



Rane (Madras) Limited



63rd ANNUAL REPORT 1999

Rane (Madras) Limited

L. L. NARAYAN - **Chairman Emeritus**

DIRECTORS

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

BANKERS

CANARA BANK
STANDARD CHARTERED BANK
IDBI BANK

AUDITORS

D. RANGASWAMY & CO.
Chartered Accountants

REGISTERED OFFICE

"MAITHRI"

32, Cathedral Road, Chennai - 600 086

Plant I

"GANAPATHI BUILDINGS",
61, Velachery Road, Chennai-600 042.

Plant II

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

Plant III

A-1, 1st Main Road, Ambattur Industrial Estate,
Ambattur, Chennai - 600 058.

Plant IV

77, Thirubuvanai Main Road, Thirubuvanai Village,
Pondicherry - 605 107.

Rane (Madras) Limited

63rd Annual Report 1998-99

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Rane (Madras) Limited

REPORT OF THE DIRECTORS

The directors are pleased to present their sixtythird annual report together with the accounts for the year ended 31st March, 1999.

Financial results

	1998-99 Rs. in million	1997-98 Rs in million
Sales and Operating Revenues	1,363.30	1,292.72
Profit / (Loss) before tax	(12.33)	4.19
Provision for tax	—	0.50
Profit / (Loss) after tax	(12.33)	3.69
Transfer from General Reserve	38.22	14.79
Surplus brought forward	7.92	12.48
Amount available for appropriation	33.81	30.96

Appropriation

After setting off Rs.12.33 million loss from the amount drawn from General Reserves, the amount available for appropriation is Rs.33.81 million. Out of this, Rs.14.79 million is transferred to Debenture Redemption Reserve.

As against the contracted rate of 10.5% on 2 million preference shares of Rs.10/- each and 13% on 8 million preference shares of Rs.10/- each, your directors have recommended a dividend of 10% only on the shares out of the amount drawn from the General Reserves of the Company. The balance dividend, as per the terms of issue of the preference shares, is proposed to be carried over for payment in the coming years. The total amount of dividend works out to Rs.10 million. As per the provisions of the Indian Income Tax Act, 1961, there will be no deduction of tax at source on these payments, but the company is liable to pay tax at 10% of the amount distributed, plus a surcharge of 10% on the tax, amounting to Rs.1.10 million.

Owing to losses incurred during the year, your directors do not recommend any dividend on equity shares.

This leaves the company with surplus of Rs.7.92 million in the Profit and Loss Account.

General Review of the year

It has been another disappointing year for the economy, with resurgence of industrial activity continuing to elude us. Although there were policy

initiatives by the Government of India and significant increase in infrastructural spending, the associated multiplier effect was not felt during the fiscal year. The last quarter witnessed a change in the trends with some growth being recorded in various segments of the automotive industry, but this by itself was inadequate to enhance capacity utilisation during the year. Growth rates as may be seen from the table below were far from satisfactory.

	1998-99	1997-98
Passenger Cars	- 2%	1%
Utility Vehicles	- 16%	-1%
Light Commercial Vehicles	- 12%	-24%
Heavy Commercial Vehicles	- 12%	-39%
Farm Tractors	3%	11%
Two wheelers	10%	16%

(Source : ACMA Automotive Industry Report, May 1999)

The sub-optimal utilisation of capacity relative to levels created in the earlier years, resulted in under-absorption of fixed costs. During the year, the company undertook various cost saving measures such as conserving capital spend, rationalisation of human resources through voluntary retirement schemes and other initiatives. It is as a result of such measures that your company was able to contain its losses.

Rane (Madras) Limited

REPORT OF THE DIRECTORS (Contd.)

Outlook for the current year

Your directors are more optimistic on the prospects for the year 1999-2000. However, political instability may continue to plague industrial performance. The resultant impact on automotive industry could be continued sluggishness. As part of a long term strategy to counter the vicissitudes of industry fortunes, your company has generated new business opportunities, part of which will come to fruition during the current year. These would position the company well for the future and ensure significantly higher growth rate, in comparison with industry growth rate.

Joint Venture companies

The impact of industrial slow down also affected **Rane TRW Steering Systems Limited**. During the year under review, the company has achieved sales of Rs.617.94 million.

The joint venture company **TRW Rane Occupant Restraints Limited** could not achieve the desired results on account of market conditions. The company has achieved sales of Rs.36.32 million. The management would strive to improve its market penetration during the year 1999-2000. During the year your company subscribed for 6 lacs rights equity shares of Rs.10/- each at par aggregating to Rs.6 million retaining its 50% holding.

Rane Nastech Limited went into production during the year 1998-99. Sales during the year was Rs.57.12 million. The company will enhance its sales through increased penetration and new business opportunities. During the year your company subscribed for 1.5 million rights equity shares, of Rs.10/- each aggregating to Rs.15 million, retaining its 50% holding.

Your company is considering divestment of its holdings in **Kold Form Tech (India) Limited**.

Deposits

Deposits outstanding as on 31st March, 1999 amounted to Rs.14,535,000. All deposits that matured during the year were repaid/renewed except for a sum of Rs.81,000 for which claims were not lodged with the company. Of the above, a sum of Rs.46,000 has since been repaid/renewed.

