



Rane Brake Lining Limited



4th ANNUAL REPORT 2009

Rane Brake Lining Limited

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

L LAKSHMAN

Chairman

ANIL KUMAR V EPUR

L GANESH

President

P S RAO

General Manager - Finance

K V ANANTHARAM

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

State Bank of India

ICICI Bank Limited

Indian Overseas Bank

IDBI Bank Limited

Standard Chartered 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,
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 **Fourth Annual General Meeting** of the Equity Shareholders of the Company will be held at **10.30 a.m. on Monday, the July 20, 2009, at The Music Academy (Mini Hall), New No. 168, T.T.K. 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, 2009 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, 2009, the Profit and Loss Account for the year ended March 31, 2009 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 a 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, 2009, absorbing a total amount of Rs. 18.52 million (including dividend tax and cess thereon) and that the dividend be paid to those shareholders, whose names appear on the Company's Register of Members as on July 20, 2009 and in respect of shares in electronic form to those beneficial owners of the shares as at the end of business hours on July 17, 2009 as per the details furnished by the Depositories for this purpose."

3. To appoint a director in the place of Mr. L 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. L Lakshman, 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. S Sandilya, 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 Sandilya, 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 of the Company and to determine their remuneration. The retiring auditors Messrs 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, 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."

SPECIAL BUSINESS:**Appointment of Directors**

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

"Resolved that Mr. Harish Lakshman, who holds office as an additional director of the Company up to the date of this Annual General Meeting, be and is hereby appointed as Director of the Company, whose period of office shall be subject to retirement by rotation."

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

"Resolved that Mr. Koji Nishihara, who holds office as an additional director of the Company up to the date of this Annual General Meeting, be and is hereby appointed as Director of the Company, whose period of office shall be subject to retirement by rotation."

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Amendment to Articles of Association

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

"Resolved that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby amended in the following manner:

A. Amendment of Article 1

The following definitions be inserted in Article 1 at the appropriate place –

"RHL means Rane Holdings Limited, a company with limited liability in Tamilnadu, India, whose registered office is 132, Cathedral Road, Chennai - 600 086, India".

"NHI means Nisshinbo Holdings Inc, a Japanese company incorporated under the laws of Japan having its registered office at 2-31-11, Ningyo-cho, Nihonbashi, Chou-ku, Tokyo 103-8650, Japan."

"Persons in Control" of the Company or "PIC" shall mean RHL and NHI collectively."

B. Insert Article 101 A

The following Article 101 A be inserted after Article 101:-

- 101 A (1) So long as NHI together with its subsidiary continues to hold not less than 25.05% of the paid-up equity share capital of the Company, NHI shall be entitled to nominate two (2) directors on the board of directors of the Company, one of whom shall be a director not liable to retire by rotation.
- (2) In the event that NHI's shareholding together with its subsidiary falls below 25.05% of the paid-up equity share capital of the Company and so long as NHI continues to hold not less than 10% of the paid-up equity share capital of the Company, NHI shall be entitled to nominate one (1) director on the board of directors of the Company.
- (3) NHI shall be entitled to remove and replace from time to time its nominee on the Board of Directors of the Company. NHI shall ensure that the nominee is not a director or employee of any competitor of the Company

and does not have any conflict of interest with that of the Company.

- (4) While computing NHI's equity shareholding for the purposes of this clause and clause 126 A, preferential allotment of shares by the Company to any other party made after these amendments shall be excluded.
- (5) Notwithstanding any other provision of these Articles of Association, RHL shall have the absolute right and power to appoint a majority of the directors on the Board of the Company.
- (6) The Persons in Control (PIC) shall exercise their voting rights in the Company as shareholders of the Company through their authorised representatives to ensure that the respective nominees of the PIC are appointed as directors of the Company.

C. Article 120 (iii) be deleted.

D. Insert Article 126 A

The following Article 126 A be inserted after Article 126:-

- 126 A So long as NHI together with its subsidiary continues to hold not less than 25.05% of the paid-up equity share capital of the Company, the directors nominated by RHL or other authorised representatives of RHL shall not vote in favour of any decision of the Company on any of the matters listed below at its general meetings or at the meetings of its Board of Directors or any committee thereof or by circulation without the affirmative vote of the nominee of NHI:
- any alteration to the memorandum of association and the articles of association of the Company
 - assignment or transfer of all or a substantial part of the business of the Company
 - amalgamation with any other company
 - acquisition of business from any other company
 - change of auditors

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- f. reduction of share capital
- g. declaration of dividend out of profits of the Company which dividend together with dividend tax if any absorbs greater than one-third of the after tax profits of the company."

