



Rane Brake Lining Limited

6th ANNUAL REPORT 2011

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

Chairman

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

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

HDFC Bank Limited

IDBI Bank Limited

Standard Chartered Bank

Indian Overseas Bank

State Bank of India

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 E-mail: corpseerv@iepindia.com

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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the **Sixth Annual General Meeting** of the Equity Shareholders of the Company will be held at **10.15 a.m.** on **Friday, the July 22, 2011**, at **Narada Gana Sabha (Main Hall)**, No. 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, 2011 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, 2011, the Profit and Loss Account for the year ended March 31, 2011 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 25, 2011 on 7,914,980 equity shares of Rs.10/- each fully paid, absorbing a sum of Rs.27.69 million (including dividend distribution tax and cess thereon), paid to the shareholders in February 2011 for the year ended March 31, 2011 be and is hereby approved."

"Resolved further that final dividend of Rs.2/- 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, 2011, absorbing an amount of Rs.18.40 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 22, 2011 and in respect of shares in electronic form to those beneficial owners of the shares as at the end of business hours on July 15, 2011 as per the details furnished by the Depositories for this purpose".

3. To appoint a Director in the place of Mr. Suresh Chandra Gupta, 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 hat Mr. Suresh Chandra Gupta, 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. Harish Lakshman, 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. Harish Lakshman, 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), 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."

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

Chennai
May 23, 2011

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 Register of Members of the Company will remain closed from **Saturday, July 16, 2011 to Friday, July 22, 2011** (both days inclusive).
3. Pursuant to the provisions of Section 205A of the Companies Act 1956, dividend for the financial year ended March 31, 2005 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 Registrar and Transfer Agents, for payment in respect of the unclaimed dividend for the financial year 2004-05 and thereafter declared by the erstwhile Rane Brake Linings Limited.
4. Ministry of Corporate Affairs vide circular no.17/2011 dated April 21, 2011 permitted sending all communications to members by electronic mail (e-mail), as a measure of "Green Initiative in Corporate Governance". In line with the ministry's direction your company intends to send all future communication to members by e-mail including notice of the annual general meeting and annual report, to the e-mail address you have already registered with your respective Depository Participants (DPs). We encourage your participation and expect your support in this initiative. In case you are yet to register your e-mail address, please update the same with your DPs. Members holding shares in physical form may register their e-mail address with the Registrar and Transfer Agents (RTA) or write to us at investorservices@rane.co.in. All members are entitled to receive the communication in physical form upon request for the same.
5. As a part of 'Green initiative in corporate governance', MCA has enabled shareholders' participation in general meeting through electronic mode i.e., video conference. The company is in support of the initiative, however taking into consideration the infrastructural arrangements required for enabling such participation, the company is not extending this facility for this annual general meeting.
6. Members holding shares in physical form are requested to notify to the Company immediately of any change in their residential and e-mail address to the Registrar and Transfer Agents:

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.
7. 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.
8. Members / Proxies should bring the attendance slip duly filled in for attending the meeting.

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

Chennai
May 23, 2011

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. Suresh Chandra Gupta	Mr. Harish Lakshman
Father's Name	Mr. Prem Narain	Mr. L Lakshman
Date of Birth	April 5, 1945	February 12, 1974
Educational Qualifications	B.Tech (Hons.)	B.E, MSM
Experience	Mr. Gupta was associated with the Indian Railways and has over 43 years of industrial experience.	Mr. Harish Lakshman has 12 years experience in his profession and currently he is Managing Director of Rane TRW Steering Systems Limited and looks after manufacturing activities of Rane Group.
Date of Appointment	March 24, 2008	July 22, 2008
Other Directorships	1. PG Electroplast Limited	1. Rane TRW Steering Systems Limited 2. Rane (Madras) Limited 3. Rane Holdings Limited 4. Rane Engine Valve Limited 5. Rane NSK Steering Systems Limited 6. Rane Diecast Limited 7. JMA Rane Marketing Limited 8. Savithur Enterprises Private Limited 9. HL Hill Station Properties Private Limited 10. Broadvision Perspectives India Private Limited 11. Broadvision Services Private Limited
Committee Memberships	Member – Audit 1. Rane Brake Lining Limited 2. PG Electroplast Limited	Member – Audit 1. Rane Diecast Limited
		Chairman – Investors' Service 1. Rane Brake Lining Limited 2. Rane Holdings Limited
		Member – Investors' Service 1. Rane (Madras) Limited
Number of shares held	NIL	50

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

Chennai
May 23, 2011

G Karthikeyan
Secretary

REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting their sixth annual report together with the accounts for the year ended March 31, 2011.

