



Rane Brake Lining Limited

5th ANNUAL REPORT 2010

Board of Directors

L GANESH

Chairman

L LAKSHMAN

S A MURALI PRASAD

ANIL KUMAR V EPUR

S SANDILYA

HARISH LAKSHMAN

SURESH CHANDRA GUPTA

KOJI NISHIHARA

(Nominee of Nisshinbo Holdings Inc., Japan)

Audit Committee

S SANDILYA

S A MURALI PRASAD

L GANESH

SURESH CHANDRA GUPTA

Investors' Service Committee

HARISH LAKSHMAN

Chairman

ANIL KUMAR V EPUR

L GANESH

President

P S RAO

Deputy General Manager - Finance

M A P SRIDHAR KUMAR

Secretary

G KARTHIKEYAN

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

IDBI Bank Limited

Standard Chartered Bank

HDFC Bank Limited

State Bank of India

Indian Overseas Bank

ICICI Bank Limited

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,
Puducherry 605 107.
- 4) Sethurapatti Village, Fathima Nagar Post,
Srirangam Taluk, Trichy 620 012.
Tamil Nadu

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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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the **Fifth Annual General Meeting** of the Equity Shareholders of the Company will be held at **10.30 a.m. on Wednesday, the July 21, 2010, at The Music Academy (Mini Hall)**, New No. 168, TTK Road, Royapettah, Chennai 600 014, 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, 2010 and the Auditors' report thereon.

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

"Resolved that the Audited Balance Sheet as at March 31, 2010, the Profit and Loss Account for the year ended March 31, 2010 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 declare dividend on equity shares.

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

"Resolved that the interim dividend of Rs.3/- per equity share declared by the board of directors of the company on January 21, 2010 on 7,914,980 equity shares of Rs.10/- each fully paid, absorbing a sum of **Rs. 27.78 million (including dividend distribution tax and cess thereon)**, paid to the shareholders in February 2010 for the year ended March 31, 2010 be and is hereby approved."

"Resolved further that final dividend of Rs. 1.50 per equity share of Rs. 10/- each on 7,914,980 equity shares be and is hereby declared out of the profits of the Company for the year ended March 31, 2010, absorbing an amount of Rs.13.89 million (including dividend distribution tax and cess thereon) and that the dividend be paid to those shareholders, whose names appears on the Company's Register of Members as on July

21, 2010 and in respect of shares in electronic form to those beneficial owners of the shares as at the end of business hours on July 13, 2010 as per the details furnished by the Depositories for this purpose."

3. To appoint a Director in the place of Mr. S A Murali Prasad, who retires by rotation under Article 113 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. S A Murali Prasad, who retires by rotation and being eligible for re-appointment, be and is hereby reappointed as a Director of the Company."

4. To appoint a Director in the place of Mr. Anil Kumar V Epur, who retires by rotation under Article 113 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. Anil Kumar V Epur, who retires by rotation and being eligible for re-appointment, be and is hereby reappointed as a Director of the Company."

5. To appoint auditors of the Company and to determine their remuneration. The retiring auditors M/s. Price Waterhouse & Co, Chartered Accountants, are eligible for re-appointment. The declaration under Section 224(1B) of the Companies Act, 1956 has been received.

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

"Resolved that M/s. Price Waterhouse & Co, Chartered Accountants (Registration No. 007567S with the Institute of Chartered Accountants of India),

Rane Brake Lining Limited

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 travelling and other out-of-pocket expenses actually incurred by them in connection with the audit."

SPECIAL BUSINESS:

6. To consider adoption of the following resolution, with or without modification, as a **special resolution**

"Resolved that pursuant to the provisions of section 309(4)(b) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals as may be required, the payment and distribution by way of commission to Mr. L Ganesh, Chairman, not exceeding one (1) percent of the net profits of the company calculated in accordance with the provisions of sections 198, 349 and 350 of the Companies Act, 1956 with effect from April 1, 2009 for a period of three years be and is hereby approved."

"Resolved further that subject to the limits as aforesaid, the payment and distribution of the commission to Mr. L Ganesh, Chairman be determined by the Board of Directors from time to time in such proportion and in such manner as the Board may determine."

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

Chennai
May 19, 2010

G Karthikeyan
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 Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business as given in the notice is annexed.
3. The Register of Members of the Company will remain closed from **Wednesday, July 14, 2010 to Wednesday, July 21, 2010** (both days inclusive).
4. Pursuant to the provisions of Section 205A of the Companies Act 1956, dividend for the financial year ended March 31, 2003 and thereafter which remain unclaimed for a period of seven years (including the dividends declared by erstwhile Rane Brake Linings Limited) will be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government.

Members are requested to contact the Company's Registrars and Transfer Agents, for payment in respect of the unclaimed dividend for the financial year 2002-03 and thereafter declared by the erstwhile Rane Brake Linings Limited.

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

M/s. Integrated Enterprises (India) Ltd.
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.

