



Rane Brake Linings Limited



36th ANNUAL REPORT 2001

Rane Brake Linings Limited

Directors

L LAKSHMAN
(Chairman & Managing Director)

L GANESH
(Vice Chairman)

K S KRISHNASWAMY

S NANDAGOPAL

Dr. R NATARAJAN

R RAJA RAJA VARMA

K TODA

D VIJAY MOHAN

Bankers

ICICI Bank Limited
Standard Chartered Grindlays Bank Limited
Indian Overseas Bank

Auditors

D RANGASWAMY & Co.
Chartered Accountants, Chennai

Registered Office

"MAITHRI", 32, Cathedral Road
Chennai 600 086
Phone : 811 2472
Fax : 811 2449
Email : rcc@ranegroup.com

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

Your Directors are pleased to present their thirtysixth annual report together with the accounts for the year ended March 31, 2001.

FINANCIAL RESULTS

	2000-2001 Rs. in million	1999-2000 Rs. in million
Sales and Operating Revenues	1,101.71	1,004.03
Profit before tax	88.86	98.36
Provision for tax	27.20	18.50
Profit after tax	61.66	79.86
Surplus brought forward	18.00	12.00
Amount available for appropriation	79.66	91.86

APPROPRIATION

From the profits available for appropriation, an amount of Rs.8.75 million has been transferred to Debenture Redemption Reserve and Rs.6.92 million to Special Reserve. This would leave the Company with a balance of Rs.63.99 million. Your Directors are pleased to recommend dividend of 40% on the equity capital for the financial year ended March 31, 2001. The aggregate amount on this account including income tax at 10% and a surcharge thereon at 2% works out to Rs.15.90 million. This leaves the Company with retained profits of Rs.48.09 million of which Rs.30.09 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

As anticipated, the economy, and more particularly the manufacturing sector softened considerably. According to Central Statistical Organisation estimates, the growth in manufacturing sector, during the year under review was only 5.2% as against 7.1% in the previous year. Major declines were recorded in the automotive industry especially the commercial vehicle and the farm tractor industry segments. The passenger car industry, which had registered a growth of 48% in the previous year also declined by 8% in the current year. The replacement trade continued to see a drop in demand as a result of depressed retail sales as also de-stocking of inventories in the trade. Such

high volatility of demand would seem to suggest the growth of the industry is not firmly anchored. We believe major policy interventions to create infrastructures and improve the rural economy would alone be a sustainable growth driver for the industry. Growth rates in Automotive Industry as may be seen from the table below were far from satisfactory.

	2000-2001	1999-2000
Passenger Cars	- 8%	48%
Utility Vehicles	1%	10%
Light Commercial Vehicles	4%	11%
Medium & Heavy Commercial Vehicles	- 21%	40%
Farm Tractors	- 12%	5%
Motor Cycles	22%	29%

(Source: ACMA Industry Report)

In the foregoing circumstances, your Company recorded a growth of 10%. This was largely due to railway segment as well as entry into new vehicles introduced in India.

Given the high level of competition and the ever-increasing expectations of the customers for quality and cost, major initiatives are called for towards improving operations management. The Company has launched a series of cost reduction and quality

Rane Brake Linings Limited

Report of the Directors (Contd.)

improvement initiatives, which we believe would come to fruition over the next 24 months. Significant improvements to asset productivity should also help the Company conserve capital expenditure in the coming years.

To insulate the Company from the vagaries of the market, your Company has crafted an export strategy. This again would be a medium term measure but one that would bring the much-needed stability to the Company's customer portfolio.

OUTLOOK FOR THE CURRENT YEAR

The Government of India's Finance Bill for the year 2001-02 provides demand stimulation sops in particular for the passenger car industry. However continued depression in the agricultural sector and the stock markets raises some doubt about the revival of demand in the automotive industry in the current year.

Under the circumstances, the Company strategy would be containment of cost and capital expenditures in the short term. In the medium term, the imperative would be to broad base the market place through

- focus on new product development as import substitution for the latest car models and
- continued focus on replacement market with initiatives to improve market share.

SUBSIDIARY

The accounts of Glendale Investments Limited (GIL) for the year ended March 31, 2001 are enclosed to this report. Shareholders may note that GIL has reported satisfactory results for the year.

JOINT VENTURE

LuK GmbH our joint venture partners in Rane LuK Clutch Limited offered to buy the entire shares held by your Company in the joint venture at a price of DM 1.60 per share (equivalent to Rs.33 per share). As this was an attractive price your Directors decided to accept it. The approval of Reserve Bank of India for the sale is awaited.

The Company during the year acquired 50% of the joint venture interest of Rane (Madras) Limited in TRW Rane Occupant Restraints Limited and Rane Nastech Limited. These are strategic value investments that would stand the Company in good stead in the long term.