1. Financial Performance

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

Particulars	2010-2011	2009-2010
Sales and Operating Revenues	3,058.41	2,363.00
Other Income	24.76	13.77
Profit before tax	196.66	149.33
Provision for Tax	43.84	48.46
Profit after tax	152.82	100.87
Surplus brought forward	161.31	112.20
Profit available for appropriation	314.14	213.07

2. Appropriations

Profit available for appropriation is Rs.314.14 million. The Directors have declared and paid interim dividend of 30% on the equity capital of the company for the year ended March 31, 2011 and are pleased to recommend a further 20% as final dividend, making for a total dividend of 50% for the year. The amount on this account inclusive of tax on distributed profits and surcharge thereon, works out to Rs.46.04 million leaving the company with retained profits of Rs.268.10 million. Out of this, Rs.15.45 million is being transferred to the General Reserve and Rs.252.65 million being retained as surplus in the Profit and Loss Account.

3. Management Discussion and Analysis

a) Industry Structure, Developments and Segment-wise Performance

Your Company operates in single segment, viz., components for transportation industry. The growth within automobile industry was as follows:

Growth in %

Industry Segments	2010-2011	2009-2010
Passenger Cars	27	28
Utility Vehicles	17	24
Small Commercial Vehicles (One Ton & below)	36	8
Light Commercial Vehicles	22	77
Medium and Heavy Commercial Vehicles	38	30
Three Wheelers	29	25
Two Wheelers	27	25
Farm Tractors	22	27

Source : Society of Indian Automobile Manufacturers.

Domestic market continued its robust growth across all segments and this required ramping up capacity. The emphasis on capacity increase and improvement of delivery continued throughout the year.

Exports

In the export market, the increase in volumes from the later part of the year 2009- 2010 continued in the year 2010- 2011. Your Company met its export commitments.

The United States Dollar, a currency on which your Company's exports are mostly dependent was relatively stable. The strengthening of the rupee was marginal and such fluctuations were handled well with the Company's forex policy.

OEM and Aftermarket

Your company's performance in the OEM Segment continued to be very good and the growth over the previous year was 58%. The Company's aftermarket sales grew at a rate of 10% over the previous year.

b) Operational and Financial Performance

Sales and Operating Revenue grew by 29% compared to 23% in the previous year. This was lead by a very strong growth of 31% in the domestic market and 5% in export market. The PBT for the year under review was Rs.196.66 Million against Rs.149.33 Million in the previous year, a growth of 32% over last year. Higher input costs contained with cost control measures and improved operational efficiencies have resulted in achieving a healthy profitability.

c) Outlook

The Domestic Vehicle Industry is expected to continue its growth in the coming years in view of steady growth rate of our GDP, rising number of middle class and higher disposable income. Your company expects the aftermarket demand to remain steady. With the planned capacity addition the order fulfilments in this market are likely to improve. Export market particularly for brake linings & CV Brake Pads is showing healthy scope and your company is gearing up to improve the delivery to this market during the following year.

Prices of commodities like steel have already hardened and the cascading effect would impact on all commodity prices. Your company has already embarked on cost reduction initiatives along with appropriate recovery from the customers to offset the impact to a large extent. The increase in interest rates could cause an adverse impact on the demand for vehicles. Your Company's risk management measures are likely to adequately address these situations.

REPORT OF THE DIRECTORS (Contd.)

Focus on capacity utilisation, optimal cost structure, quality focus and productivity are the key areas your Company will focus to sustain and improve the high levels of performance. The contracts remaining to be executed on capital account will result in enhancement of our capacity to meet the customer demand.

d) Opportunities and Threats

India's process engineering skills applied to the redesigning of production processes, raw material availability, quality assurance and technically skilled manpower has provided a distinct global advantage of cost and quality. This has helped India becoming a major auto components outsourcing hub for several automobile manufacturers. This has provided your company an opportunity for accelerated growth.

Your company's preparedness in development of new products and meeting capacity requirements in time are key in realising the full benefits of the opportunity.

The main threats your Company is likely to face are:-

- increasing price pressure from OEMs from whom the major portion of the future growth is likely to come.
- increase in commodity prices arising out of natural calamities in Japan and Australia and political instability in certain parts of the world.
- Volume increase that requires ramp up of capacities in a short span of time, affecting profitable growth.
- dumping of Chinese products at a lower price.

The company does see increasing competition due to the attractiveness of the domestic market.

e) Internal Control Systems and Risk Management

An independent agency carries 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 resource 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. Internal audit focuses on these risks at all sub-process levels. 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 gives significant importance to Human Resource Development (HRD) and stable industrial relations. The management is continuously working on the development of human capital which is very vital for achieving the goals and realizing 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 spends 2% of his/her working time for training.

Total Employee Involvement is a key element of Total Quality Management (TQM) that enables continuous improvement to all business processes. New strategies like multi skilling, competency enhancement programs and enhancing managerial depth are being progressively implemented to optimise employee costs and improve productivity.