Appointment of Mr. L Lakshman, Director, as Manager of the Company

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

"Resolved that pursuant to the provisions of Section 269 and 386 read with Schedule XIII of the Companies Act, 1956, consent of the shareholders is accorded for the appointment of Mr. L Lakshman, Director, as 'Manager' within the meaning of Section 2(24) of the Companies Act, 1956, with effect from June 1, 2009, for the period from June 1, 2009 to March 31, 2012."

"Resolved further that Mr. L Lakshman be and is hereby appointed as 'Manager' without remuneration during the period of his employment as 'Manager' with the Company".

Approval to borrow

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

"Resolved that in supersession of the resolution passed at the meeting held on January 17, 2008 and pursuant to Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time, any sum or sums of money which, together with monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceeding the aggregate of the paid-up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose provided that the total amount so borrowed by the board of directors and outstanding at any one time shall not exceed Rs 1,000 million."

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

Chennai
May 27, 2009

L Ganesh
Chairman

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 **Saturday, July 18, 2009 to Monday, July 20, 2009** (both days inclusive). The dividend as may be declared by the shareholders will be made payable on or after **July 24, 2009**.

4. For Shareholders of erstwhile Rane Brake Linings Limited ("erstwhile RBL")

Pursuant to the provisions of Section 205A of the Companies Act, 1956, dividend for the financial year ended March 31, 2002 and thereafter which remain unclaimed for a period of seven years (relating to the erstwhile RBL) 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 2001-02 and thereafter declared by the erstwhile RBL.

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

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 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.

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Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Resolution Nos : 6 & 7

The Board of Directors of your Company co-opted Mr. Harish Lakshman and Mr. Koji Nishihara as additional directors during July 2008 and May 2009 respectively.

The term of additional directors, as per Section 260 of the Companies Act, 1956 is only upto the succeeding Annual General Meeting and therefore both Mr. Harish Lakshman and Mr. Koji Nishihara are seeking appointment at this Annual General Meeting. Notice in writing under Section 257 of the Companies Act, 1956, along with the requisite deposit has been received from members signifying their intention to propose their candidature for the office of director of the Company.

Mr. Harish Lakshman and Mr. Koji Nishihara are interested in the resolution to the extent of their appointment. Mr. L Lakshman, being a relative of Mr. Harish Lakshman, is deemed to be interested in the resolution. None of the other directors is interested in the resolutions.

Your directors commend the resolutions for adoption.

Resolution No: 8

M/s Nisshinbo Holdings Inc., Japan (NHI) (formerly Nissinhbo Industries Inc.), has an existing techno financial collaboration with the Company for the manufacture of brake linings, clutch facings and disc pads. NHI has entered into a shareholders agreement with Rane Holdings Limited, the promoters of the company (RHL) and the Company (Rane Brake Lining Limited - RBL) on February 28, 2009 for increasing the shareholding of NHI to not less than 25.05%.

The highlights of this Shareholders Agreement are as follows :

1. NHI would become a Promoter of RBL along with RHL, when their shareholding in RBL increases beyond 17.50%.
2. NHI would be entitled to nominate two (2) directors on the board of directors of RBL, one of whom shall be a director not liable to retire by rotation, if NHI together with its subsidiary hold not less than 25.05% of the expanded voting capital of RBL and one director if NHI's shareholding together with its subsidiary falls below 25.05% but not less than 10% of the expanded voting capital of RBL.
3. RHL would have the right to nominate majority directors on the Board of RBL.
4. RHL as a shareholder of RBL, shall not vote on certain reserved matters like alteration to Memorandum and

Articles of Association of the Company, sale of substantial part of business, amalgamation, declaration of dividend including dividend distribution tax, if any, out of profits of the Company greater than one-third of the after tax profits of the Company, etc. *without the affirmative vote of NHI.*

5. RHL & NHI would not compete with the business of RBL.

Sub-clause 120 (iii) of the existing articles of association has become redundant in view of the changes to the articles of association proposed as above. This sub-clause is proposed to be deleted.

Since RHL retains the power to appoint a majority of the directors on the Board of the Company, the Company would become a board controlled subsidiary of RHL in terms of section 4(1)(a) of the Companies Act, 1956. RBL and its shareholders will stand benefited by RBL becoming a subsidiary of RHL. RBL as a subsidiary would have a closer association and greater backing of RHL. RHL would consolidate the financial results of RBL along with its other subsidiaries.

