



Rane Brake Linings Limited



39th ANNUAL REPORT 2004

Rane Brake Linings Limited

Regd. Office : 'Maithri' 132, Cathedral Road, Chennai 600 086

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the **Thirty ninth Annual General Meeting** of the Equity Shareholders of the Company will be held at **10.00 a.m. on Friday, the July 23, 2004, 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, 2004 and the Auditors' report thereon.

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

"Resolved that the profit and loss account for the year ended March 31, 2004 and the balance sheet as at March 31, 2004 together with the report of the directors and the auditors be and are hereby adopted".

2. To appoint a director in the place of Mr D Vijay Mohan, who retires by rotation under Article 115 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, be and is hereby reappointed Director of the Company".

3. To appoint a director in the place of Mr S Nandagopal, who retires by rotation under Article 115 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 Nandagopal, be and is hereby reappointed Director of the Company".

4. To appoint auditors of the Company and to determine their remuneration. The retiring auditors Messrs D Rangaswamy & 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 Messrs D Rangaswamy & Co., Chartered Accountants, be and are hereby 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".

"Resolved further that the power to determine the remuneration to the Auditors be and is hereby delegated to the Board of Directors".

SPECIAL BUSINESS

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

"Resolved that the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to Board of Directors of the Company to mortgage and / or create charge on all or any immovable and movable properties of the Company wherever situate, both present and future, and the whole of the undertaking of the Company and / or conferring power to enter upon and take possession of the assets of the Company in certain events to or in favour of HDFC Bank to secure Rupee Term Loan of Rs.100 million advanced by them, together with interest at the respective agreed rates, additional interest, liquidated damages, premium on prepayment or on redemption, costs, charges, expenses and all other monies payable by the Company to them, in term of the Loan Agreement / Hypothecation Agreements / Letter of sanction / Memorandum of terms and conditions entered into / to be entered into by the Company, in respect of the said facilities."

"Resolved further that the Board of Directors of the company be and is hereby authorised to do all such acts, deeds and things that may be required to give effect to the above resolution."

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

Chennai
May 20, 2004.

C Siva
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 business under Resolution No.5 is annexed.
3. The Register of Members of the Company will remain closed from **Friday, the 16th July, 2004 to Friday, the 23rd July 2004** (both days inclusive).
4. Pursuant to the provisions of Section 205A of the Companies Act 1956, dividend for the financial year ended March 31, 1997 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 to transfer to the said fund is given below:

Financial Year Ended	Date of declaration of dividend	Last date for claiming unpaid dividend	Due date for transfer to IEPF
31.03.1997	11.09.1997	10.09.2004	11.10.2004
31.03.1998	12.08.1998	11.08.2005	11.09.2005
31.03.1999	29.07.1999	28.07.2006	28.08.2006
31.03.2000	30.03.2000 *	29.03.2007	29.04.2007
31.03.2001	26.07.2001	25.07.2008	25.08.2008
31.03.2002	25.07.2002	24.07.2009	24.08.2009
31.03.2003	25.07.2003	24.07.2010	24.08.2010
31.03.2004	31.01.2004 *	30.01.2011	02.03.2011

*-Interim dividends

5. Members holding shares in physical form are requested to notify immediately any change in their addresses to the following address:

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

Members holding shares in Dematerialised 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 NOTE PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 5

Your company has availed Rupee Term Loan of Rs.100 million from HDFC Bank Ltd. for the purposes of meeting normal capital expenditure and long term working capital requirement. For securing repayment of term loan availed from HDFC Bank Limited the Company has created pari pasu charge on the entire immovable and movable properties of the Company in favour of them. The mortgage of substantial assets and undertakings of the Company requires the approval of shareholders as per Section 293(1)(a) of the Companies Act, 1956.

None of the Directors is interested in the resolution.

Your Directors commend the resolution for adoption.

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

C Siva
Secretary

Chennai
May 20, 2004.