The Company has also acquired 1.7 million shares of Rane TRW Steering Systems Limited from Rane (Madras) Limited for a value of Rs.59.50 million. This acquisition is pursuant to the plan of Rane (Madras) Limited of restructuring its portfolio of investments.

DEPOSITS

Deposits outstanding as on March 31, 2001 amounted to Rs.15,409,000. All deposits that matured during the year were repaid / renewed except for a sum of Rs.59,000 for which claims were not lodged with the Company. Of the above, a sum of Rs.15,000 has since been repaid / renewed.

DIRECTORATE

Dr. R Natarajan was co-opted to the Board on October 18, 2000. He holds office till the conclusion of the Annual General Meeting. The Company has received notice in writing as required under Section 257 of the Companies Act, 1956, from a member signifying his intention to propose the appointment of Dr. R Natarajan.

Mr L Ganesh and Mr R Raja Raja Varma retire by rotation and being eligible offer themselves for re-election.

CONSERVATION OF ENERGY

The implementation of energy audit recommendations begun last year has been completed and has resulted 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.

Rane Brake Linings Limited

Report of the Directors (Contd.)

FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign exchange earned during 2000-2001 by exports is Rs.45.00 million and foreign exchange outgo is Rs.99.46 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.

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 judgements 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 profits 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.

AUDIT COMMITTEE

As required under the provisions of Section 292 A of the Companies Act, 1956, the Company has

constituted an Audit Committee with Messrs L. Ganesh, L. Lakshman and S. Nandagopal as members.

TRAINING AND DEVELOPMENT

Your Company firmly believes that a genuine and deep-seated commitment to excellence in human development is essential for organisational success. Over the years it has through various systems consistently striven to implement affirmative actions for the growth and development of its people. The training programmes at the **Rane Institute for Employee Development (RIED)** are designed not only to enhance functional knowledge and skills but also develop the attitudes necessary to lead and work in teams. The focus of your Company's developmental efforts is now on **Total Quality Management (TQM)** which encompasses all aspects of the organisation – People, Structure and Systems. Your Company believes TQM is an imperative today for organisational survival and is committed to it.

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.

CORPORATE GOVERNANCE

The provisions of the Listing Agreement with Stock Exchanges on Corporate Governance are applicable to your Company from this financial year (2001-2002). The constitution of the Board conforms to the requirements under these provisions. Your Company will ensure compliance with the other requirements ahead of the stipulated date viz., March 31, 2002.

For and on behalf of the Board

L. LAKSHMAN
Chairman & Managing Director

L. GANESH
Vice Chairman

Chennai
June 18, 2001

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, 2001.

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	1,259,852
Recurring	11,066,758
Total	12,326,610
Total R & D expenditure as a percentage of total turnover	1.11%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

The R & D efforts including inter-action with our Collaborators have accelerated and the consequent benefit in terms of approvals for new product applications has also been realised.



Chennai
June 18, 2001

For and on behalf of the Board

L LAKSHMAN
Chairman & Managing Director

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 March 31, 2001.

Employed throughout the year under review and were in receipt of remuneration for the year in the aggregate not less than Rs.1,200,000/-

Sl. No.	Name	Age	Designation / Nature of Duties	Remuneration Rs.	Qualification	Experience (Years)	Date of Commencement of employment	Particulars of last employment
1.	Lakshman L	55	Chairman & Managing Director	2,325,782	B. E.	31	01-04-2000	Chairman & Managing Director Rane (Madras) Limited
2.	Sundar Ram S	44	President	1,685,621	B.Tech., M.B.A.	21	19-03-1997	Chief Executive Marketing Road Masters Cycles Limited

Notes : 1 Remuneration as shown above includes salary, allowances, contribution to provident and other funds and perquisites.

2 Mr L Lakshman is related to Mr L Ganesh, Vice Chairman.

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For and on behalf of the Board

L LAKSHMAN
Chairman & Managing Director

L GANESH
Vice Chairman

Chennai
June 18, 2001

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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, 2001 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) The Company has not taken any loans, secured or unsecured, from Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. The Company has however accepted deposits from Directors, which are unsecured and are prima-facie not prejudicial to the interest of the Company. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of the said Section are not applicable to the Company.
 - viii) The Company has not granted any loans, secured or unsecured, to Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of the said Section are not applicable to the Company.
 - 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) The Company has complied with the provisions of Section 58 A 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) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
 - xvi) 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, do not apply to the Company.
 - xvii) 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, 2001, for a period of more than six months from the date they became payable.
 - xix) Based on our examination of records, 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) Based on the representations made by the Directors of the Company and the information and explanations made available to us, none of the Directors are prima-facie disqualified from being appointed as Directors of the Company under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - (e) In our opinion the Balance Sheet and the Profit and Loss Account have complied with the Accounting Standards referred to in sub-section (3 C) of Section 211 of the Companies Act, 1956.
 - (f) 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, 2001, 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 18, 2001

B RAMANI
Partner