



Rane (Madras) Limited



4th ANNUAL REPORT 2008

Board of Directors

L GANESH - Chairman
L LAKSHMAN
P S KUMAR
V NARAYANAN
HARISH LAKSHMAN
SHARAD SARIN
R NATARAJAN

Audit Committee

V NARAYANAN - Chairman
P S KUMAR
SHARAD SARIN
L LAKSHMAN

Investors' Service Committee

L LAKSHMAN - Chairman
HARISH LAKSHMAN
P S KUMAR

President

S PARTHASARATHY

General Manager - Finance

P KRISHNAMOORTHY

Secretary

K SRIVATSAN

Auditors

PRICE WATERHOUSE & CO.,
Chartered Accountants
Chennai - 600 006.

Listing of shares with

Madras Stock Exchange Ltd., Chennai
Bombay Stock Exchange Ltd., Mumbai
National Stock Exchange of India Ltd., Mumbai

Bankers

Canara Bank, Chennai - 600 002.
State Bank of India, Chennai - 600 001.
HDFC Bank Limited, Chennai - 600 002.

Registered Office

"MAITHRI"

132, Cathedral Road, Chennai - 600 086.

Phone : 044 - 28112472 Fax : 044-28112449

Email : investorservices@rane.co.in

Plants

1. "GANAPATHY BUILDINGS"
154, Velachery Road, Chennai - 600 042.
2. 79/84, Hootagally Industrial Area
Mysore - 570 018.
3. 77, Thirubuvanai Main Road
Thirubuvanai Village, Puducherry - 605 107.
4. Ambakkam, Varanavasi Village
Varanavasi Post, Kancheepuram - 631 604.
5. Plot No.27, Sector 11, Integral Industrial Estate
Pant Nagar, Uttarakand - 263 153.

Registrar & Transfer Agents

Integrated Enterprises (India) Ltd.,
II Floor, 'Kences Towers'

No.1, Ramakrishna Street, North Usman Road,
T. Nagar, Chennai - 600 017.

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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 **10.15 a.m. on Monday, the July 21, 2008, at Narada Gana Sabha ('Main Hall')** 314, TTK Road, Chennai 600 018, to transact the following :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Directors' Report, the audited accounts of the Company for the year ended March 31, 2008 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, 2008, the Profit and Loss Account for the year ended March 31, 2008 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 approve the interim dividend paid as the final 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 60% declared by the board of directors of the company on March 17, 2008 on 10,164,145 equity shares of Rs.10/- each fully paid, absorbing a sum of Rs. 60,984,870 (excluding dividend tax and cess thereon) paid to the shareholders on March 27, 2008 for the year ended March 31, 2008, be and is hereby approved as final dividend for the year ended March 31, 2008."

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 auditors of the Company and to determine their remuneration. The retiring auditors M/s. 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 travelling and other out-of-pocket expenses actually incurred by them in connection with the audit".

SPECIAL BUSINESS:

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

Re-appointment of S Parthasarathy, President as Manager

"Resolved that in accordance with the provisions of Sections 198 and 269 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the Act), and subject to such other approvals as may be required, Mr. S Parthasarathy, President of the Company, be and is hereby re-appointed as 'Manager' within the meaning of Section 2(24) of the Act, with effect from April 1, 2008, for the period from April 1, 2008 up to March 31, 2011 or such other periods as may be decided by the Board of Directors of the company, on the following terms :

(a) Salary :

Rs.167,000 per month in the scale of Rs.167,000 to Rs.275,000. Annual increase will be effective 1st April every year and the quantum will be decided by the Board of Directors.

(b) Benefits, Perquisites and Allowances :

Benefits, perquisites and allowances as may be determined by the Board of Directors from time to time in accordance with the applicable Scheme of the Company, subject to a maximum of 200% of the salary per annum.

The perquisites will be evaluated as per Income-Tax Rules, wherever applicable, and at actual cost to the Company in other cases.

