



Rane (Madras) Limited



Rane (Madras) Limited

DIRECTORS

L.LAKSHMAN - **Chairman & Managing Director**
L.GANESH - **Vice Chairman**
M.S.KUMAR
D.K.PARIKH
P.N.VENCATESAN
KRISHNAN.S.WARAN
V.NARAYANAN

BANKERS

CANARA BANK
KARUR VYSYA BANK LTD

AUDITORS **D. RANGASWAMY & CO.**
Chartered Accountants

REGISTERED OFFICE

" MAITHRI "
132, Cathedral Road, Chennai - 600 086
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Fax : 044-8112449
E-mail : rcc@ranegroup.com

Plant I

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Chennai-600 042.

Phone : 044-2452344

Fax : 044-2451435

E-mail : ischn_rml@ranegroup.com

Plant II

79/84,Hootagally Industrial Area,
Mysore - 571 186.

Phone : 0821-403035

Fax : 0821-402596

E-mail : ismys_rml@ranegroup.com

Plant III

77, Thirubuvanai Main Road,
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Rane (Madras) Limited

66th Annual Report 2001-2002

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Rane (Madras) Limited

REPORT OF THE DIRECTORS

Your directors are pleased to present their sixtysixth annual report together with the accounts for the year ended 31st March, 2002.

A. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Financial Results

	2001-02	2000-01
	Rs. in million	Rs in million
Sales and Operating Revenues	1376.15	1311.04
Operating Loss for the year	(90.95)	(130.23)
Other income	36.39	2.96
Profit / (Loss) Before exceptional items	(54.56)	(127.27)
Exceptional Income	114.44	42.50
Exceptional Expenditure	(82.53)	(8.36)
Loss before tax	(22.65)	(93.13)
Deferred tax	5.38	—
Surplus brought forward	—	4.59
Amount transferred to General Reserve	(28.03)	(88.54)

As a result of various management initiatives, the Operating profitability for the year improved by nearly Rs. 40 million over that for the previous year. Together with increased receipt of dividends and other income, this has helped bring down the losses considerably.

The amount of Rs. 61.48 million drawn from General Reserve has been utilized to transfer Rs. 2 million to Debenture Redemption Reserve and Rs. 31.45 million to Deferred Tax Liability, with the balance amount being set off against the loss of Rs. 28.03 million for the year.

In view of the losses, your directors do not recommend any dividend

Industry Structure and Developments

The performance of the economy has been much in line with expectations, making the year 2001-02 a lackluster one. The continued decline in the growth of the manufacturing sector is a clear pointer to the need for radical policy changes - changes that would increase disposable income particularly in the rural parts of India. Massive infrastructure projects, shift in agriculture policy and greater efficiency in the economy seem to be the only way out of the trap, India finds itself in. Only such measures would stimulate sustainable demand in the automotive industry.

The table below highlights the performance of the Indian automotive industry.

	2001-02	2000-01
Passenger Cars	1%	-8%
Utility Vehicles	-1%	1%
Light Commercial Vehicles	-20%	4%
Heavy Commercial Vehicles	4%	-21%
Farm Tractors	-17%	-12%
Two wheelers	15%	22%

The only heartening performance was turned out by the two-wheeler industry. Commercial Vehicle and the Farm Tractor Industry continue to suffer from excess capacity and the Passenger Car industry has performed well below expectations.

Outlook

In this background the business from OEMs continues to be well below the company's capacity. The replacement market has also suffered as a consequence of poor economic performance as

Rane (Madras) Limited

REPORT OF THE DIRECTORS (Contd.)

also due to substantial de-stocking by the trade. Your company however expects to continue enhancing its share in the replacement market.

Given that fundamental policy shifts may prove elusive for sometime to come, the automotive industry will have to set its expectations for organic domestic growth opportunities at a modest level of 3 to 5 percent. Profitable growth will therefore have to stem from other initiatives.

Opportunities and Threats & Risks

Diversification into export markets and introduction of new products are areas of growth opportunities. Your company continues to aggressively pursue exports, particularly to the North American and West Asian markets.

The presence of spurious products is a threat to your company in the replacement market.

There is a compelling need for new initiatives in cost management and for enhancing employee productivity. Towards this end, the company has launched TQM as a major programme. Stated briefly, the principles of TQM ensure the process designs and executions are to high standards and therefore eliminate wastes and non-value adding activities. The initial results are encouraging and your company will pursue these initiatives relentlessly.