Pursuant to the approval of shareholders of the Company at the Extra-ordinary General Meeting held on March 30, 2009, the Company had allotted 700,000 equity shares of Rs.10/- each at a premium of Rs.40/- per share to NHI on April 13, 2009. With this allotment, the shareholding of NHI in the Company has increased to 17.96% from 10%, thereby making NHI a promoter of the Company in terms of the Shareholders Agreement. The Preferential Issue has resulted in substantial acquisition of equity shares and voting rights by NHI accompanied with change in control in the Company. In accordance with Securities and Exchange Board of India (Substantial Acquisition of shares and Takeover) Regulations, 1997, NHI and RHL have made an open offer to the shareholders to acquire upto 20% of the post-preferential paid up capital of the Company, viz., 1,582,996 equity shares of Rs.10/- each at Rs.50/- per share. Under the open offer, NHI had acquired 173,749 equity shares of the Company. With this NHI shareholding in the company had increased to 1,595,249 representing 20.15% on the paid up capital of the Company from 1,421,500 representing 17.96% on the paid up capital of the Company.

The joint goal of RHL and NHI would be to continue and maintain RBL's market leadership position. Their future plans would be to focus on technological upgradation, cost reduction, greater cooperation with RBL for

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enhancing formulation engineering capabilities, training of engineers and understanding customer requirements for developing / upgrading the products.

Indian automotive industry is dominated by Japanese and Korean auto manufacturers. The increased cooperation with Nisshinbo Group will not only serve the Japanese and Korean manufacturers but also other European and domestic car companies in India. The technical inputs and greater co-operation from Nisshinbo Group would thus be beneficial to the Company in terms of business potential and customer relationship.

Mr. Koji Nishihara, a nominee of NHI on the Board of Directors of the Company is interested in the resolution. Mr. L Ganesh, Mr. L Lakshman and Mr. Harish Lakshman, being directors common to the Company and Rane Holdings Limited are deemed to be interested in the resolution. Mr. L Ganesh, Mr. L Lakshman and Mr. Harish Lakshman do not hold more than 20% of the paid up share capital of RHL. None of the other directors is interested in the resolution.

The amendment to the Articles of Association of the Company is proposed pursuant to the Shareholders Agreement. The proposed amendments would be to the benefit of the Company and its shareholders, RHL and NHI.

Your directors commend the resolution for adoption.

Resolution No: 9

Consequent to the resignation of Mr. P S Rao as the Manager under the Companies Act, 1956, the Board of Directors has appointed Mr. L Lakshman, Director of the Company as 'Manager' of the Company within the meaning of Section 2(24) of the Companies Act, 1956 with effect from June 01, 2009 for the period from June 01, 2009 to March 31, 2012.

Mr. L Lakshman is Executive Chairman of Rane Holdings Limited and draws remuneration from them. Therefore, it is proposed to appoint him as Manager without payment of any remuneration from RBL. Mr. L Lakshman satisfies

the conditions specified in Part I of Schedule XIII of the Companies Act, 1956.

Mr. L Lakshman has served as President of ACMA, Madras Chamber of Commerce & Industry and ASSOCHAM, a federation of Chambers of Commerce and has been an active member in various industry forums.

The appointment of Mr. L Lakshman is in accordance with Section 269 and Section 386 of the Companies Act, 1956 read with Schedule XIII and other provisions, if any of the Companies Act, 1956 as may be applicable.

Mr. L Lakshman is concerned or interested in the resolution. Mr. L Ganesh and Mr. Harish Lakshman being relatives of Mr. L Lakshman may be deemed to be interested in the resolution. None of the other directors is interested in the resolution.

This may be treated as notice under section 302 of the Companies Act, 1956.

Your directors commend the resolution for adoption.

Resolution No: 10

In order to meet the working capital requirements and capital expenditure, the Company is required to borrow funds from time to time. The fund requirements of the Company are expected to go up from the present limit, in view of the growth opportunities available.

The shareholders at their meeting held on January 17, 2008 approved borrowings upto Rs.800 million. The board now recommends for borrowing upto Rs.1,000 million (Rupees one thousand million only) to meet the Company's increased long term funding requirements.

Since this would be in excess of the limits of borrowing powers prescribed under Section 293(1)(d) of the Companies Act, 1956, approval of the shareholders is sought by way of an ordinary resolution. None of the directors is concerned or interested in the resolution.

