



Rane (Madras) Limited



65th ANNUAL REPORT 2001

Rane (Madras) Limited

Regd. Office : "Maithri", 32, Cathedral Road, Chennai - 600 086

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the **Sixtyfifth Annual General Meeting** of the Equity Shareholders of the Company will be held at **11 a.m. on Tuesday, the July 24, 2001**, at **Narada Gana Sabha, 254, 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, 2001 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, 2001 and the balance sheet as at March 31, 2001 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. M S Kumar, 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. M S Kumar, be and is hereby reappointed Director of the Company".

3. To appoint a director in the place of Mr. D K Parikh, 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. D K Parikh, be and is hereby reappointed Director of the Company"

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 an ordinary 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".

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

Chennai
June 19, 2001.

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 Register of Members of the Company will remain closed from Friday, July 20, 2001 to Saturday, July 21, 2001 (both days inclusive).
3. Members are requested to notify immediately any change in their addresses.
4. 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 endorsements in due course.
5. Members / Proxies should bring the attendance slip duly filled in for attending the meeting.

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
I D B I BANK

AUDITORS

D. RANGASWAMY & CO.
Chartered Accountants

REGISTERED OFFICE

" MAITHRI "
32, Cathedral Road, Chennai - 600 086
Phone : 8112472
Fax : 044-8112449
E-mail : rcc@ranegroup.com

Plant I

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

Plant II

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

Plant III

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

65th Annual Report 2000-2001

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Rane (Madras) Limited

REPORT OF THE DIRECTORS

Your directors are pleased to present their sixtyfifth annual report together with the accounts for the year ended 31st March, 2001.

Financial Results

	2000-01 Rs. in million	1999-00 Rs in million
Sales and Operating Revenues	1311.04	1,485.07
Profit / (Loss) before tax	(93.13)	14.44
Profit / (Loss) after tax	(93.13)	14.44
Transfer from General Reserve	---	---
Excess Provision in earlier years written back	---	6.50
Surplus brought forward	4.59	7.92
Amount available for appropriation	---	28.86

The loss for the year has been set off against the Reserves & Surplus, leaving a balance of Rs. 242.57 million in the General Reserve.

Dividend

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

General review of the year

As anticipated, the economy, and more particularly the manufacturing sector softened considerably. According to Central Statistical Organisation estimates, the growth in manufacturing sector, during the year under review was only 5.2% as against 7.1% in the previous year. Major declines were recorded in the automotive industry especially the commercial vehicle and the farm tractor industry segments. The passenger car industry, which had registered a growth of 48% in the previous year also declined by 8% in the current year. The replacement trade continued to see a drop in demand as a result of depressed retail sales as also de-stocking of inventories in the trade. Such high volatility of demand would seem to suggest the growth of the industry is not firmly anchored. We believe major policy interventions to create infrastructure and improve the rural economy would alone be a sustainable growth driver for the Industry.

Growth rates in Automotive Industry as may be seen from the table below were far from satisfactory.

	2000-01	1999-00
Passenger Cars	-8%	48%
Utility Vehicles	1%	10%
Light Commercial Vehicles	4%	11%
Medium/Heavy Commercial Vehicles	-21%	40%
Farm Tractors	-12%	5%

(Source :ACMA Industry Report)

Your company derives 60% of its sales from the farm tractor and commercial vehicle segments. As a result, sales during the year declined by 12% resulting in huge operating losses.

Outlook for the current year

The Government of India's Finance Bill for the year 2001-02 provides demand stimulation sops in particular for the passenger car industry. However continued depression in the agricultural sector and the stock markets raises some doubt about the revival of demand in the automotive industry in the current year.

Given the high level of competition and the ever-increasing expectations of the customers for quality and cost, major initiatives are called for towards improving operations management.

Rane (Madras) Limited

REPORT OF THE DIRECTORS (Contd.)

Management Initiatives

Under these circumstances, the company strategy would be containment of cost and improved asset productivity in the short term, restructuring finances so as to reduce interest burden and broad basing the market place in the medium term, and sustained developmental efforts through **Total Quality Management (TQM)**, encompassing all aspects of the organization - People, Structure and Systems.