Internal Control Systems

Your company has engaged the services of an independent agency, Ernst & Young Pvt. Limited, to carry out internal audit in all the company locations. The Audit Committee of the Board reviews the reports and the counter measures proposed by the operating management. The Internal Audit seeks not only to ensure the fairness of financial statements and compliance with laws and regulations but also covers the entire range of resource utilization and system efficiency.

Human Resources

The principles of TQM are founded on the concept of Total Employee Involvement. This takes various forms, Quality Control Circle, Quality Improvement Teams, Cross Functional Teams, Task forces etc.

A key requirement is comprehensive training in use of several tools and techniques. The company relies on visiting consultants from Union of Japanese Scientists and Engineers as also its own Rane Institute for Employee Development (RIED) to impart these training inputs. RIED also caters to a spectrum of other training requirements targeted at imparting appropriate skills and enhancing individual performance.

The company is conscious of the highly competitive environment it operates in and therefore pursues the concept of lean and efficient organization through attractive Voluntary Retirement Schemes. As at the end of March 2002, the total number of employees stood at 802.

B. INVESTMENTS

Pursuant to a scheme of reorganising investments in Joint Venture companies held by your company and Rane Brake Linings Limited (RBL), Rane Investments Limited (RIL) (formerly known as Glendale Investments Limited) became a subsidiary of your company. As a result of this reorganisation RIL now holds 50% of the share capital in each of the three JV companies, namely Rane TRW Steering Systems Limited (RTSSL), TRW Rane Occupant Restraints Limited (TROR) and Rane Nastech Limited (RNL). As of 31st March, 2002 RIL is a subsidiary of your company, which holds 62.72% of the capital, with the balance 37.28% being held by RBL.

The accounts of RIL for the year ended March 31, 2002 are enclosed to this report. A copy of the Consolidated Financial Statement of your company and RIL as at March 31, 2002 is enclosed.

C. DEPOSITS

Deposits outstanding on March 31, 2002 amounted to Rs. 42,146,000. All deposits that matured during the year were repaid / renewed except for a sum of Rs.46,000 for which claims were not lodged with the Company. Of the above, a sum of Rs. 7,000 has since been transferred to the Investors Protection Fund under the provisions of section 205 C of the Companies Act, 1956.

Rane (Madras) Limited

REPORT OF THE DIRECTORS (Contd.)

D. DIRECTORATE

Mr. P N Vencatesan and Mr. V Narayanan retire by rotation and being eligible offer themselves for re-election.

E. 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.

F. RESEARCH AND DEVELOPMENT ACTIVITIES

The details are furnished in Annexure B

G. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign exchange earned during 2001-02 is Rs. 0.48 million and foreign exchange outgo is Rs. 23.70 million.

H. 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.

I. 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 loss 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.

J. CORPORATE GOVERNANCE

A detailed report on Corporate Governance is separately attached.

For and on behalf of the Board

L LAKSHMAN
Chairman & Managing Director

L GANESH
Vice Chairman

Chennai
June 03, 2002

Rane (Madras) Limited

FORM B

Disclosure of particulars with respect to Research and Development and Technology absorption as required under Companies (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 31st March, 2002.

Research & Development (R&D)

R&D efforts of the company were directed towards development of products for new generation of vehicles manufactured in India. Future plan of R&D is to develop improved steering gears.

Expenditure on R&D is as follows:

	Rs.
Capital	1,811,620
Recurring	10,386,344
Total	12,197,964
Total R&D expenditure as a percentage of total turnover	0.90%

Technology absorption, adaptation and innovation

The technology absorbed with collaboration agreement has proved useful.

For and on behalf of the Board

L LAKSHMAN
Chairman & Managing Director



Chennai
June 03, 2002

L GANESH
Vice Chairman

Rane (Madras) Limited

Particulars as per Section 217 (2A) of the Companies Act,1956 attached to and forming part of the Directors' Report

S.No.	Name	Age	Designation / Nature of Duties	Remuneration (Rs)	Qualification	Experience (Years)	Date of commencement of employment	Particulars of last employment
1	Hydari A	57	President	2,229,335	C Engg.M I Mfg.E(UK) BE (Mech)	35	01.03.2000	ED & CEO Texmaco, Indonesia
2.	Nanjanath A R	55	Vice President -Operations	1,872,851	B.Sc (Engg.)	32	31.07.2000	Wholetime Director (Business Development) GKN Driveshafts (India) Ltd.
3.	Ravindran P R	50	Vice President - Finance	1,378,266	B.Sc., ACA, AICWA	26	10.04.1996	General Manager-Finance Pennar Aluminium

Note :

Remuneration as shown above includes salary, allowances, contribution to Provident and Pension funds and Perquisites.