6. Members who are holding shares in identical order of names in more than one account are requested to intimate to the Company, the ledger folio of such accounts together with the share certificate(s) to enable the Company to consolidate all the holdings into one account. The share certificate(s) will be returned to the members after necessary endorsements.
7. Members / Proxies should bring the attendance slip duly filled in for attending the meeting.

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

Resolution No.6

After Mr. L Ganesh took over as Chairman of the Company with effect from April 1, 2008, he is committing more time towards formulating new strategies to improve the performance and profitability of the Company. The cost reduction initiatives and other profit improvement measures taken by him during the downturn yielded desired results. In order to remunerate Mr. L Ganesh, Chairman appropriately for the services rendered by him, the Board recommended to make payment of remuneration by way of commission not exceeding 1% of the net profits of the Company for a period of three years, effective from April 1, 2009.

Mr. L Ganesh is concerned or interested in the resolution. Mr. L Lakshman being relative of Mr. L Ganesh, may be deemed to be interested in the resolution. No other directors are interested in the resolution.

Your directors commend the resolution for adoption.

(By Order of the Board)
For **Rane Brake Lining Limited**

Chennai
May 19, 2010

G Karthikeyan
Secretary

Information about director seeking re-appointment in this Annual General Meeting in respect of item nos. 3 & 4 above (in accordance with Clause 49 IV of the Listing Agreement)

	Item No. 3	Item No. 4
Name of the Director	Mr. S A Murali Prasad	Mr. Anil Kumar V Epur
Father's Name	Mr. S A Venkatarama Iyer	Mr. E V Ram Reddy
Date of Birth	September 27, 1941	November 17, 1948
Educational Qualifications	ACA, AICWA	B.S. MEE and MBA – Cornell University, USA
Experience	Mr. Murali Prasad provides consultancy services for large and medium-sized corporate. He has over 40 years of experience.	Mr. Anil Kumar has over 34 years of industrial experience.
Date of Appointment	February 6, 2008	February 6, 2008
Other Directorships	1. Sakthi Finance Limited 2. Sam Consultancy Services Pvt. Limited	1. Rane Diecast Limited 2. B2B Software Technologies Limited
Committee Memberships	Chairman – Audit Sakthi Finance Limited	Chairman - Audit 1. Rane Diecast Limited 2. B2B Software Technologies Limited
	Member – Audit Rane Brake Lining Limited	Member – Investors' Service Rane Brake Lining Limited
	Chairman – Remuneration 1. Sakthi Finance Limited 2. Rane Brake Lining Limited	Member - Remuneration B2B Software Technologies Limited
Number of shares held	NIL	NIL

(By Order of the Board)
For **Rane Brake Lining Limited**

Chennai
May 19, 2010

G Karthikeyan
Secretary

REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting their fifth annual report together with the accounts for the year ended March 31, 2010.

1. Financial Performance:

The highlights of the fifth financial year under review are as follows:- (Rs. Million)

	2009-10	2008-09
Sales and Operating Revenues	2,363.00	1,913.48
Other Income	13.77	17.98
Profit before tax	149.33	43.24
Provision for tax	48.46	14.30
Profit after tax	100.87	28.94
Surplus brought forward	112.20	104.69
Amount available for appropriation	213.07	133.62

2. Appropriation

Profit available for appropriation is Rs. 213.07 million. The Directors have declared and paid interim dividend of 30% on the equity capital of the company for the year ended March 31, 2010 and are pleased to recommend a further 15% as final dividend, making for a total dividend of 45% for the year. The amount on this account inclusive of tax on distributed profits and surcharge thereon, works out to Rs. 41.67 million leaving the company with retained profits of Rs. 171.40 million. Out of this, Rs. 10.09 million is being transferred to the General Reserve and Rs. 161.31 million being retained as surplus in the Profit and Loss Account.

3. Management Discussion and Analysis

a. Industry Structure and Developments

Growth in %

Segments	2009-10	2008-09
Passenger Cars	28	5
Utility Vehicles	24	-11
Small Commercial Vehicles (One Ton & below)	8	12
Light Commercial Vehicles	77	-24
Medium and Heavy Commercial Vehicles	30	-35
Three Wheelers	25	-1
Two Wheelers	25	4
Farm Tractors	27	-7

Source: Society of Indian Automobile Manufacturers.

The domestic market continues its strong recovery which started in January 2009. Heavy and Light Commercial Vehicle segments recovered strongly in the second half of the year. The Passenger Cars continued to do extremely well and had a record year. The Farm Tractors achieved its highest ever production in the current financial year.

The aftermarket continued to be very robust during the year.

For Exports, the year was difficult due to the effects of slowdown in the US and European markets. Besides lower consumption, there were inventory corrections by customers. There were some signs of improvement from December 2009.

b. Operational and Financial Performance

Sales and Operating Revenue grew by 23% compared to 6% in the previous year. This was lead by a very strong growth OEM (57%) and Aftermarket (10%). Your Company has successfully established new distribution arrangements in North Africa as a measure to offset economic recession impact in European market. Your Company also secured new business in Taiwan for passenger car brake linings during the year. However exports had a marginal growth of around 4%.

