



Rane Brake Lining Limited

8th ANNUAL REPORT 2013

Rane Brake Lining Limited

Board of Directors

L GANESH

Chairman

L LAKSHMAN

HARISH LAKSHMAN

S A MURALI PRASAD

ANIL KUMAR V EPUR

S SANDILYA

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

VARMA & VARMA

Chartered Accountants

105, "Sreela Terrace" First Main Road

Gandhi Nagar, Adyar, Chennai - 600 020

Cost Auditors

STR & ASSOCIATES

Cost Accountants

'Vignesh Villa' A-3, III Floor

No.56, 7th Avenue

Ashok Nagar

Chennai 600 083

Listing of Shares with

Bombay Stock Exchange Limited, Mumbai

National Stock Exchange of India Limited, Mumbai

The Madras Stock Exchange Limited, Chennai

Bankers

IDBI Bank Limited

Standard Chartered Bank

HDFC Bank Limited

The Hongkong and Shanghai Banking Corporation

State Bank of India

YES 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 : corpserv@iepinidia.com

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Rane Brake Lining Limited

FINANCIAL HIGHLIGHTS

KEY PERFORMANCE INDICATORS

(Rupees in Crores)

FINANCIAL YEAR	UOM*	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Return on Capital Employed (ROCE)	%	7.65	13.92	15.00	13.46	6.47	7.53
Return on Equity (ROE)	%	9.16	17.65	18.76	14.12	4.43	9.91
Earnings Per Share (EPS)	Rs.	11.50	20.45	19.31	12.78	4.01	12.39
Dividend	%	40	70	50	45	20	40
Book Value Per Share	Rs.	128.88	122.03	109.72	96.50	92.49	88.38

* Unit of Measurement

OPERATIONAL PERFORMANCE

(Rupees in Crores)

FINANCIAL YEAR	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Total Income	379.68	363.52	308.32	237.68	193.15	184.27
Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA)	36.08	43.76	36.49	30.20	21.25	23.29
Profit Before Tax (PBT)	10.92	21.90	19.67	14.93	4.32	11.19
Profit After Tax (PAT)	9.10	16.19	15.29	10.09	2.89	8.94

BALANCE SHEET SUMMARY**

(Rupees in Crores)

FINANCIAL YEAR	2012-13	2011-12	2010-11
Equity Share Capital	7.91	7.91	7.91
Shareholders' funds	102.01	96.59	86.84
Non current Liabilities	56.63	59.55	46.79
Current Liabilities	102.87	95.60	73.22
Non current assets	148.44	132.28	115.14
Current assets	113.07	119.46	91.71

** pertains to revised Schedule VI applicable years only

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the **Eighth Annual General Meeting** of the Equity Shareholders of the Company will be held at **10.15 a.m. on Wednesday, July 24, 2013**, 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, 2013 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, 2013, the Profit and Loss Account for the year ended March 31, 2013 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.2/- per equity share declared by the board of directors of the Company on January 22, 2013 on 79,14,980 equity shares of Rs.10/- each fully paid, absorbing a sum of Rs.1,83,97,975 (including dividend distribution tax and cess thereon), paid to the shareholders on February 5, 2013 for the year ended March 31, 2013 be and is hereby approved."

"Resolved further that final dividend of Rs.2/- per equity share of Rs.10/- each on 79,14,980 equity shares be and is hereby declared out of the profits of the Company for the year ended March 31, 2013, absorbing an amount of Rs.1,85,20,262 (including dividend distribution tax and cess thereon) and that the dividend be paid to those shareholders, whose names appears in the Company's Register of Members as on **July 24, 2013** and in respect of shares in electronic form to those beneficial owners of the shares as at the end of business hours on **July 19, 2013** as per the details furnished by the Depositories for this purpose."

3. To appoint a Director in the place of Mr. S Sandilya, who retires by rotation under Article 111 and 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 reappointed as a Director of the Company."

4. To appoint a Director in the place of Mr. S A Murali Prasad, who retires by rotation under Article 111 and 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."

