www.sansco.net --- --- & --- --- www.reportjunction.com

Rane (Madras) Limited

5th ANNUAL REPORT 2009

www.reportjunction.com

www.sansco.net --- --- & --- --- www.reportjunction.com

www.reportjunction.com

www.sansco.net --- --- & --- --- www.reportjunction.com

Board of Directors
L GANESH - Chairman
L LAKSHMAN
P S KUMAR
V NARAYANAN
HARISH LAKSHMAN
R NATARAJAN
M LAKSHMINARAYAN

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, Utttrakand - 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.

CONTENTS	PAGE
Notice to Shareholders	2
Report of the Directors	5
Auditors' Report	17
Balance Sheet	20
Profit and Loss Account	21
Cash Flow Statement	22
Schedules forming part of the Accounts	24
Notes on Accounts	30
Financial Highlights	40

www.reportjunction.com

www.sansco.net --- --- & --- --- www.reportjunction.com

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the **Fifth Annual General Meeting** of the Equity Shareholders of the Company will be held at **10.30 a.m.** on **Tuesday,** the **July 21, 2009,** 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, 2009 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, 2009, the Profit and Loss Account for the year ended March 31, 2009 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 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."

3 To appoint a director in the place of Mr. R Natarajan, 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. R Natarajan, 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 an **ordinary resolution:**

   "Resolved that Mr. M Lakshminarayan, 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."

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

Chennai
May 28, 2009

L Ganesh
Chairman

www.reportjunction.com

www.sansco.net --- --- & --- --- www.reportjunction.com

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 18, 2009** to **Tuesday, July 21, 2009** (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 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.

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

Resolution No.5

The Board of Directors of your Company co-opted Mr. M Lakshminarayan on July 21, 2008 as additional director.

The term of additional director, as per Section 260 of the Companies Act, 1956 is only upto the succeeding Annual General Meeting and therefore Mr. M Lakshminarayan seeks appointment at this Annual General Meeting. Notice in writing under Section 257 of the Companies Act, 1956 along with the requisite deposit amount has been received from a member signifying the intention to propose his candidature for the office of director of the Company.

Mr. M Lakshminarayan is interested in the resolution. No other director is concerned or interested in the resolution.

Your directors commend the resolution for adoption.

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

Chennai
May 28, 2009

L Ganesh
Chairman

www.reportjunction.com

www.sansco.net --- --- & --- --- www.reportjunction.com

Information about directors seeking re-appointment / appointment in this annual general meeting in respect of item Nos. 2, 3 & 5 above (in accordance with Clause 49 IV of the Listing Agreement)

	Item No. 2	Item No. 3	Item. No. 5
Name of the director	Mr. L Lakshman	Mr. R Natarajan	Mr. M Lakshminarayan
Father's Name	Mr. L L Narayan	Mr. Kolar Seshappa Ramamurthy	Mr. Venkatram Muthuswamy
Date of birth	July 17, 1946	January 9, 1941	September 7, 1946
Educational Qualifications	B.E., Executive MBA from London Business School	Doctorate in Philosophy, Masters degree in Engineering and Science	M.Tech
Date of appointment	March 31, 2004	July 21, 2006	July 21, 2008
Experience	Mr. Lakshman has been spearheading the business of different companies in Rane Group and has more than 39 years of industrial experience	Over 37 years of experience in the field of science and technology	Over 35 years of rich experience in automotive industry.
Other Directorships	1. Rane Brake Lining Ltd. 2. Rane Engine Valve Ltd. 3. Rane TRW Steering Systems Ltd. 4. Rane NSK Steering Systems Ltd. 5. Rane Investments Ltd. 6. Rane Holdings Ltd. 7. Kar Mobiles Ltd. 8. JMA Rane Marketing Ltd. 9. Force Motors Ltd. 10. DCM Engineering Ltd	1. I P Rings Ltd. 2. Tata Elxsi Ltd.	1. Pricol Ltd.
Committee Memberships	**Chairman – Audit** 1. Kar Mobiles Ltd. 2. Rane TRW Steering Systems Ltd. 3. Rane NSK Steering Systems Ltd **Member – Audit** 1. Rane (Madras) Ltd. 2. Rane Engine Valve Ltd. **Chairman – Investors' Service** 1. Rane (Madras) Ltd. 2. Rane Engine Valve Ltd **Member – Investors' Service** 1. Rane Brake Lining Ltd. 2. Rane Holdings Ltd. 3. Kar Mobiles Ltd.	**Member – Audit** 1. I P Rings Ltd. 2. Tata Elxsi Ltd.	**Member – Audit** 1. Rane (Madras) Ltd.
Number of shares held	NIL	NIL	NIL

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

Chennai
May 28, 2009

L Ganesh
Chairman

www.reportjunction.com

www.sansco.net --- --- & --- --- www.reportjunction.com

REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting their fifth annual report together with the accounts for the year ended March 31, 2009.