Directorate

Mr L. Lakshman has been reappointed as Managing Director for a period of 3 years with effect from 01.04.1999.

Mr. V. Narayanan, appointed as a director in the vacancy caused by the resignation of Mr. K.R. Kamath, holds office till the conclusion of the Annual General Meeting. The Company has received notice in writing as required under Section 257 of the Companies Act, 1956 from a Member signifying his intention to propose the appointment of Mr. V. Narayanan, as a Director.

Messrs. M.S. Kumar and P.N. Vencatesan, retire under Article 108 of the Articles of Association of the company and are eligible for re-election.

Dematerialisation of shares

The directors are pleased to report that the company has entered into an agreement with National Security Depositories Ltd. (NSDL) for dematerialisation of the equity shares of the Company. Shareholders may note that the Securities and Exchange Board of India (SEBI), has included the scrips of your company for compulsory dematerialised trading for institutional investors with effect from May 31, 1999.

Conservation of energy

Efforts towards conservation of energy by improving power factor, ceramic lining of furnaces and electronic chokes for lighting, yielded encouraging results.

Research and Development activities

R & D efforts in the company towards upgradation of the existing products and development of new products continue. The statement giving information as required under Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 is enclosed to this Report.

Foreign exchange earnings and outgo

Foreign exchange earned during 1998-99 by export is Rs.7,386,573 and foreign exchange outgo is Rs.42,674,556. In addition, we have exported components worth Rs.5,658,438 as a supporting manufacturer.

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REPORT OF THE DIRECTORS (Contd.)

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.

Training and Development

Your company continues its endeavours to be a learning organisation. More employees have participated in the training programmes conducted by Rane Institute for Employee Development (RIED). Your company works closely with RIED in developing modern training modules relevant to the upcoming types of markets and technologies.

Year 2000 (Y2K) related issues

Your company does not face any major Y2K related issues that could significantly affect its operations. Your directors are taking steps to ensure that all date dependent systems are fully Y2K compliant before the end of September, 1999. Your company has contingency plans to ensure continuity in its operations, in the unlikely event of failure of any of the systems. The implementation of these is estimated to cost Rs.4 million.

Auditors

The company's auditors Messrs D. Rangaswamy & Co., retire at the ensuing annual general meeting and are eligible for reappointment. The declaration under Section 224 (1-B) of the Companies Act, 1956 has been received from them.

For and on behalf of the Board

L LAKSHMAN

Chairman & Managing Director

Chennai
31st May, 1999

L GANESH

Vice Chairman

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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, 1999.

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	286,859
Recurring	9,972,083
Total	10,258,942
Total R&D expenditure as a percentage of total turnover	0.79%

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
31st May,1999

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

No.	Name	Age	Designation / Nature of Duties	Remuneration (Rs)	Qualification	Experience (Years)	Date of commencement of employment	Particulars of last employment	
1	Kamath K R	**	66	Advisor	2,450,295	B. Tech	42	07-04-1998	Director (Special Projects) Rane (Madras) Limited
2	Kashaker V S	45	General Manager - Operations	770,418	B.Tech	23	10-01-1997	Floor Engineer Telco-Pune	
3	Lakshman L	53	Chairman & Managing Director	1,249,960	B.E.	29	01-07-1996	Chairman & Managing Director Rane Brake Linings Ltd.	
4	Narayanan R	50	General Manager - Materials	731,796	B.E.(Mech), PGD(SQC&OR)	27	04-06-1992	Asst.General Manager Monotype India Ltd.	
5	Ravindran P R	47	Vice President - Finance	922,031	B.Sc. ACA, AICWA	23	10-04-1996	General Manager- Finance Pennar Aluminium	
6	Sarathy P R	54	President	1,182,232	B.Tech, Dip.in Industrial Admn & Management	26	09-03-1998	Managing Director John Fowler (India) Ltd.	
7	Shankar J	49	General Manager - Operations	746,198	B.E. (Mech), PGDM (IIM)	26	23-03-1994	Dy.General Manager H.A.L.	
8	Subramaniam J K	58	Vice President - Engineering	929,116	M.Tech	33	03-03-1980	Sr. Dev.Engineer Lucas TVS Ltd.	
9	Subramaniam P K	54	Vice President - Marketing	805,348	B.Sc., B.E.	30	29-12-1997	Director Road Transport Corporation	
10	Swaminathan S R	**	44	General Manager - Information Systems	272,749	B.Tech (Chem Engg.) M.P. (Info Sys, U.S.A)	20	07-12-1998	General Manager Polaris Software Lab Ltd.
11	Varadarajan R	**	50	Vice President - Operations	699,027	B.E., PGDPM	25	15-04-1998	President - Greaves Ltd.

Notes:

- 1 The employment of Mr.L.Lakshman is on contractual basis and is governed by the terms and conditions approved by the shareholders.
- 2 Remuneration as shown above includes salary, allowances, contribution to Provident and Pension funds and Perquisites .
- 3 Mr.L.Lakshman is related to Mr. L.Ganesh, Vice Chairman.
- 4 ** Employed for part of the year.

Chennai
31st May, 1999

For and on behalf of the Board

L LAKSHMAN

Chairman & Managing Director

L GANESH

Vice Chairman