(c) Contribution to funds :

Company's contribution to Provident Fund, and Superannuation Fund will not be included in the computation of the ceiling on perquisites to the extent these singly or put together are not taxable under the Income-tax Act. Gratuity payable shall not exceed 15 days salary for each completed year of service.

(d) Incentive Remuneration :

Incentive remuneration of such sum be paid based on merits to be determined by the Board, provided that the total remuneration of the Manager shall not exceed the limits prescribed under the Companies Act, 1956 or such other limit as may be prescribed by the Government from time to time.

"Resolved further that in the event of there being inadequacy or absence of profits in any financial year, during the currency of tenure of the Manager, he will be paid remuneration not exceeding the limits specified in Paragraph 1 (B) of Section II of PART II of Schedule XIII to the Companies Act, 1956 or such other limit as may be prescribed by the Government from time to time as minimum remuneration".

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

Chennai
May 27, 2008

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 the Special Business as given in the notice is annexed.
3. The Register of Members of the Company will remain closed from **Saturday, July 19, 2008 to Monday, July 21, 2008** (both days inclusive).
4. Pursuant to the provisions of Section 205A of the Companies Act 1956, dividend for the financial year ended March 31, 2005 and thereafter which remain unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government. Members are requested to contact the Company's Registrar and Transfer Agents, for payment in respect of the unclaimed dividend for the financial year 2004-05 and thereafter declared by the company.
5. Members holding shares in physical form are requested to notify any change of address to the following address.

M/s. Integrated Enterprises (India) Limited
II Floor, "Kences Towers",
No.1, Ramakrishna Street, North Usman Road
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).
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.

Rane (Madras) Limited

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

Resolution No. 5

Your directors at their meeting held on March 17, 2008, approved the reappointment of Mr. S Parthasarathy, President of the Company, as Manager for a period of three years from April 1, 2008 to March 31, 2011. The remuneration proposal was approved by the Remuneration Committee on May 27, 2008.

As required under the Provisions of Schedule XIII to the Companies Act, 1956, the following information is provided.

I. General Information:

The Company is engaged in manufacture and sale of Steering and Suspension Linkage Products and Steering Gear Assemblies, which falls under auto component industry. The financial performance of the company for the year ended March 31, 2008 is given below:

	Rs. Million
Sales & Operating Revenues	3,492.14
Profit Before Tax	467.40
Provision for Tax	101.43
Profit After Tax	365.97
Exports (FOB Value) during the year	663.94
Net Foreign Exchange Earnings	503.61

II. Information about the appointee Mr. S Parthasarathy

Name	S Parthasarathy
Father's Name	V Srinivasan
Date of Birth	October 17, 1958
Educational Qualifications	B.E., M.B.A. (AUBS)
Past Remuneration (2007-08)	Rs. 5,321,815
Recognition or Awards	--
Job Profile and his suitability	Overall management of the Company. Given his qualification and experience Mr. S Parthasarathy is considered well suited for the position.
Comparative remuneration profile with respect to the industry	The proposed remuneration package of the appointee is in line with the prevailing remuneration package in the industry, having regard to the size of the company, profile of the position etc.,
Remuneration Proposed	Detailed in the resolution. The remuneration proposed is commensurate with the responsibilities of the appointee and is in line with the remuneration practices in the auto component industry.

Mr. S Parthasarathy does not have any other pecuniary relationship with the Company. He is not related to any director.

III. Other Information:

Reasons of inadequate profits	The profitability of the company is being affected due to steep increase in raw material costs on account of increase in steel prices and foreign exchange fluctuations.
Steps taken or proposed to be taken for improvement	The adoption to Total Quality Management (TQM) would considerably improve the productivity levels.
Expected increase in productivity and profits in measurable terms.	Appropriate steps are being taken to contain fixed cost to improve the profitability in measurable terms. In view of this, consent of the shareholders is sought for payment of minimum remuneration as prescribed by the Central Government, in the event of inadequacy of profits due to any unforeseen circumstances.

