



Rane (Madras) Limited



68th ANNUAL REPORT 2004

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

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the **sixty-eighth Annual General Meeting** of the Equity Shareholders of the Company will be held at **3.00 p.m. on Wednesday, July 21, 2004, at Narada Gana Sabha ('Main Hall'), 314, TTK Road, Chennai - 600 018, to transact the following:-**

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. P N Vencatesan, who retires by rotation under Article 108 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. P N Vencatesan, be and is hereby reappointed Director of the Company".

3. To consider the retirement by rotation of Mr. D K Parikh who does not seek re-election.

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

"Resolved that Mr. D K Parikh, a director, liable to retire by rotation does not seek re-election, is therefore not re-appointed a director of the company."

"Resolved further that the vacancy on the Board of Directors of the company so created, be not filled."

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 a special 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".

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

"Resolved that Mr. Krishnan S Waran, 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".

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 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 all or any of the following:

- (1) Canara Bank to secure Term Loans advanced by them;
- (2) State Bank of India to secure Term loan advanced by them; and
- (3) Canara Bank as second charge on the fixed assets in respect of the working capital

facilities provided 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 terms 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."

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

"Resolved that in terms of Article 101 of the Articles of Association and pursuant to the provisions of section 198, 309, and 316 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, subject to such approvals as may be required, consent be and is hereby accorded for payment of the following remuneration to Mr. L Lakshman, Chairman and Managing Director,

- (i) sitting fee of such amount, as may be prescribed under the Company Act, 1956 or Rules made there under and as may be determined by the Board of Directors time to time for attending each meeting of the board or of any committee of the board: and
- (ii) commission of 1% on the net profits of the company computed in terms of Section 349 and 350 of the Companies Act, 1956 for a period of one year with effect from April 1, 2004 till March 31, 2005.

"Resolved further that subject to the limits as aforesaid, the payment and distribution of the commission to Mr. L Lakshman, Chairman and Managing Director, be determined by the Board of Directors from time to time in such proportion and in such manner as the Board may determine."

(By Order of the Board)
For **Rane (Madras) Limited**

Chennai.
May 19, 2004.

K SRIVATSAN
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.3 to 8 are annexed.
3. The Register of Members of the Company will remain closed from **Friday, July 16, 2004 to Wednesday, July 21, 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	10.09.1997	09.09.2004	10.10.2004
31.03.1998	10.08.1998	09.08.2005	09.09.2005
31.03.2000	25.07.2000	24.07.2007	24.08.2007
31.03.2001	Nil	Nil	Nil
31.03.2002	Nil	Nil	Nil
31.03.2003	Nil	Nil	Nil
31.03.2004	02.04.2004 (Interim Dividend)	01.04.2011	30.04.2011

5. Documents referred to in this notice are available for inspection by members on any working day between 10.00 a.m. and 12.00 noon at the registered office of the company.
6. Members holding shares in physical form are requested to notify any change of address 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 demat form are requested to update the change of address with their respective Depository Participants. (DPs).

7. 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.
8. Members/Proxies should bring the attendance slip duly filled in for attending the meeting

EXPLANATORY NOTE PURSUANT TO SEC. 173(2) OF THE COMPANIES ACT, 1956**Item No. 3**

Mr. D K Parikh retires by rotation as per Article 108 of the Articles of Association of the Company. He has informed the company his intention not to seek re-election at the ensuing Annual General Meeting. The board has decided not to fill-up the vacancy so created on the board of directors.

Item No. 4

The Company's auditors M/s. D Rangaswamy & Co., Chartered Accountants, Chennai retire at the ensuing Annual General Meeting (AGM) and are eligible for re-appointment. The declaration under Section 224 (1B) of the Companies Act, 1956 has been received from them. Since more than 25% of the share capital is held by a financial institution, the appointment of auditors requires the approval by the shareholders by way of a special resolution at the ensuing AGM.

None of the directors is concerned or interested in the resolution.

Your directors commend the resolution for adoption.

