



Rane (Madras) Limited

6th ANNUAL REPORT 2010

Board of Directors

L GANESH - Chairman
 L LAKSHMAN
 P S KUMAR
 V NARAYANAN
 HARISH LAKSHMAN
 R NATARAJAN (upto March 22, 2010)
 M LAKSHMINARAYAN
 T MUKHERJEE

Audit Committee

V NARAYANAN - Chairman
 P S KUMAR
 L LAKSHMAN
 M LAKSHMINARAYAN

Investors' Service Committee

L LAKSHMAN - Chairman
 HARISH LAKSHMAN
 P S KUMAR

President

S PARTHASARATHY

General Manager-Finance

P KRISHNAMOORTHY

Auditors

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

Listing of shares with

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.
 IDBI Bank Limited, Chennai-600 015.

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, Uttrakand - 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 **Sixth Annual General Meeting** of the Equity Shareholders of the Company will be held at **10.15 a.m.** on **Monday, the July 19, 2010**, 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, 2010 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, 2010, the Profit and Loss Account for the year ended March 31, 2010 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.2.50 per equity share declared by the board of directors of the Company on January 18, 2010 on 10,164,145 equity shares of Rs.10/- each fully paid, absorbing a sum of Rs.29.73 million (including dividend distribution tax and cess thereon) paid to the shareholders in February 2010 for the year ended March 31, 2010, be and is hereby approved."

"Resolved further that **final dividend of Rs.2.00** per equity share of Rs.10 each on 10,164,145 equity shares be and is hereby declared out of the profits of the Company for the year ended March 31, 2010, absorbing an amount of Rs.23.78 million (including dividend distribution tax and cess thereon) and that the dividend be paid to those shareholders, whose names appears on the Company's Register of Members as on **July 19, 2010** and in respect of shares in electronic form to those beneficial owners of the shares as at the end of business hours on **July 13, 2010** as per the details furnished by the Depositories for this purpose."

3. To appoint a director in the place of Mr. Harish 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. Harish Lakshman, who retires by rotation and being eligible for re-appointment, be and is hereby re-appointed as a Director of the Company."

4. To appoint a director in the place of Mr. V Narayanan, 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. V Narayanan, who retires by rotation and being eligible for re-appointment, be and is hereby re-appointed as a Director of the Company."

5. To appoint auditors of the Company and to determine their remuneration. The retiring auditors 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 (Registration No. 007567S with the Institute of Chartered Accountants of India), 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 :

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

“Resolved that Mr. T Mukherjee, 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 a **special resolution**:

“Resolved that pursuant to the provisions of Section 309(4)(b) and other applicable provisions, if any, of the Companies Act, 1956 (the Act) and subject to such other approvals as may be required, the payment and distribution by way of commission to Mr. L Ganesh, Chairman, not exceeding one percent (1%) of the net profits of the company calculated in accordance with the provisions of Sections 198, 349 and 350 of the Act, 1956 with effect from April 1, 2009 for a period of three years be and is hereby approved.”

“Resolved further that subject to the limits as aforesaid, the payment and distribution of the commission to Mr. L Ganesh, Chairman 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 20, 2010

L Ganesh
Chairman

NOTES:

1. **Any member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of himself. The proxy need not be a member of the Company. The proxies should however be deposited at the registered office of**

the Company not less than 48 hours before the commencement of the meeting.

2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business as given in the notice is annexed.
3. The Register of Members of the Company will remain closed from **Wednesday, July 14, 2010 to Monday, July 19, 2010** (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 Registrars 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 to the Company immediately of any change in their residential 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.

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

Resolution No.6

The Board of Directors of your Company co-opted Mr. T Mukherjee on January 19, 2010 as additional director. Mr. T Mukherjee is an Engineer and a specialist in Ferrous Metallurgy with over 40 years of diverse experience in handling Indian and overseas assignments. He was a member of various national / international organisations in the field of metallurgy engineering. He is also the recipient of many honours, awards and prizes in Metallurgy. He was elected as Fellow of Royal Academy of Engineering, UK and had an honorary degree "Doctor of Metallurgy" from University of Sheffield, UK. His knowledge and experience would be beneficial to the Company.

Information about Mr. T Mukherjee, in accordance with Clause 49 IV of the Listing Agreement is attached.

The term of Mr. T Mukherjee, as per Section 260 of the Companies Act, 1956 is only up to the succeeding Annual General Meeting. Notice in writing under Section 257 of the Companies Act, 1956, along with the requisite deposit amount has been received from the member signifying the intention to propose his candidature for the office of director of the Company.

Mr. T Mukherjee is deemed to be interested in the resolution. No other director is concerned or interested in the resolution.

Your directors commend the resolution for adoption.

Resolution No.7

After Mr. L Ganesh took over as Chairman of the Company with effect from October 2006, he is committing more time towards formulating new strategies to improve the performance and profitability of the Company. The cost reduction initiatives and other profit improvement measures taken by him during the downturn yielded desired results. In order to remunerate Mr. L Ganesh, Chairman appropriately for the services rendered by him, the Board has recommended payment of remuneration by way of commission not exceeding one percent (1%) of the net profits of the Company for a period of three years, effective from April 1, 2009.