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

The shareholders are requested to treat this as a notice under Section 302 of the Companies Act, 1956.

Your directors commend the resolution for your approval.

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

Chennai
May 27, 2008

K Srivatsan
Secretary

Rane (Madras) Limited

Information about director seeking re-appointment in this annual general meeting in respect of item No. 3 above (in accordance with Clause 49 IV of the Listing Agreement)

Item No. 3

Name of the director Father's Name Date of birth Educational Qualifications Date of appointment	Mr. L Lakshman Mr. L L Narayan July 17, 1946 B.E., Executive MBA from London Business School March 31, 2004
Experience	Mr. Lakshman has been spearheading the business of different companies in Rane group and has more than 38 years of industrial experience.
Other Directorships	<ol style="list-style-type: none">1. Rane Brake Lining Limited2. Rane Engine Valve Limited3. Rane TRW Steering Systems Limited4. Rane NSK Steering Systems Limited5. Rane Investments Limited6. Rane Holdings Limited7. Force Motors Limited8. Kar Mobiles Limited9. Pricol Limited10. JMA Rane Marketing Limited
Committee Memberships	<ol style="list-style-type: none">1. Rane Holdings Limited – Investors' Service2. Rane Engine Valve Limited – Audit3. Rane Engine Valve Limited – Investors' Service*4. Rane Brake Lining Limited – Investors' Service5. Rane (Madras) Limited – Audit6. Rane (Madras) Limited – Investors' Service7. Rane TRW Steering Systems Limited – Audit*8. Rane NSK Steering Systems Limited – Audit*9. Kar Mobiles Limited – Audit*
Number of shares held	Nil

* Chairman of the Committee

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

Chennai
May 27, 2008

K Srivatsan
Secretary

REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting their fourth annual report together with the accounts for the year ended March 31, 2008.

A. Financial Performance

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

	(Rs.Million)	
	2007-08	2006-07
Sales and Operating Revenues	3,492.14	3,304.68
Other Income	16.06	25.13
Exceptional Income (Net)	491.20	--
Profit before tax	467.40	183.88
Provision for tax	101.43	47.72
Profit after tax	365.97	136.16
Surplus brought forward	61.00	37.50
Amount available for appropriation	426.97	173.66

Sales and Operating Revenue had grown marginally by 5%. Although, your Company had achieved higher sales in Light and Small Commercial Vehicle Segments, this was offset by the negative growth in the Passenger Car and Multi Utility Vehicle (MUV) segments in the domestic market. Exports registered an encouraging growth rate of 21%.

B. Appropriation

Profit available for appropriation is Rs. 426.97 million. Your directors declared a dividend of 13.5% on the cumulative preference shares of Rs.11.25 million. The outflow on this account inclusive of tax and cess amounts to Rs.1.49 million. The preference capital was fully redeemed during the year and an amount of Rs.11.25 million has been transferred to the Capital Redemption Reserve.

Your directors have declared and paid an interim dividend of 60% on equity capital for the year ended March 31, 2008. The outflow on this account inclusive of tax and cess amounts to Rs.71.35 million. Out of the surplus of Rs. 342.88 million, a sum of Rs. 271 million is being transferred to General Reserve and Rs. 71.88 million is being retained as surplus in the Profit and Loss Account.

The directors recommend that the interim dividend paid be considered as final dividend for the year 2007-08.

C. Management Discussion and Analysis

1. Financial and Operational Performance

The operating result for the year was a loss of Rs. 23.80 million as against profit of Rs.183.88 million in the previous year mainly due to steep increase in raw material costs on account of increase in steel prices, which could not be fully passed on to Original Equipment customers. Also, exchange loss on account of appreciation of rupee against US dollar impacting export profits as well as increase in manufacturing and other costs have adversely affected profitability of your Company during the year. Your Company had sold surplus land available at its location in Velachery consequent to shifting of the export unit to Varanavasi near Chennai, which resulted in a profit of Rs.545.15 million during the year.