5. To appoint auditors of the Company and to determine their remuneration. The retiring auditors M/s. Varma & Varma, 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. Varma & Varma, Chartered Accountants (Registration No. FRN 04532S with The Institute of Chartered Accountants of India), be and are hereby re-appointed as auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting 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 20, 2013

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**

Rane Brake Lining Limited

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 20, 2013 to Wednesday, July 24, 2013** (both days inclusive).
3. Pursuant to the provisions of Section 205A of the Companies Act 1956, dividend for the financial year ended March 31, 2006 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.

The Company has sent reminders to all those members whose dividend payments during the last seven years remain unpaid as per Company records. Members are requested to contact the Company's Registrar and Transfer Agents, for payment in respect of the unclaimed dividend for the financial year 2005-06 and thereafter.

4. Ministry of Corporate Affairs (MCA) vide circular no.17/2011 dated April 29, 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 registered with your respective Depository Participants (DPs). We encourage your participation and expect your support in this green initiative. To receive communications

from the Company in electronic form, please register your e-mail address with your DP/ Registrar and Share 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. 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 their residential and e-mail 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.

(By Order of the Board)

For Rane Brake Lining Limited

Chennai
May 20, 2013

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 Sandilya	Mr. S A Murali Prasad
Father's Name	Mr. S Srinivasan	Mr. S A Venkatarama Iyer
Date of Birth	April 11, 1948	September 27, 1941
Educational Qualifications	B.Com, M.B.A.	ACA, AICWA
Experience	Mr. Sandilya contributes his expertise in the policy and decision making of the Company. Mr. Sandilya has over 43 years of industrial experience	Mr. Murali Prasad provides consultancy services for large and medium-sized corporate. He has over 43 years of experience.
Date of Appointment	February 6, 2008	February 6, 2008
Other Directorships	<ol style="list-style-type: none"> 1. Eicher Motors Limited 2. Parrys Sugar Industries Limited 3. Tube Investments of India Limited 4. Mastek Limited 5. Mastek UK Limited 6. GMR Infrastructure Limited 7. Association of Indian Automobile Manufacturers (Section 25) 8. Lean Management Institute of India (Section 25) 	Sam Consultancy Services Private Limited
Committee Memberships	Chairman - Audit <ol style="list-style-type: none"> 1. Rane Brake Lining Limited 2. Tube Investments of India Limited 3. Parrys Sugar Industries Limited 4. Mastek Limited 	Member - Audit Rane Brake Lining Limited
	Member - Audit <ol style="list-style-type: none"> 1. Eicher Motors Limited 	Member – Remuneration Rane Brake Lining Limited
	Member - Shareholders & Investors' Grievance <ol style="list-style-type: none"> 1. Eicher Motors Limited 2. Mastek Limited 	
	Member - Compensation Committee <ol style="list-style-type: none"> 1. Eicher Motors Limited 	
	Chairman – Remuneration <ol style="list-style-type: none"> 1. Rane Brake Lining Limited 2. Parrys Sugar Industries Limited 	
	Chairman – Nomination Committee <ol style="list-style-type: none"> 1. Mastek Limited 	
Number of shares held	NIL	NIL

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

Chennai
May 20, 2013

G Karthikeyan
Secretary

REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting their eighth annual report together with the accounts for the year ended March 31, 2013.

1. Financial Performance

The financial highlights for the year under review are as follows:

(Rs. Crores)		
Particulars	2012-13	2011-12
Sales and Operating Revenues	376.44	359.17
Other Income	3.24	4.35
Profit before tax	10.92	21.90
Provision for tax	1.82	5.71
Profit after tax	9.10	16.19
Surplus brought forward	33.40	25.27
Profit available for appropriation	42.50	41.46

Despite slowing down of the market demand, the Sales and Operating Revenues grew by 5% over the previous year. However, the Profit Before Tax declined by 50% over the previous year mainly due to strengthening of US Dollar and Japanese Yen resulting in increased raw material cost and higher power cost as power situation in Tamilnadu and Andhra Pradesh are yet to improve. Earnings per share for the year 2012-13 was Rs. 11.50 as against Rs. 20.45 in the previous year.