**INFORMATION ABOUT DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT
IN THIS ANNUAL GENERAL MEETING IN RESPECT OF ITEM NO. 2 & 3 ABOVE**

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

Re-appointments:

Name of the Director	Mr D Vijay Mohan	Mr S Nandagopal
Father's Name	Mr N Damotharan	Mr S Venkatrangam
Date of Birth	October 11, 1947	November 5, 1928
Educational Qualifications	1. Bachelor of Engineering, 2. Master of Management Science	1. Associate Member of Institute of Chartered Accountants of India (ACA).
Date of Appointment	June 27, 1986	July 31, 1984
Other Directorships	1. Premier Instruments & Controls Limited 2. Precot Mills Limited 3. Meridian Industries Limited 4. Pricol Finance Limited 5. Pricol Packaging Limited 6. Xenos Technologies Limited 7. Bhavani Infin Services India Pvt. Ltd. 8. Supriya Investments P. Ltd. 9. Ashwanth Enterprises P. Ltd.	1. Swan Vacuum Systems Limited 2. MRF Limited 3. KCP Limited 4. KCP Technologies Limited 5. RBF Nidhi Limited (Government Nominee) 6. Andhra Chamber of Commerce (Sec. 25 Company) – Member Executive Committee
Committee Memberships	1. Rane Brake Linings Limited - Audit Committee 2. Premier Instruments & Controls Limited – Investment / Borrowing 3. Premier Instruments & Controls Limited – Shareholders / Investors Relations 4. Precot Mills Limited – Audit & Investors Relation	1. Rane Brake Linings Limited - Audit Committee * 2. Rane Brake Linings Limited - Investors Grievance 3. KCP Limited – Audit Committee * 4. MRF Limited – Remuneration Committee * 5. MRF Limited – Audit Committee

*- Chairman of the Committee.

Rane Brake Linings Limited

Directors : L LAKSHMAN Chairman & Managing Director
L GANESH Vice Chairman
KUNIHITO TODA (Nominee of Nisshinbo Industries Inc., Japan)
S A MURALI PRASAD
S NANDAGOPAL
DR R NATARAJAN
V RAMACHANDRAN
D VIJAY MOHAN

Bankers : ICICI Bank Limited
HDFC Bank Limited
Standard Chartered Bank Limited
Indian Overseas Bank

Auditors : D RANGASWAMY & CO
Chartered Accountants, Chennai

Registered Office : "MAITHRI", 132, Cathedral Road
Chennai 600 086
Phone : 28112472
Fax : 28112449
Email : c.siva@rane.co.in

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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REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting their thirty-ninth annual report together with the accounts for the year ended March 31, 2004. The financial highlights of the year under review are as follows:-

A. FINANCIAL PERFORMANCE : (Rs. Million)

	2003-2004	2002-2003
Sales and Operating Revenues	1,386.19	1,235.04
Profit before tax	207.09	208.17
Provision for tax	51.60	62.11
Profit after tax	156.09	146.06
Surplus brought forward	33.00	17.00
Debenture Redemption		
Reserve withdrawn	7.50	7.50
Investment Allowance		
Reserve withdrawn	1.20	-
Amount available for appropriation	197.79	170.56

Despite increase of over 12% in the sales and operating revenues, the operating profitability for the year marginally declined due to increase in the input cost and other expenses. Conscious effort by the management has brought down the finance charges significantly. However, the pressure on margin coupled with limited organic growth resulted in a marginal decline in the profitability.

B. APPROPRIATION

Profit available for appropriation is Rs. 197.79 million. The directors have declared and paid an interim dividend of 40%, on the enhanced equity capital for the year ended March 31, 2004. The amount on this account inclusive of tax on distributed profits and surcharge thereon, works out to Rs.32.56 million leaving the company with retained profits of Rs.165.23 million. Out of this, Rs.132.23 million is being transferred to the General Reserve and Rs.33.00 million being retained as surplus in the Profit and Loss Account. Keeping in view future investment plans, no further dividend is being recommended.

C. INDUSTRY SCENARIO

The manufacturing sector, especially the OEMs in the automotive sector, has shown continued growth surpassing industry expectations. A favourable monsoon during 2003 triggered a revival of the tractor industry, which we expect would sustain during the current year.