In our journey towards becoming an Employer of Choice, your Company is implementing a number of initiatives. 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. During the year a unique Strategic Leadership Program was co-created with and delivered by IIM Bangalore for the leadership team of your company.

Rane Group won the prestigious National Award for "Excellence in Training" from the Employer Branding Institute and figures in the top forty Best Employers for the year 2010 – 2011.

As at the end of March 31, 2011, the total number of employees stood at 893.

g) Cautionary Statement

The information and opinion expressed in this report may contain certain forward-looking statements, which the management believe 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, 2011 amounted to Rs.123.72 million. All deposits that were matured during the year were repaid / renewed.

5. Board of Directors

Mr. Suresh Chandra Gupta and Mr. Harish Lakshman retire by rotation. Mr. Suresh Chandra Gupta and Mr. Harish Lakshman 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 available alternate economical sources, 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 2010-11 was Rs.157.82 million and foreign exchange outgo was Rs.684.64 million. Exports during the year amounted to Rs.158.80 million.

9. Employees

There was no employee for whom the particulars as per section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is applicable.

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

The vision on Corporate Social Responsibility (CSR) is, **"To be a socially and environmentally responsible corporate citizen"**. CSR activities of Rane Group are channelized through Rane Foundation, a public charitable and educational trust, in the social and environmental spectrum.

The specific CSR initiatives taken by your Company are as follows:

- Contribution of funds towards establishment of Polytechnic College by Rane Foundation. Contributions are also made through Rane 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 school students. Also conducted awareness program on 'Basic Hygiene and Cleanliness' to Government school children.

Your company has also taken other initiatives such as organising –

- Blood donation and Medical camps at villages
- Awareness program on Tobacco & AIDS control.
- Donations to old age homes
- Program for 'mentally challenged women' by the employees and their family members.
- Organised Cultural competition for Physically challenged children
- Women empowerment project
- Food and clothing for orphanages
- Reading for blind

13. Corporate Governance Report

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

For and on behalf of the Board

L GANESH
Chairman

Chennai
May 23, 2011

L LAKSHMAN
Director

Annexure A to Report of the Directors

FORM B

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 and forming part of the Report of the Board of Directors for the year ended March 31, 2011.

Research and Development (R & D)

1. Specific areas in which R & D is carried by Company

Your company has been actively engaged in developing new friction materials to meet emerging OEM customer requirements. Significant progress made towards improving 'Formulation Library' in order to enhance competitiveness and improve time to market.

Focus areas are higher life product for EMU Rail coach brake blocks, low cost disc pad for after-market PC and UV segment. Low cost asbestos-free brake linings for LCV markets to improve market share.

The Company's emphasis is also on development of asbestos free friction products for domestic aftermarket besides continuous efforts are being made to enhance product quality and process technology.

2. Benefits derived as a Result of R & D

The Company has been successful in offering localisation solutions to major international customers for their new product launches. Specific R&D efforts to meet field performance requirements in passenger cars segment helped the Company to add new product platforms of the customers and offer competitive technical alternatives to our competitor products.

Company also developed new asbestos free friction materials for domestic commercial vehicle OEM customers resulting in continuing market leadership.

3. Future plan of action

Your Company intends to strengthen formulation development and testing capabilities including NVH test capability & environmental test facilities. Towards this the Company intends to improve the testing facilities and impart training.

New friction materials for commercial vehicle brake pads developed and tested to support company's strategic efforts to increase revenues from the product segment.

4. Expenditure on R & D

	2010-11	Rs. '000
A Capex	3,118	2009-10 4,877
B Recurring	55,292	41,888
C Total	58,410	46,765
D Total R & D expenses as a percentage of total turnover	1.91%	1.98%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief

The company has a range of formulations and technology base to compete effectively in a wide range of markets including domestic & overseas. The Company has been continuously benchmarking with JV Partner and similar industries towards absorbing best practices and continuous improvements. The company has invested in new manufacturing technologies for disc pads and brake linings for passenger cars / Utility vehicles to enhance product quality. These steps have enabled the Company to enhance the competitiveness and thereby continue its growth in their OEM business.

2. Benefits derived as a result of the above efforts :

The company has been able to offer localization solutions to major international customers for their new programs. The potential to add few more domestic customers has also been strengthened.

3. (a) Technology Imported : (Technology imported during the last 5 years reckoned from the beginning of the financial year).

Technical service and know how relating to design and manufacture of disc pads and brake linings from M/s Nisshinbo Brake Inc., Japan.

(b) Year of Import : 2010

(c) Has the technology been fully absorbed : Yes

(d) Areas where technology not fully absorbed, reason and future plan of action : Not applicable

For and on behalf of the Board

L GANESH
Chairman

Chennai
May 23, 2011

L LAKSHMAN
Director