Mr. L Ganesh is concerned or interested in the resolution. Mr. L Lakshman being relative of Mr. L Ganesh, deemed to be interested in the resolution. None of the other directors are interested in the resolution.

Your directors commend the resolution for adoption.

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

Chennai
May 20, 2010

L Ganesh
Chairman

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

	Item No. 3	Item No.4	Item No. 6
Name of the Director	Mr. Harish Lakshman	Mr. V Narayanan	Mr. T Mukherjee
Father's name	Mr. L Lakshman	Late Mr. G V Ayyar	Dr. Dinesh Chandra Mukherjee
Date of birth	February 12, 1974	January 29, 1938	October 13, 1942
Educational qualifications	B.E., MSM	M.Sc.,	FNAE, FR Eng. D.Met (Sheffield)
Experience	Mr. Harish Lakshman has 11 years of experience in his profession and currently he is Managing Director of Rane TRW Steering Systems Ltd.	Mr. V Narayanan has over 46 years of experience in his profession.	Mr. T Mukherjee has over 40 years of experience in his profession.
Date of appointment	March 31, 2004	May 16, 2005	January 18, 2010
Other directorships	<ol style="list-style-type: none"> 1. Rane TRW Steering Systems Limited 2. Rane Brake Lining Limited 3. Rane Engine Valve Limited 4. Rane NSK Steering Systems Limited 5. Rane Diecast Limited 6. JMA Rane Marketing Limited 7. Savithur Enterprises Private Ltd. 8. HL Hill Station Properties Pvt. Ltd. 9. Broadvision Perspectives India Private Ltd. 10. Broadvision Services Private Ltd. 	<ol style="list-style-type: none"> 1. Rane Holdings Limited 2. M M Forgings Limited 3. Pond's Exports Limited 4. Samcor Glass Limited 5. Glaxo SmithKline Pharmaceuticals Limited 6. Samtel Color Limited 7. Tamilnadu Newsprint & Papers Limited 8. Sundram Fasteners Limited 9. Lafarge India Pvt. Ltd., 	<ol style="list-style-type: none"> 1. TIL India Limited 2. NICCO Corporation Limited 3. West Bengal Industrial Development Corporation Limited 4. Bharat Forge Limited 5. Tractors India Pvt. Ltd.,
Committee Memberships	<p>Member – Audit</p> <ol style="list-style-type: none"> 1. Rane Diecast Limited <p>Chairman-Investors' Service</p> <ol style="list-style-type: none"> 1. Rane Brake Lining Limited 2. Rane Holdings Limited <p>Member-Investors' Service</p> <ol style="list-style-type: none"> 1. Rane (Madras) Limited 	<p>Member – Audit</p> <ol style="list-style-type: none"> 1. Rane Holdings Limited 2. Sundram Fasteners Limited 3. Glaxo SmithKline Pharmaceuticals Limited <p>Chairman – Audit</p> <ol style="list-style-type: none"> 1. Rane (Madras) Limited 2. MM Forgings Limited 3. Tamilnadu Newsprint & Papers Limited <p>Member - Remuneration</p> <ol style="list-style-type: none"> 1. Glaxo SmithKline Pharmaceuticals Limited 	<p>Member – Audit</p> <ol style="list-style-type: none"> 1. TIL India Ltd., <p>Member - Remuneration</p> <ol style="list-style-type: none"> 1. TIL India Ltd.,
No of shares held	750	Nil	Nil

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

Chennai
May 20, 2010

L Ganesh
Chairman

REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting their sixth annual report together with the accounts for the year ended March 31, 2010.

1. Financial Performance

The financial highlights for the year under review are as follows: (Rs. Million)

	2009-10	2008-09
Sales and Operating Revenues	4,196.55	3,524.61
Other Income	11.13	6.97
Profit before tax	200.41	12.01
Provision for tax :		
Current	60.70	4.40
Deferred	1.59	0.29
Fringe Benefits Tax	-	3.70
Profit after tax	138.12	3.62
Surplus brought forward	75.50	71.88
Amount available for appropriation	213.62	75.50

2. Appropriation

Profit available for appropriation is Rs.213.62 million. The Directors have declared and paid interim dividend of 25% on the equity capital of the company for the year ended March 31, 2010 and are please to recommend a further 20% as final dividend, making for a total dividend of 45% for the year. The amount on this account inclusive of tax on distributed profits and surcharge thereon, works out to Rs.53.51 million leaving the company with retained profits of Rs.160.11 million. Out of this, Rs. 23.63 million is being transferred to the General Reserve and Rs.136.48 million being retained as surplus in the Profit and Loss Account.

3. Management Discussion and Analysis

a) Industry Structure and Developments

Growth in %

Segments	2009-10	2008-09
Passenger Cars	28	5
Utility Vehicles	24	-11
Small Commercial Vehicles (One Ton & below)	8	12
Light Commercial Vehicles	77	-24
Medium and Heavy Commercial Vehicles	30	-35
Three Wheelers	25	-1
Two Wheelers	25	4
Farm Tractors	27	-7

Source: Society of Indian Automobile Manufacturers.