2. Appropriation

Out of the profit available for appropriation of Rs. 42.50 crores, the directors have declared and paid an interim dividend of 20% on the equity capital of the Company for the year ended March 31, 2013. Further, the directors have recommended a final dividend of 20%, making total dividend as 40% for the year. The total dividend amount inclusive of distribution tax and surcharge thereon would be Rs. 3.68 crores. After transfer of Rs. 0.91 crores to the General Reserve, Rs. 37.91 crores has been retained as surplus in the Profit and Loss Account.

3. Management Discussion and Analysis

Your Company is engaged in the manufacturing and marketing of auto components for transportation industry. A detailed analysis on the performance of the Industry and the Company are enumerated in

the Management Discussion and Analysis report forming part of this report and annexed as Annexure 'A'.

4. Fixed Deposits

Deposits outstanding as on March 31, 2013 amounted to Rs. 7.05 crores. All deposits that matured during the year were repaid / renewed except for a sum of Rs. 0.01 crores for which claims have not been lodged with your Company.

5. Board of Directors

Mr. S Sandilya and Mr. S A Murali Prasad retire by rotation and being eligible, offer themselves for re-appointment. The notice convening the ensuing Annual General Meeting includes the proposal for their re-appointment as directors.

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.

Energy conservation projects are rigorously undertaken by the Company through horizontal deployment of best practices. Energy efficient processes are widely used at different locations. Through energy conservation efforts, your Company saved upto 6,85,287 units of electricity during the year 2012-13.

7. Research and Development Activities

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

8. Foreign Exchange Earnings and Outgo

Foreign exchange earned during 2012-13 was Rs. 21.21 crores against foreign exchange outgo of Rs. 71.30 crores.

Strategic initiatives were undertaken to increase export business in terms of Customers, Product and Geographical location by identifying new business opportunities.

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 C.

10. Auditors**Statutory Auditors**

The Auditors, M/s. Varma & Varma hold office until the conclusion of the ensuing Annual General Meeting and have expressed their willingness to continue as statutory auditors of the Company. The Company has received letter from M/s. Varma & Varma to the effect that their appointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956. M/s. Varma & Varma has submitted the Peer Review Certificate issued to them by The Institute of Chartered Accountants of India.

The notice of the ensuing Annual General Meeting contains necessary resolution in this regard. Your directors recommend the appointment of M/s. Varma & Varma as Statutory Auditors.

Cost Auditors

In terms of the Companies (Cost Accounting Records) Rules, 2011, the Cost Compliance Report for the financial year 2011-12 was filed with The Ministry of Corporate Affairs (MCA) on December 27, 2012 which is well within the extended due date of February 28, 2013.

Pursuant to the Cost Audit Orders issued by the MCA under Section 233B of the Companies Act, 1956, the Board has appointed M/s. STR & Associates, Cost Accountants, Chennai to carry out the cost audit of the Company for the financial year 2012-13. The Company would be filing the Cost Audit Report for the financial year ended March 31, 2013 before the due date viz. September 30, 2013 or such other date extended by the MCA.

The Company has received a letter from M/s. STR & Associates, to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. Based on the recommendation of the Audit Committee, the Board has re-appointed M/s. STR & Associates, as cost auditors for the financial year 2013-14.

11. Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act 1956 and based on representations received from operating management, the directors hereby confirm that they have :

- i. Followed the applicable accounting standards in the preparation of the annual accounts for the financial year 2012-13 and there are no material departures;
- 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, preventing and detecting fraud and other irregularities;
- iv. Prepared the accounts for the financial year on a 'going concern' basis.

12. Corporate Social Responsibility (CSR)

The vision on Corporate Social Responsibility (CSR) is: **"To be socially and environmentally responsive organisation committed to improve quality of life within and outside"**. The CSR activities of Rane Group focus on four specific areas of (a) Education (b) Healthcare (c) Community Development (d) Environment.

Some of the CSR initiatives undertaken by your Company were as follows:

1. Education

- Contributions to Rane Foundation and JACOB Memorial Trust towards providing basic and higher education to the deserving.
- Career guidance / motivational workshops for the government school students to explore various career options through career counselling and renovation of the washroom facilities in government schools to promote hygiene for the school students.
- Distribution of school bags and stationeries to the underprivileged students of government schools.

