedicated to the manufacture of asbestos free brake linings, the replacement trade find these substitutes expensive. Based on analysis of scientific data available, we believe asbestos is safe under regulated use. Should any evidence prove the contrary, your Company is already equipped to take steps to switch over completely to asbestos free products rapidly.

5. INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT

Your Company engaged the services of an independent agency to carry out internal audit of all the Company locations across the country. The Audit Committee of the Board approves the audit plan in the beginning of the financial year in consultation with the internal auditors, the statutory auditors and the operating management. The findings of the internal auditors are placed before the Audit Committee for review.

The response of the operating management and counter measures proposed are discussed at the Audit Committee meetings. The process not only seeks to ensure the reliability of control systems and compliance with laws and regulations but also covers resources utilisation and system efficacy.

Risk Management is an integral part of the business process. With the help of experts, the company mapped the risks at the business processes and enterprise levels and evolved a risk management framework. Mitigative measures have been identified in respect of the latter. These would be periodically reviewed by the Board of Directors.

6. HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS

Your company attaches considerable importance to Human Resource Development (HRD) and harmonious industrial relations.

The management is continuously working on the development of human capital, vital in an ever changing business environment towards achieving the goals and realizing the Vision of the company. "Rane Institute for Employee Development" is a group resource that imparts training towards continuous enhancement of technical and managerial skills. On an average, 5.70 mandays of training per employee was imparted during the year across employee segments and divisions.

Total Employee Involvement is a key element of Total Quality Management (TQM) that enables continuous improvement to all business processes. The company conducts regular Employee Opinion Surveys, the outcome of which is deliberated and acted upon.

As at the end of 31st March 2007, the total number of employees stood at 826.

7. CAUTIONARY STATEMENT

The information and opinion expressed in this Report may contain certain forward-looking statements, which the management believes are true to the best of its knowledge at the time of its preparation. Actual results may differ materially from those either expressed or implied in this report.

D. INVESTMENTS & SUBSIDIARY COMPANY

During the year, the company was allotted 3,373,111 equity shares of Rs.10/- each at a premium of Rs.10.45 per share issued on a rights basis by the subsidiary company, viz., Rane Diecast Limited (RDL). With this allotment, the shareholding of the company in RDL has increased to 6,233,111 equity shares representing 75% of the total paid up share capital of RDL.

Pursuant to Section 212 of the Companies Act, 1956, a statement relating to subsidiary company viz., RDL is attached in Annexure A. A copy of accounts of RDL and, as required by the Accounting Standards on 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India, the Audited Consolidated Financial Statements of the Company, its subsidiary and associate companies are attached in the Annual Report.

E. DEPOSITS

Deposits outstanding as on March 31, 2007 amounted to Rs.25.15 million. All deposits that matured during the year were repaid / renewed except for a sum of Rs.0.10 million for which claims have not been lodged with the Company.

F. BOARD OF DIRECTORS

During the year, Mr. S Nandagopal resigned from the board. The Board placed on record its appreciation for the contribution made by Mr. S Nandagopal during his association as Director. Mr. D. Vijay Mohan and Mr. L. Ganesh retire by rotation and being eligible, offer themselves for re-election.

Report of the Directors (Contd.)**G. CONSERVATION OF ENERGY**

By sustaining high power factor, your company has reduced energy consumption and maximum demand charges.

H. RESEARCH & DEVELOPMENT ACTIVITIES

The details are furnished in Form B (Annexure B).

I. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign exchange earned during 2006-07 is Rs.121.10 million and foreign exchange outgo is Rs. 250.40 million.

J. 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 Annexure C.

K. AUDITORS

M/s Price Waterhouse & Co., Chartered Accountants, Chennai, the auditors of the company retire at the ensuing Annual General Meeting and are eligible for re-appointment. The declaration under Section 224(1B) of the Companies Act, 1956 has been received from them.

L. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the directors hereby confirm that they have:

- i. Followed the applicable accounting standards in the preparation of the annual accounts;
- ii. Selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a 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 the year under review;
- iii. 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 detecting fraud and other irregularities;
- iv. Prepared the accounts for the financial year on a 'going concern' basis.

M. CORPORATE GOVERNANCE REPORT

A detailed report on Corporate Governance is attached in Annexure D.

For and on behalf of the Board

L LAKSHMAN

Chairman & Managing Director

Chennai
May 24, 2007

L GANESH
Vice Chairman

Rane Brake Linings Limited

Annexure A to Report of the Directors

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Company for the financial year ended March 31, 2007

1. Name of the Company	Rane Diecast Limited
2. Holding Company's interest Equity Share Capital	6,233,111 equity shares of Rs. 10 each fully paid-up (75%)
3. Net aggregate amount of profits/(losses) since becoming the subsidiary, so far as it concerns the members of the holding company and not dealt with in the holding company's accounts :	
i) for the subsidiary's financial year ended March 31, 2007 (Rs.'000)	(22,571)
ii) for the previous financial years (Rs.'000)	(1,027)
4. Net aggregate amount of profits/(losses) since becoming the subsidiary, so far as it concerns the members of the holding company's accounts and dealt with in the holding company's accounts:	
i) for the subsidiary's financial year ended March 31, 2007 (Rs.'000)	Nil
ii) for the previous financial years (Rs.'000)	Nil

For and on behalf of the Board

L LAKSHMAN
Chairman & Managing Director

Chennai
May 24, 2007

L VENKATESWARAN
General Manager - Finance & Secretary

L GANESH
Vice Chairman

Annexure B to Report of the Directors**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, 2007.

RESEARCH AND DEVELOPMENT (R & D)

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

EXPENDITURE ON R&D

	(Rs. `000)
Capital	2,306
Recurring	18,915
Total	21,221
Total R&D expenditure as a percentage of total turnover	1.18%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

With the assistance of the technical collaborator, M/s. Nisshinbo Industries Inc., Japan, the company had developed and commercialized many new formulations for both domestic and export market.

For and on behalf of the Board

L LAKSHMAN
Chairman & Managing Director

Chennai
May 24, 2007

L GANESH
Vice Chairman