Item No. 5

Mr. Krishnan S Waran joined the Board as a nominee of ICICI Bank Limited with effect from June 26, 1998. Consequent upon the repayment of the term loans availed, Mr. Krishnan S Waran ceased to be a nominee of ICICI Bank Ltd. on January 30, 2004. However, the Board of Directors has co-opted him as an additional director with effect from that date. As per Section 260 of the Companies Act, 1956, the term of additional director is only upto the succeeding Annual General Meeting. A notice in writing under Section 257 of the Companies Act, 1956, along with a deposit of Rs. 500/- has been received from a member signifying his intention to propose the candidature of Mr. Krishnan S Waran for the office of director of the company.

Mr. Krishnan S Waran, is a Financial consultant. He is post-graduate in Commerce and Financial Management. He is 58 years of age and has over 33 years of experience in his profession. He is also a director in M/s Interactive Relative International P. Ltd. and a member of Audit Committee of the company.

Mr. Krishnan S Waran is interested in the resolution.

No other director is concerned or interested in the resolution.

Your directors commend the resolution for adoption.

Item No. 6

The Board of Directors of your company co-opted Mr. Harish Lakshman as additional director on May 19, 2004. Mr. Harish Lakshman holds a Bachelor Degree in Mechanical Engineering and a Master's Degree (MSM) from Purdue University, USA. He is 30 years of age and has over 5 years of experience in his profession. His other directorships include Messrs. Rane Investments Limited, Rane NSK Steering Systems Limited, JMA Rane Marketing Limited and Rane Holdings Limited. He is not a member in any of the Board committees.

The term of additional director as per Section 260 of the Companies Act, 1956 is only upto the succeeding Annual General Meeting. A notice in writing under Section 257 of the Companies Act, 1956, along with a deposit of Rs. 500/- has been received from a member signifying his intention to propose the candidature of Mr. Harish Lakshman for the office of director of the company.

Mr. Harish Lakshman is the son of Mr. L Lakshman. Therefore, Mr. L Lakshman, Chairman and Managing Director and Mr. L Ganesh, Vice Chairman are deemed to be interested in the resolution. No other director is concerned or interested in the resolution.

Your directors commend the resolution for adoption.

Item No. 7

Your company had earlier availed term loan for capital expenditure and other purposes from ICICI Bank Ltd. In the process of debt restructuring, the company had repaid all the dues of ICICI Bank Ltd in full. Now, it has sought financial assistance from both Canara Bank and State Bank of India by way of term loans and working capital facilities from Canara Bank. For securing repayment of these loans and facilities, the company has created pari passu charge on the entire immovable and movable properties of the company in favour of these Banks and second charge on the fixed assets in respect of the working capital facilities. 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.

Item No. 8

At the Sixty-sixth Annual General Meeting of the company held on July 23, 2002, the members had approved the re-appointment of Mr. L Lakshman as Managing Director of the company for a period of 3 years. Since appointment, Mr. L Lakshman was not paid any remuneration for the services rendered by

Rane (Madras) Limited

him. With the turn around of the company under his leadership, the remuneration committee of the Board in its meeting held on May 19, 2004 considered payment of remuneration and recommended to the Board of Directors payment of remuneration by way of commission @ 1% of the net profits and payment of sitting fee as may be fixed from time to time for each meeting of the board of directors and committee meetings attended by him. Based on this recommendation, the Board of Directors of the company has approved these payments with effect from April 1, 2004. The payment of remuneration to managerial personnel under Sch. XIII of the Companies Act, 1956 requires approval of the shareholders at a general meeting.

Mr. L Lakshman is interested in the resolution and Mr. L Ganesh and Mr. Harish Lakshman, being relatives of Mr. L Lakshman are also deemed to be interested in the resolution. No other director is concerned or interested in the resolution. Further, this may be treated as an abstract of the modification in the terms of appointment of Mr. L Lakshman, under section 302 of the Companies Act, 1956.

Your directors commend the resolution for adoption.

(By Order of the Board)
For **Rane (Madras) Limited**

Chennai.
May 19, 2004.