1. The company has already launched a series of cost reduction and quality improvement initiatives, which we believe will come to fruition over the next 24 months
2. Significant improvements to asset productivity should help the company conserve capital expenditure in the coming years
3. To insulate the company from the vagaries of the market, your company has crafted an export strategy. This should bring the much-needed stability to the company's customer portfolio.
4. Your company has already successfully commercialised Variable Ratio Sector Type (VRST) gears for the commercial vehicle industry. Sales from this product will increase substantially during the year 2001-2002
5. New products targeted at the passenger car industry will also be commercialised during the current year.
6. Your company is also targeting enhanced share in the replacement market.
7. As a first step towards reducing debt your company has divested its entire holding in TRW Occupant Restraints Limited and Rane Nastech Limited and part of its holding in Rane TRW Steering Systems Limited in favour of Rane Brake Linings Limited. The company continues to evaluate other options in this regard.

Joint Venture Company

Rane TRW Steering Systems Limited

Increasing application rates of power steering on buses and select passenger cars helped the company register significant growth in sales and in profit. We believe this trend augurs well for the joint venture in the coming years. Sales for the year 2000-01 increased to Rs. 1146.78 million and the company has declared a dividend of Rs. 3.20 per share for the year, representing payment of Rs. 13.3 million to Rane (Madras) Limited.

Deposits

Deposits outstanding as on March 31, 2001 amounted to Rs.23,119,000. All deposits that matured during the year were repaid/renewed except for a sum of Rs.80,000 for which claims were not lodged with the company. Of the above, a sum of Rs.30,000 has since been repaid/renewed.

Directorate

Mr. M S Kumar and Mr. D K Parikh retire by rotation and being eligible offer themselves for re-election.

Conservation of Energy

Programmes implemented to improve power factor & ceramic lining of furnaces are continuing to yield encouraging results. Energy audit carried out to explore further avenues for energy conservation.

Research and Development Activities

During the year the company has successfully absorbed technology from NSK Japan for the manufacture of VRST gears.

Foreign exchange earnings and outgo

Foreign exchange earned during 2000-2001 by export is Rs.1.09 million and foreign exchange outgo is Rs.25.26 million.

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.

Rane (Madras) Limited

REPORT OF THE DIRECTORS (Contd.)

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 judgement 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.

Audit Committee

As required under the provisions of section 292A of the Companies Act, 1956, the Company has constituted an Audit Committee with Messrs L Ganesh, L Lakshman and V Narayanan as members.

Training and Development

Your company firmly believes that a genuine and deep-seated commitment to excellence in human development is essential for organizational success. Over the years it has through various systems consistently striven to implement affirmative actions for the growth and development of its people.

The training programmes at the Rane Institute for Employee Development (RIED) are designed not only to enhance functional knowledge and skills but also develop the attitudes necessary to lead and work in teams.

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.

Corporate Governance

The provisions of the listing agreement with Stock exchanges on corporate governance are applicable to your company from this financial year (2001-2002). The constitution of the Board conforms to the requirements under these provisions. Your company will ensure compliance with the other requirements ahead of the stipulated date viz., March 31, 2002.

For and on behalf of the Board

L LAKSHMAN
Chairman & Managing Director

L GANESH
Vice Chairman

Chennai
June 19, 2001

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, 2001.

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	2,485,891
Recurring	8,247,526
Total	10,733,417
Total R&D expenditure as a percentage of total turnover	0.83%

Technology absorption, adaptation and innovation

The technology absorbed with collaboration agreement has proved useful.

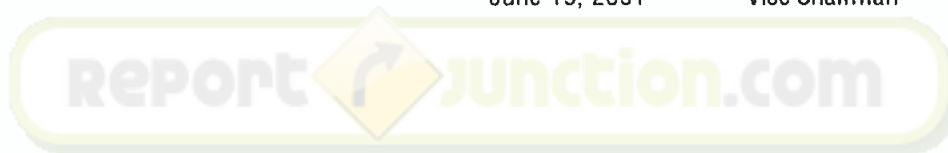
For and on behalf of the Board

L LAKSHMAN

Chairman & Managing Director

Chennai
June 19, 2001

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	56	President	2,164,583	C Engg. M I Mfg. E(UK) BE (Mech)	34	01.03.2000	ED & CEO Texmaco, Indonesia
2.	Nanjanath A R *	54	Vice President -Operations	1,187,064	B.Sc (Engg.)	31	31.07.2000	Wholtime Director (Business Development) GKN Driveshafts (India) Ltd.
3.	Sarathy P R *	56	President	481,696	B.Tech., Dip. in Indl. Admn & Management	28	09.03.1998	Managing Director John Fowler (India) Ltd.

Notes:

- 1 Remuneration as shown above includes salary, allowances, contribution to Provident and Pension funds and Perquisites
- 2 * Employed for part of the year.

For and on behalf of the Board.

L LAKSHMAN
Chairman & Managing Director

L GANESH
Vice Chairman

Chennai
June 19, 2001