2. Market

As per the information available from Society of Indian Automobile Manufacturers' Association, the Original Equipment Manufacturer (OEM) markets continued to show growth in certain segments, such as, Passenger Car, Multi Utility Vehicles (MUV) and Small Commercial Vehicles (SCV), while Farm Tractors declined marginally and Commercial Vehicle by more than 10%.

In the passenger car and MUV Segment, your Company's served market has not grown correspondingly with the segment growth. In the case of Commercial Vehicles Segment, in addition to the market decline, your Company also faced severe competition due to excess capacity resulting in a loss of market share forcing a negative growth for your Company.

To compensate the loss of volumes from OEM due to the above factors, your Company had focussed on after market through greater penetration and new products to register healthy growth of 17%.

REPORT OF THE DIRECTORS (contd.)

3. Exports

Your Company has established good export business where the customers include TRW Automotive, John Deere and Dana of United States of America (USA) among others. The growth in export sales has been impressive at 21% during the year and contributes 19% to your Company's total sales for the year under review.

4. Expansion Projects

The Company had established a manufacturing facility during the year 2006-07 at Uttarakand, a tax incentive state, to supply Steering Gears exclusively for Tata Motors Limited with an initial investment of Rs.80 million. Commercial production started in April 2007. The Company has also been chosen as a supplier for the small car 'Nano' and the production capacity would be established in Singur in West Bengal during 2008-09.

5. Outlook

Passenger Car segment is expected to continue its growth in the current year with a number of new product launches by various Original Equipment customers while the Commercial Vehicles market is expected to show positive growth. The continued inflation is a cause of worry as also the higher interest rates, which may affect the market sentiments.

Your Company will continue to focus on expanding export market and developing new products to cater to the increased demands of domestic OE customers. Efforts are also on to achieve higher sales in Hydro-Static Steering Systems for Farm Tractor segment.

Prices of commodities like steel and aluminium have continued to raise sharply during the year which will push up Company's raw material cost and will have a negative impact on Company's profitability. Rupee appreciation against US dollar is also likely to affect profitability of exports. Your Company is taking efforts to obtain price increases from various customers, which may not fully cover the steep increase in prices of raw materials. Alternate

sourcing of raw materials including cheaper imports are being looked into to reduce raw material cost of your Company.

6. Opportunities, Threats and Risk

Various multi national companies (MNCs) in the automotive sector from countries like USA, Europe etc., have shown keen interest in sourcing auto components from India which presents an opportunity to the domestic suppliers to expand their sales further. Also, the automotive sector as a whole is poised to grow reasonably well in line with country's GDP growth with certain segments like passenger car even continuing double digit growth levels with the entry of new models and low priced small cars etc.

The main threats arise out of:

- Continued increase in commodity prices like steel, aluminium etc.
- Higher inflation levels dampening market sentiments and threatening temporary slow down in the economy.
- Cheaper imports from China and other low cost countries
- Strengthening of rupee affecting export profitability.

7. Cost Control, Productivity and Quality Improvement

In the current business situation many internal and external factors are influencing our business prospects and determine our competitiveness.

- Policies and tax structure of governments
- Global competition on our product
- Year on year cost reduction demand by customer
- Procurement efficiency

In order to counter these internal and external factors, which affect our business process, cost reduction on components procured by your Company is a key initiative. The following Strategic Measures were undertaken by your Company:

- Commodity based cost competitive sources identified within India and globally.

Rane (Madras) Limited

REPORT OF THE DIRECTORS (contd.)

- Yield improvement projects
- Value Addition and Value Engineering Projects
- Alternate process / technology usage

Your Company also focuses on new product developments to enhance Profitability. The programs identified are likely to result in volume growth in the years to come.

To improve the entire organisation's business processes, your Company had launched Total Quality Management [TQM] as a major initiative. Based on the successful implementation of the same your Company was awarded the **Deming Application Prize** by Union of Japanese Scientists and Engineers [JUSE], in October 2007. This is one of the proudest achievements of your Company.