K SRIVATSAN
Secretary

Information about directors seeking re-appointment / appointment in this Annual General Meeting in respect of item no. 2,5&6 of the Notice (In accordance with Clause 49 VI of the Listing Agreement)

Re-appointment:

Item No. 2

Name of the director	P N Vencatesan
Father's Name	Pazhayanur Narayana Iyer
Date of birth	August 18, 1926
Educational Qualifications:	ACA
Date of appointment	September 24, 1984
Other Directorships	<p>VENC Management Consultants Pvt. Ltd.</p> <p>Siro Plast Limited</p> <p>Precision Wires Limited</p> <p>Kristeel Shinwa Industries Limited</p> <p>ETAL Management Systems Pvt. Ltd.</p> <p>Consillium Pvt. Ltd.</p>

Committee Memberships	Siro Plast Limited - Audit Committee *
	Precision Wires Limited- Audit Committee *
	Precision Wires Limited- Remuneration Committee *
	Precision Wires Limited- Investors Service Committee *
	Rane (Madras) Limited- Audit Committee
	Siro Plast Limited- Investors Service committee

* Chairman of the committee

Appointments

Item No. 5

Name of the director	Mr. Krishnan S Waran
Father's Name	Mr. K Appu Iyer
Date of birth	December 13, 1945
Educational Qualifications	Post -graduate in Commerce and Financial Management
Date of appointment	January 30, 2004*
Other Directorships	Interactive Relative International P. Ltd
Committee Memberships	Rane (Madras) Limited - Audit committee

Item No. 6

Name of the director	Mr. Harish Lakshman
Father's Name	Mr. L Lakshman
Date of birth	February 12, 1974
Educational Qualifications	B.E., in Mech. Engineering Master's Degree (MSM) from Purdue University, USA
Date of appointment	May 19, 2004*
Other Directorships	<p>Rane Investments Limited</p> <p>Rane NSK Steering Systems Ltd</p> <p>JMA Rane Marketing Limited</p> <p>Rane Holdings Limited</p>
Committee Memberships	Nil

* Appointed as additional director.

(By Order of the Board)
For **Rane (Madras) Limited**

Chennai.
May 19, 2004.

K SRIVATSAN
Secretary

DIRECTORS : L LAKSHMAN - Chairman & Managing Director
L GANESH - Vice Chairman
D K PARIKH
P N VENCATESAN
KRISHNAN S WARAN
V NARAYANAN
HARISH LAKSHMAN

BANKERS : CANARA BANK,
Chennai - 600 002

AUDITORS : D RANGASWAMY & CO.
Chartered Accountants
Chennai - 600 034

REGISTERED OFFICE : "MAITHRI"
132, Cathedral Road, Chennai-600 086.
Phone : 28112472 Fax : 044-28112449
Email : c.siva@rane.co.in

PLANTS : 1. "GANAPATHY BUILDINGS"
154, Velachery Road
Chennai - 600 042
2. 79/84, Hootagally Industrial Area
Mysore - 571 186
3. 77, Thirubuvanai Main Road,
Thirubuvanai Village,
Pondicherry - 605 107

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REPORT OF THE DIRECTORS

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

1. Financial Performance:

	2003-04 (Rs.million)	2002-03 (Rs.million)
Sales and Operating Revenues	1756.89	1261.01
Operating Profit / (Loss) for the year	2.01	(83.70)
Other Income	39.31	35.65
Profit / (Loss) Before exceptional items	41.32	(48.05)
Exceptional Income	7.84	62.14
Exceptional Expenditure	---	(26.68)
Profit / (Loss) before tax	49.16	(12.59)
Provision for Taxation :		
Current	1.00	---
Deferred	(23.86)	(13.59)
Profit after Tax	72.02	1.00
Prior year adjustment :		
Taxes paid	---	(1.53)
Deferred tax liability reversed	---	31.58
Surplus brought forward	20.25	---
Transfer from Debenture Redemption Reserve	42.08	---
Profit available for Appropriation	134.35	31.05
Amount transferred to General Reserve	92.43	---

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.

Sales during the year increased by 40% over that of the previous year to Rs.1757 million, resulting in an Operating Profit of Rs.2.01 million against loss in the previous year of Rs.83.70 million. Exports increased substantially from Rs.1.87 million during the previous year to Rs.89.55 million during the year. Various management initiatives coupled with tight internal controls and efficient treasury management contributed to these results.