The PBT for the year under review was Rs. 149.33 Million against Rs. 43.24 Million in the previous year. This was achieved not only due to a robust growth in sales but also effective cost reduction initiatives and a reasonably stable raw material cost trend. Compared to the previous year the foreign exchange volatility was also far less which helped the performance.

c. Outlook

Domestic market is expected to continue its strong growth. Passenger Car and Two wheelers are expected to register significant growth with new products launches. Light and Heavy commercial vehicles and tractors are expected to continue its growth momentum although at a lower rate. The Aftermarket demand continues to be strong.

Export market, which has also shown positive signs, is likely to improve further in the current

REPORT OF THE DIRECTORS (Contd.)

year and your company is well placed to further grow in this segment.

Raw material prices have started hardening but the general expectation is that the increases will be moderate. The recent trend of strengthening of the Indian currency is causing concern. The continuance of subsidised exports from China and the maintenance of artificial peg on their currency could adversely affect Indian exports in the medium term.

Your Company will continue to focus on improving productivity and quality besides cost reduction initiatives to sustain the improved performance.

d. Opportunities, Threats and Risk

India has averted the effects of the global slump and continues to grow at a healthy 7-8%. More and more multinational companies are now targeting India as the hub for manufacturing and exporting. Many global Automobile manufacturers have set up bases in India and are actively pursuing sourcing from here. This provides good opportunity to component manufacturers for accelerated growth.

The main threats are as follows ;

- Dumping from China and cheaper imports from other low cost countries.
- Strengthening of Rupee affecting exports.
- More competition since there are no growth opportunities for multinational companies elsewhere.
- Increased trend of Material cost.

e. Internal Control Systems and Risk Management

Your Company continues to engage 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 utilization and system efficacy.

Risk Management is an integral part of the business process. The Company has mapped the risks at the business processes and enterprise levels and has evolved a risk management framework. Mitigative measures have been put in place in respect of these risks. These would be periodically reviewed by the Board of Directors.

f. Human Resource Development and Industrial Relations

Your Company attaches significant importance to Human Resource Development (HRD) and harmonious industrial relations. The management is continuously working on the development of human capital which is very vital for achieving the goals and realising the Vision of the Company in an ever-changing and challenging business environment. "Rane Institute for Employee Development" is a group resource that imparts training for enhancing leadership and managerial skills. On an average each employee across all segments and divisions is trained for 5.18 days per annum.

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 shared with the employees, deliberated and acted upon. Specific HR initiatives are rolled out to enhance employee engagement. New strategies like multi skilling, competency enhancement programs and enhancing managerial depth are being progressively implemented to optimise employee costs and improve productivity.

As at the end of March 31, 2010, the total number of employees stood at 850.

g. 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.

REPORT OF THE DIRECTORS (Contd.)

4. Deposits

Deposits outstanding as on March 31, 2010 amounted to Rs. 120.38 million. All deposits that matured during the year were repaid / renewed except for a sum of Rs. 0.25 million for which claims have not been lodged with the Company.

5. Board of Directors

Mr. S A Murali Prasad and Mr. Anil Kumar V Epur retire by rotation. Mr. S A Murali Prasad and Mr. Anil Kumar V Epur being eligible, have offered themselves for reappointment.

6. Conservation of Energy

Your Company has been continuously engaged in energy saving initiatives to offset the power shortage and the resultant cost impact. Energy savings were achieved through special projects in shop-floor, sustenance of high power factor and employee involvement to reduce consumption of power.

7. Research and Development Activities

The details of Disclosure of particulars with respect to Research & Development, technology absorption, adaptation and innovation, as required under the Companies Act (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 in Form B are furnished in Annexure A.

8. Foreign Exchange Earnings and Outgo

Foreign exchange earned during 2009-10 was Rs. 149.73 million and foreign exchange outgo was Rs. 421.13 million.

9. 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 B, which forms part of this report.

10. 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.

11. 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.

12. Corporate Social Responsibility

Your company has contributed to the society in the form of –

- Contribution of funds towards establishment of Polytechnic College by Rane Foundation. Contributions are also made through Rane Foundation, PSG Foundation and JACOB Memorial Trust towards providing basic and higher education to the deserving. Your company has instituted a merit award for school children and distributed uniforms to the girl school students.

Your company has also taken other initiatives such as organising –

- Blood donation and eye care camp
- AIDS awareness program and donation to AIDS infected children
- Road safety campaign
- Contribution to cancer auspice
- Food and clothing for orphanages
- Reading for blind

13. Corporate Governance Report

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

For and on behalf of the Board

L GANESH
Chairman

Chennai
May 19, 2010

L LAKSHMAN
Director