The domestic market continues its strong recovery which started in January 2009. Heavy and Light Commercial Vehicle segments recovered strongly in the second half of the year. The Passenger Cars continued to do extremely well and had a record year. The Farm Tractors achieved its highest ever production in the current financial year.

The aftermarket continued to be very robust during the year.

For Exports the year was difficult due to the effects of slowdown in the US and European markets. Besides lower consumption, there were inventory corrections by customers. There were some signs of improvement from December 2009.

b) Operational and Financial Performance

Sales and Operating Revenue grew by 19.22% compared to 0.92% in the previous year. This was lead by a very strong growth of 31% in OEM and Aftermarket. Your Company continued to export its products during the year. While the domestic market revived in 2009-10, this was not the case with global market which resulted in negative growth in exports by 13% when compared with the previous year.

The PBT for the year under review was Rs.200.4 Million against Rs.12.01 Million in the previous year. This was achieved not only due to a robust growth in sales but also effective cost reduction initiatives and a reasonable stable raw material cost. Compared to the previous year the foreign exchange volatility was also far less which helped the performance.

c) Outlook

Domestic market is expected to continue its strong growth. Passenger Car and Two wheelers are expected to register significant growth with new products launches. Light and Heavy commercial vehicles and tractors are expected to continue its growth momentum although at a lower rate. The Aftermarket demand continues to be strong.

Export market, which has also shown positive signs, is likely to improve further in the current year and your company is well placed to further grow in this segment.

REPORT OF THE DIRECTORS (Contd.)

Prices of commodities like steel and oil have started hardening but the general expectation is that the increases will be moderate.

The recent trend of strengthening of the Indian currency is causing concern. The continuance of subsidised exports from China and the maintenance of artificial peg on their currency could adversely affect Indian exports in the medium term.

Your Company will continue to focus on improving productivity and quality besides cost reduction initiatives to sustain the improved performance.

d) Opportunities, Threats and Risk

India has averted the effects of the global slump and continues to grow at a healthy 7-8%. More and more multinational companies are now targeting India as the hub for manufacturing and exporting. Many global Automobile manufacturers have set up bases in India and are actively pursuing sourcing from here. This provides good opportunity to component manufacturers for accelerated growth.

The main threats are as follows –

- Dumping from China and cheaper imports from other low cost countries.
- Strengthening of Rupee affecting exports.
- More competition since there are no growth opportunities for multinational companies elsewhere.

e) 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 utilization 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.

f) Human Resource Development and Industrial Relations

Your Company attaches significant importance to Human Resource Development (HRD) and harmonious industrial relations. The management is continuously working on the development of human capital which is very vital for achieving the goals and realizing the Vision of the Company in an ever-changing and challenging business environment. “Rane Institute for Employee Development” is a group resource that imparts training for enhancing leadership and managerial skills. On an average each employee across all segments and divisions is trained for 4.67 days.

Total Employee Involvement is a key element of Total Quality Management (TQM) that enables continuous improvement to all business processes. The Company conducts regular Employee Opinion Surveys, the outcome of which is shared with the employees, deliberated and acted upon. Specific HR initiatives are rolled out to enhance employee engagement. New strategies like multi skilling, competency enhancement programs and enhancing managerial depth are being progressively implemented to optimise employee costs and improve productivity.

As at the end of March 31, 2010, the total number of employees stood at 927.

g) 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.

REPORT OF THE DIRECTORS (Contd.)

4. Deposits

The deposits outstanding as on March 31, 2010 amounted to Rs. 121.03 million. All deposits that matured during the year were repaid / renewed.

5. Board of Directors

Mr. Harish Lakshman and Mr. V Narayanan retire by rotation and being eligible, offer themselves for reappointment.

Mr. T Mukherjee was co-opted to the Board during the year and would hold office till the date of the ensuing Annual General Meeting. Notice has been received from a shareholder signifying the intention to propose the appointment of Mr. T Mukherjee as Director of the Company at the ensuing Annual General Meeting.

During the year, Mr. R Natarajan resigned as director from the company. The Board places on record its appreciation for the services rendered by Mr. R Natarajan during his tenure of office with the Company.

6. Conservation of energy

Your Company has, by sustaining high power factor, reduced consumption. Special energy conservation activities like introduction of Variable Frequency Drives in conventional machines, introduction of rotary compressors in place of reciprocating compressors were introduced. As an ongoing process recommendations arising out of energy audits are being implemented. Employee involvement in conserving electricity both in shop floors and offices by switching off power whenever not in use also contributed to reduction in consumption of power.

7. 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.

8. Foreign Exchange earnings and outgo

Company has strategically initiated activities to increase its export business in terms of Customers, Product and Geographical location by identifying new business.

Foreign exchange earned during 2009-10 is Rs.603.13 million and foreign exchange outgo was Rs.154.20 million. Your company continued to remain a substantial net foreign exchange earner.

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 B, which forms part of this report.

10. 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.

11. 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.

12. Corporate Social Responsibility

The corporate social responsibility initiatives taken by your Company are as follows:

- Contributed funds towards establishment of Polytechnic College by Rane foundation.