8. Internal Control Systems and Risk Management

Your Company continues to engage the services of an independent agency to carry out internal audit of all the Company locations across the country. The Audit Committee of the Board approves the audit plan in the beginning of the financial year in consultation with the internal auditors, the statutory auditors and the operating management. The findings of the internal auditors are placed before the Audit Committee for review. The response of the operating management and counter measures proposed are discussed at the Audit Committee meetings. The process not only seeks to ensure the reliability of control systems and compliance with laws and regulations but also covers resources utilisation and system efficacy.

Risk Management is an integral part of the business process. The Company has mapped the risks at the business processes and enterprise levels and has evolved a risk management framework. Mitigative measures have been put in place in respect of these risks. These would be periodically reviewed by the Board of Directors.

9. Human Resource Development and Industrial Relations

Your Company attaches considerable importance to Human Resource Development (HRD) and harmonious industrial relations.

The management is continuously working on the development of human capital, vital in an ever changing business environment towards achieving the goals and realizing the Vision of the Company. "Rane Institute for Employee Development" is a group resource that imparts training towards continuous enhancement of technical and managerial skills. On an average, 4 mandays of training per employee was imparted during the year across employee segments and divisions.

Total Employee Involvement is a key element of TQM that enables continuous improvement to all business processes. The Company conducts regular Employee Opinion Surveys, the outcome of which is deliberated and acted upon.

10. Cautionary Statement

The information and opinion expressed in this report may contain certain forward-looking statements, which the management believe are true to the best of its knowledge at the time of its preparation. Actual results may differ materially from those either expressed or implied in this report.

D. Deposits

Deposits outstanding as on March 31, 2008 amounted to Rs.20.73 million. All deposits that matured during the year were repaid / renewed.

E. Board of Directors

Mr. L Lakshman and Prof. Sharad Sarin retire by rotation. Mr L Lakshman, being eligible, has offered himself for reappointment. Prof. Sharad Sarin has expressed his unwillingness to continue as director.

F. Conservation of energy

Your Company has, by sustaining high power factor, reduced consumption. As an ongoing process recommendations arising out of energy audits are being implemented.

G. Research & Development Activities

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

REPORT OF THE DIRECTORS (contd.)

H. Foreign Exchange earnings and outgo

Foreign exchange earned during 2007-08 is Rs. 664 million and foreign exchange outgo was Rs. 160 million.

I. 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 B.

J. Auditors

M/s Price Waterhouse & 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.

K. Directors' Responsibility Statement

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

- Followed the applicable accounting standards in the preparation of the annual accounts;

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

L. Corporate Governance Report

A detailed report on and Corporate Governance is attached in Annexure C.

For and on behalf of the Board

L GANESH
Chairman

L LAKSHMAN
Director

Chennai
May 27, 2008

Annexure A to Report of the Directors

FORM B

Disclosure of particulars with respect to Research & Development absorption, as required under the Companies Act (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Report of the Board of Directors for the year ended March 31, 2008.

RESEARCH AND DEVELOPMENT (R & D)

Your Company is making good progress in the development of hydrostatic steering gears and has commenced supplies to some key OEMs. As part of system supply, hydraulic cylinders have also been developed and commercial supplies initiated.

The Company is also developing complementary capabilities and technologies to improve and enhance the performance of mechanical steering gears to be used as part of Electronic power steering systems used in modern small and mid sized cars.

EXPENDITURE ON R & D

Rs. '000

Capital	7,752
Recurring	19,820
Total	27,572
Total R&D expenditure as a percentage of total turnover	0.81%

TECHNOLOGY ABSORPTION, ADAPTATION AND INTRODUCTION OF NEW FORMULATIONS

Technology development and assimilation is an ongoing process, but absorption of technology arising out of technology agreements in earlier years has been successfully completed.

For and on behalf of the Board

L GANESH
Chairman

L LAKSHMAN
Director

Chennai
May 27, 2008