2. Environment

The Company celebrated "World Environment Day" with a theme "Go Green". The activities have been broadly grouped under 4 headings viz., Green Office, Green Home, Green Society and Green School. Environment rally and awareness campaign and competitions were conducted to the school children

to sensitize the importance of environment protection.

Also an environment awareness campaign was organized for the employees and their spouses to reinforce the usage of environment friendly material and participants were encouraged to say “no to plastics” in their daily life.

3. Community Development

- Conducted road safety awareness programme and distributed safety pamphlets to the drivers. High beam stickers and red colour reflectors were pasted in the vehicles.
- Conducted blood donation camps.
- Provided support to Self-Helping Groups (SHG) in women empowerment projects.
- Provided food and organized employee birthday celebrations in children, old age, mentally challenged and visually impaired home.
- Organized reading programme for visually challenged.

4. Health Care

- Provided First Aid Kits to the government schools.
- Health & hygiene program was organized to the contract workers.
- Organ donation awareness program was conducted.
- Provided food for the health camps conducted by the primary health centre.

13. Corporate Governance Report

Your Company has complied with the Corporate Governance requirements as stipulated under clause 49 of the Listing Agreement. Detailed report on the compliance and a certificate by the Statutory Auditors forms part of this report as Annexure ‘D’.

For and on behalf of the Board

L. GANESH
Chairman

Chennai
May 20, 2013

HARISH LAKSHMAN
Director

Annexure A to Report of the Directors

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Company is a manufacturer of safety critical friction material products such as brake linings, disc pads, clutch facings, clutch buttons, brake shoes and railway brake blocks for passenger cars, utility vehicles, commercial vehicles, two wheelers and railways. The Company operates in a single reportable business segment, viz. "components for the transportation industry".

Industry Structure, Developments and Performance

During the financial year 2012-13, the domestic industry had not witnessed growth in any segment except in Utility Vehicles, Light Commercial Vehicles and Two Wheelers. While overall domestic sales had registered a marginal growth, export growth was negative due to global slowdown.

INDUSTRY GROWTH

During the year under review the growth in automotive industry is as given below:

	Volume Growth in % over previous year	
Vehicles	2012-13	2011-12
Passenger Cars	-4	2
Utility Vehicles	52	17
Small Commercial Vehicles	-17	27
Light Commercial Vehicles	25	28
Medium & Heavy Commercial Vehicles	-28	11
Three Wheelers	-4	10
Two Wheelers	2	16
Farm Tractors	-1	12

Source: Society of Indian Automobile Manufacturers

Domestic Market

Continued higher inflation and interest rates and lack of positive market sentiments slowed growth during the year 2012-13. The Company's continued focus on

cost management and caution towards capital expenses enabled an overall growth in turnover of 5% over previous year and also in maintaining its leadership position in the market.

The break-up of the sales by product lines is given below:

Domestic Sales	(Rs. in crores)		
	2012-13	2011-12	Growth in %
Brake Linings	171.42	177.23	-3.3
Disc Pads	142.25	127.01	12.0
Other Products	40.95	33.97	20.5

OEM and Aftermarket

There was marginal growth in the OEM and aftermarket business of the Company during 2012-13. The Company continued to meet the demand of OEM and aftermarket customers in a timely manner.

Market	(Rs. in crores)		
	2012-13	2011-12	Growth in %
OEM	191.01	187.30	2.0
Aftermarket	140.82	131.01	7.5
Rail	22.79	19.90	14.5

Exports

Globally, the vehicle industry faced lack of growth due to weak economic expansion of the developed countries. The aftermarket sales to emerging markets constituted a significant part of Rs. 21.27 crores export sales of the Company. While the impact of exchange rate volatility and weak rupee was significant, the Company contained further erosion with prudent forex policy management.

Operational and Financial Performance

Financial Review

The Company reported net sales of Rs. 375.88 crores during the year under review, a growth of 5% over previous year, with new products generating 2.9% (i.e. Rs. 10.88 crores) of the revenues. The Profit Before Tax at Rs. 10.92 crores was a decrease of about 50% over the previous year mainly due to strengthening of US Dollar and Japanese Yen against INR with resultant increase in raw material cost and also due to acute power crisis in Tamilnadu and Andhra Pradesh.