Your directors commend the resolution for adoption.

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

Chennai
May 27, 2009

L Ganesh
Chairman

Rane Brake Lining Limited

Information about director seeking re-appointment / appointment in this annual general meeting in respect of item Nos. 3,4,6 & 7 above (in accordance with Clause 49 IV of the Listing Agreement)

	Item No . 3	Item No . 4
Name of the Director	Mr. L Lakshman	Mr. S Sandilya
Father's Name	Mr. L.L Narayan	Mr. S Srinivasan
Date of Birth	July 17, 1946	April 11, 1948
Educational Qualifications	B.E., Executive MBA from London Business School	B.Com, M.B.A
Experience	Mr. Lakshman has been spearheading the business of different companies in Rane Group and has more than 39 years of industrial experience.	Mr. Sandilya contributes his expertise in the policy and decision making of the Company. Mr. Sandilya has over 39 years of industrial experience.
Date of Appointment	June 18, 2007	February 6, 2008
Other Directorships	<ol style="list-style-type: none"> 1. Rane Engine Valve Limited 2. Rane (Madras) Limited 3. Rane TRW Steering Systems Limited 4. Rane NSK Steering Systems Limited 5. Rane Investments Limited 6. Rane Holdings Limited 7. Kar Mobiles Limited 8. JMA Rane Marketing Limited 9. Force Motors Limited 10. DCM Engineering Limited 	<ol style="list-style-type: none"> 1. Eicher Motors Limited 2. Royal Enfield Motorcycles Limited 3. GMR Industries Limited 4. Tube Investments of India Limited 5. Association of Indian Automobile Manufacturers (Section 25) 6. Lean Management Institute of India (Section 25)
Committee Memberships	Chairman – Audit <ol style="list-style-type: none"> 1. Kar Mobiles Limited 2. Rane TRW Steering Systems Limited 3. Rane NSK Steering Systems Limited 	Chairman – Audit <ol style="list-style-type: none"> 1. Rane Brake Lining Limited
	Member – Audit <ol style="list-style-type: none"> 1. Rane (Madras) Limited 2. Rane Engine Valve Limited 	Member – Audit <ol style="list-style-type: none"> 1. Tube Investments of India Limited 2. Eicher Motors Limited
	Chairman – Investors' Service <ol style="list-style-type: none"> 1. Rane (Madras) Limited 2. Rane Engine Valve Limited 	Member – Shareholders & Investors' Grievance <ol style="list-style-type: none"> 1. Eicher Motors Limited
	Member – Investors' Service <ol style="list-style-type: none"> 1. Rane Brake Lining Limited 2. Rane Holdings Limited 3. Kar Mobiles Limited 	Member – Compensation Committee <ol style="list-style-type: none"> 1. Eicher Motors Limited
Number of shares held	50	NIL

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	Item No . 6	Item No . 7
Name of the Director	Mr. Harish Lakshman	Mr. Koji Nishihara
Father's Name	Mr. L Lakshman	Mr. Isao Nishihara
Date of Birth	February 12, 1974	April 14, 1958
Educational Qualifications	B.E, MSM	
Experience	Mr. Harish Lakshman has 10 years of experience in his profession and currently he is Managing Director of Rane TRW Steering Systems Limited and looks after manufacturing activities of Rane group.	Mr. Koji Nishihara provides technical advice and support to the Company. He has over 25 years of Industrial experience.
Date of Appointment	July 22, 2008	May 27, 2009
Other Directorships	<ol style="list-style-type: none"> 1. Rane TRW Steering Systems Limited 2. Rane (Madras) Limited 3. Rane Holdings Limited 4. Rane Engine Valve Limited 5. Rane Investments Limited 6. Rane NSK Steering Systems Limited 7. Rane Diecast Limited 8. JMA Rane Marketing Limited 9. Savithur Enterprises Private Limited 10. Broadvision Perspectives India Private Limited 11. Broadvision Services Private Limited 	<ol style="list-style-type: none"> 1. Nisshinbo Automotive Corporation 2. Nisshinbo Automotive Manufacturing Inc 3. Nisshinbo Brake Inc
Committee Memberships	<p>Member – Audit</p> <ol style="list-style-type: none"> 1. Rane Diecast Limited <p>Member – Investors' Service</p> <ol style="list-style-type: none"> 1. Rane (Madras) Limited 2. Rane Holdings Limited 	NIL
Number of shares held	50	NIL

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

Chennai
May 27, 2009

L Ganesh
Chairman