2. Appropriation

Profit available for appropriation is Rs.134.35 million. The directors declared and paid an interim dividend at 13.5% on the Cumulative Preference Shares of Rs.80 million outstanding as on 31-03-2004. The directors have also declared and paid an interim dividend of 10% on the equity capital, for the year ended March 31, 2004. The aggregate amount on account of these interim dividends including tax on distributed profits and surcharge thereon works out to Rs.16.92 million, leaving the Company with retained profit of Rs.117.43 million. Keeping in view the future investment plan and the requirement of funds for operations, no final dividend is being recommended. Out of the retained profit of Rs.117.43 million, a sum of Rs.92.43 million is being transferred to the General Reserve, leaving a surplus of Rs.25 million in the Profit and Loss Account.

3. Subsidiary and Investments

Rane Investments Ltd. (RIL), the subsidiary company, bought back 17850 equity shares at Rs.600 per share. During the financial year 2003-04, RIL distributed an amount of Rs.23.56 Million by way of interim dividends. This reflects the commendable performance of the joint venture companies RIL has invested in.

A statement relating to subsidiary company viz. RIL and copy of accounts of RIL are attached pursuant to section 212 of the Companies Act, 1956. As required by Accounting Standard-21 (AS-21) on 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India, the Audited Consolidated Financial Statements of the Company and its subsidiary are attached.

During the current financial year, your Company has invested Rs.0.50 million in Rane Holdings Ltd. thereby making it a wholly-owned subsidiary of the Company.

REPORT OF THE DIRECTORS (contd.)

Rane Engine Valves Ltd. (REVL) has paid an interim dividend of 50% amounting to Rs.1.52 million. Rane Brake Linings Ltd. (RBL) has allotted bonus shares in the ratio of one equity share for every equity share held as also paid an interim dividend of 40% amounting to Rs.5.62 million on the enhanced capital. Kar Mobiles Ltd., an associate company allotted bonus shares in the ratio of one equity share for every equity share held.

4. Deposits

Deposits outstanding as on March 31, 2004 amounted to Rs.41.37 million. All deposits that matured during the year were repaid/ renewed.

5. Board of Directors

Mr D K Parikh retires by rotation. He has expressed a desire to relinquish his position on the board. The board has decided not to fill-up the vacancy so created on the board of directors. The directors wish to place on record the outstanding contribution made by Mr. Parikh during his long association with your Company.

Mr. P N Vencatesan retires by rotation and being eligible, offers himself for re-election.

Consequent upon the repayment of the term loans availed, Mr. Krishnan S Waran ceased to be a nominee director of ICICI Bank Ltd. However, Mr. Waran continues to be a director on the board of the Company and seeks his appointment as director at the ensuing annual general meeting.

Mr. Harish Lakshman was co-opted to the board as an additional director during the year to hold office up to the Annual General Meeting.

The Company has received notices from shareholders signifying their intention to propose the appointments of both Mr. Krishnan S Waran and Mr. Harish Lakshman.

6. Consolidation of shareholdings

Your Company 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 RBL and RIL has entered into an agreement with the promoter family to purchase the REVL shares held by them. Your Company would allot shares in settlement of dues arising out of this transaction. In view of this preferential allotment to them, the promoter family have announced an open offer to buy 1,223,075 shares in the Company.

By way of good corporate governance practice, your Company along with RBL & 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. At the end of this exercise, your Company plans to de-merge the manufacturing and investment activities.

This restructuring exercise involving open offers and preferential offer comply with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and the SEBI (Disclosure of Investor Protection) Guidelines, 2000.

7. 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.

8. Research & Development Activities

The details are furnished in Annexure B.

9. Foreign Exchange earnings and outgo

Foreign exchange earned during 2003-04 is Rs.89.55 million and foreign exchange outgo is Rs.65.03 million.

10. 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.

REPORT OF THE DIRECTORS (contd.)**11. 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.

12. 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 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 and detecting fraud and other irregularities;

iv. Prepared the accounts for the financial year on a 'going concern' basis.

13. Management Discussion & Analysis and Corporate Governance Reports

A 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 19, 2004

L GANESH

Vice Chairman

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, 2004.

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	10,922,268
Recurring	7,587,855
Total	18,510,123

Total R&D expenditure as a
Percentage of total turnover 1.07 %

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

May 19, 2004

L GANESH

Vice Chairman