Chennai
June 03, 2002

For and on behalf of the Board.

L LAKSHMAN
Chairman & Managing Director

L GANESH
Vice Chairman

Rane (Madras) Limited

CORPORATE GOVERNANCE

1. Philosophy on Code of Governance

The cornerstone of the philosophy of Governance adopted by your Board has at all times been based on integrity, transparency and fairness in all its dealings. The company will continue to seek enhancement to shareholder value within the framework of business ethics, regulatory compliances and contribution to society. The Rane Group has a clearly defined policy document titled "Ethical Standards of Behaviour" that defines obligations of each of its employees to the company expectations of value driven behaviour.

2. Board of Directors

The composition of the Board is given below:

Promoter Group:

Mr. L Lakshman, Chairman & Managing Director

Mr. L Ganesh Vice Chairman (non-executive director)

Independent Directors (non-executive directors):

Mr. P N Vencatesan

Mr. D K Parikh

Mr. M S Kumar

Mr. V Narayanan

Mr. Krishnan S Waran (nominee of ICICI Limited)

3. Details of Attendance at Board meetings and last AGM and details of memberships in other Boards and Board committees

The Board met seven times during the financial year on April 5, 2001, June 19, 2001, July 24, 2001, October 29, 2001, December 10, 2001, January 28, 2002 and March 26, 2002

Name of the Director	No. of board meetings attended	Whether attended last AGM	Membership in other Boards	Committee	
				Membership	Chairmanship
Mr. L Lakshman	6	Yes	11	7	4
Mr. L Ganesh	6	Yes	11	9	2
Mr. P N Vencatesan	6	Yes	6	2	1
Mr. D K Parikh	6	Yes	2	—	—
Mr. M S Kumar	6	Yes	3	1	—
Mr. V Narayanan	5	No	14	10	5
Mr. Krishnan S Waran	7	Yes	1	1	—

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CORPORATE GOVERNANCE (Contd.)

4. Audit Committee

The Audit Committee constituted under the provisions of section 292A of the Companies Act, 1956 in June, 2001 consisting of Mr. I Lakshman, Mr. L Ganesh and Mr. V Narayanan was reconstituted to be in line with the requirements under Clause 49 of the Listing Agreement with Stock Exchanges. The composition of this committee is:

Mr. V Narayanan	Chairman
Mr. P N Vencatesan	Member
Mr. Krishnan S Waran	Member
Mr. L Ganesh	Member

The Committee met on June 19, 2001, October 29, 2001 and March 26, 2002. All the members attended these meetings.

K. Srivatsan, Secretary is the Secretary to the Committee.

The statutory auditors and the internal auditors attended all the meetings. The President and Vice President (Finance) of the Company attended the meetings by invitation.

The scope of reference to the committee includes:

1. Review of audit with Statutory Auditors and Internal Auditors
2. Limited Review of half yearly accounts with Statutory Auditors
3. Review of annual financial statements with auditors and management before submission to the Board.

5. Remuneration Committee

Currently no remuneration is paid to the managerial personnel.

The employment of the managerial personnel is contractual.

There is no Stock option scheme in the Company.

For Non - executive Directors.

Sitting fee of Rs. 5,000 to each director per meeting of the board/audit committee and Rs. 2,500 for meeting of other committees is paid to the non executive directors, apart from reimbursement of actual travel and out-of-pocket expenses incurred by them for attending the meetings. No other remuneration is paid to the non executive directors.

The details of sitting fees paid to non executive directors for the year 2001-02 are given below:

	Rs.		Rs.
Mr. L Ganesh	75,000	Mr. M S Kumar	60,000
Mr. P N Vencatesan	40,000	Mr. V Narayanan	37,500
Mr. D K Parikh	30,000	Mr. Krishnan S Waran	45,000

Shareholders

Particulars about the directors who are retiring and are eligible for reappointment have been given in the Notice convening the Annual General Meeting / the Explanatory Statement.