D. SHARE CAPITAL

The share capital of the Company stood at Rs.72.15 million consequent upon issue and allotment of 3,607,490 equity shares in the ratio of one equity share for every equity share held, as fully paid-up bonus shares, by capitalising the reserves.

E. INVESTMENTS

Your Company participated in the share buy back scheme of Rane Investments Limited (RIL) and redeemed 17,150 shares at Rs. 600/- per share and also received interim dividend of Rs.22.64 million during the year. This reflects the commendable performance of the joint venture companies RIL has invested in.

An amount of Rs.1.04 million was received from Rane Engine Valves Limited by way of an interim dividend. Kar Mobiles Limited, an associate company allotted bonus shares in the ratio of one equity share for every equity share held.

F. DEPOSITS

Deposits outstanding as on March 31, 2004 amounted to Rs. 33.10 million. All deposits that matured during the year were repaid / renewed except for a sum of Rs.10,000 for which claims have not been lodged with the Company.

G. BOARD OF DIRECTORS

Mr D Vijay Mohan and Mr S Nandagopal retire by rotation and being eligible, offer themselves for re-election.

H. CONSOLIDATION OF SHAREHOLDINGS

Your Company along with Rane (Madras) Limited (RML) and Rane Investments Limited (RIL) has undertaken a restructuring exercise to minimise cross-holding among the listed companies in the group, thereby enhancing shareholder value. As part of this exercise, your Company along with RML and RIL has entered into an agreement with promoter family to purchase the Rane Engine Valves Limited (REVL) shares held by them.

By way of good corporate governance practice, your Company along with RML and RIL has extended the same benefits to other non-promoter shareholders of REVL by announcing an open offer to them to buy up to 1,008,000 shares on the same terms.

This restructuring exercise and the open offer involved in it complies with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

Rane Brake Linings Limited

Report of the Directors (Contd.)

I. CONSERVATION OF ENERGY

By sustaining high power factor, your Company has reduced energy consumption and maximum demand charges. Recommendations arising out of an energy audit are being implemented to further bring down consumption of energy.

J. RESEARCH & DEVELOPMENT ACTIVITIES

The details are furnished in Annexure B.

K. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign exchange earned during 2003-2004 is Rs.67.34 million and foreign exchange outgo is Rs.166.00 million.

L. 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.

M. AUDITORS

M/s D Rangaswamy & 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.

N. DIRECTORS' RESPONSIBILITY STATEMENT

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

1. Followed the applicable accounting standards in the preparation of the annual accounts;
2. 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;
3. 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;
4. Prepared the accounts for the financial year on a 'going concern' basis.

O. MANAGEMENT DISCUSSION & ANALYSIS AND CORPORATE GOVERNANCE REPORTS

Detailed report on Management Discussion and Analysis and Corporate Governance are attached.

For and on behalf of the Board

L LAKSHMAN
Chairman & Managing Director

Chennai
May 20, 2004

L GANESH
Vice Chairman

Annexure 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, 2004.

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. `000)
	2003-04
Capital	334
Recurring	15,106
Total	15,440
Total R&D expenditure as a percentage of total turnover	1.11%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

For and on behalf of the Board

L LAKSHMAN
Chairman & Managing Director

Chennai
May 20, 2004

L GANESH
Vice Chairman

Rane Brake Linings Limited

Annexure to Report of the Directors (Contd.)

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, 2004.

Employed throughout the year under review and were in receipt of remuneration for the year in the aggregate not less than Rs.2,400,000/- per annum

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	58	Chairman & Managing Director	5,730,795	B.E.	34	01.04.2000	Chairman & Managing Director Rane (Madras) Limited
2.	Sundar Ram S	47	President	3,182,635	B.Tech., M.B.A.	24	19.03.1997	Chief Executive Marketing Road Masters Cycles Limited

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

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

3. Nature of employment and terms of service : The service of Mr L Lakshman, Chairman & Managing Director is on contractual basis and is governed by the terms and conditions approved by the shareholders.

For and on behalf of the Board

L LAKSHMAN
Chairman & Managing Director

Chennai
May 20, 2004

L GANESH
Vice Chairman