1. Financial Performance

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

(Rs. Million)

	2008-09	2007-08
Sales and Operating Revenues	3,524.61	3,492.14
Other Income	6.97	16.06
Exceptional Income (Net)	–	491.20
Profit before tax	12.01	467.40
Provision for tax :		
Current	4.40	117.00
Deferred	0.29	(21.47)
Fringe Benefits Tax	3.70	5.90
Profit after tax	3.62	365.97
Surplus brought forward	71.88	61.00
Amount available for appropriation	75.50	426.97

2. Appropriation

Profit available for appropriation is Rs 75.50 million. Considering the necessity to conserve cash for the near term, your directors have not recommended any dividend for the year 2008-09.

3. Management Discussion and Analysis

a. Industry Structure and Developments

Growth in %

2007-08		2008-09
16	Passenger Cars	5
10	Utility Vehicles	-11
26	Small Commercial Vehicles (One Ton & below)	12
6	Light Commercial Vehicles	-24
0	Medium and Heavy Commercial Vehicles	-35
-10	Three Wheelers	-1
-5	Two Wheelers	4
2	Farm Tractors	-7

Source: *Society of Indian Automobile Manufacturers.*

According to Centre for Monitoring Indian Economy's (CMIE) estimate country's Industrial Output for 2008-09 would register a growth rate of less than 5% after an impressive performance in the previous five years due to a combination of factors including liquidity crisis, high interest rates, contraction in domestic demand, global recession etc. As the above table indicates, Automobile Industry was one of the worst affected with most of the segments witnessing negative growth. While the Medium and Heavy Commercial Vehicles declined by 35%, the Light Commercial Vehicles and Utility Vehicles *also declined in double digits resulting in severe* recession not witnessed by the Industry in the recent past.

b. Operational and financial performance

Sales and Operating Revenue is almost static during the year despite the drop in overall volume by an average of 10% across segments mainly due to the price increases obtained from customers against raw material cost increases. The sales volume has dropped across all segments, with Medium and Heavy Commercial Vehicles and Light Commercial Vehicles being the most affected with a drop of 28% and 18%.

The Operating Profit for the year under review was Rs. 12.01 million as against loss before extra-ordinary income of Rs.(23.80) million in the previous year. This is an encouraging performance in the light of the significant drop in volume in domestic market and exports, increasing input costs for most part of the year and the exchange rate volatility. This was achieved by aggressive cost reduction efforts and to some extent through price increases obtained from customers towards raw material cost increases.

c. Outlook

In the last quarter of 2008-09, the automobile industry in India witnessed some recovery except in Commercial Vehicles. It is too early to predict if the slowdown has bottomed and the recovery is sustainable.

www.reportjunction.com

www.sansco.net --- --- & --- --- www.reportjunction.com

REPORT OF THE DIRECTORS (contd.)

The Company has made a conservative operating plan for the year ahead with continued focus on cost management. The expectation is that commodities and foreign exchange rates will be less volatile this year.

d. Opportunities, Threats and Risk

The main threats arise out of:

- Further slow down in the domestic economy
- Worsening of global recession especially in US and Europe may adversely affect export market.
- Slow recovery of Commercial Vehicles segment in India
- Volatility in commodities and foreign exchange rates

The continuance of global majors in USA and Europe showing keen interest in sourcing auto components from India based on cost and quality, presents an opportunity to the automotive component industry in India.

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 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.

f. 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 and building managers for the future. On an average, 3.88 man days of training per employee was imparted during the year across employee segments and divisions.

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 deliberated and acted upon.

High employee costs and low productivity is being addressed and new strategies being put in place to overcome same in the medium term.

As at the end of March 31, 2009 the total number of employees stood at 942.

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.

www.reportjunction.com

www.sansco.net --- --- & --- --- www.reportjunction.com

REPORT OF THE DIRECTORS (contd.)

4. Deposits

The deposits outstanding as on March 31, 2009 amounted to Rs. 24.31 million. All deposits that matured during the year were repaid / renewed.

5. Board of Directors

Mr. L Lakshman and Dr. R Natarajan retire by rotation, both being eligible, they have offered themselves for reappointment.

Mr. M Lakshminarayan 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. M Lakshminarayan as Director of the Company at the ensuing Annual General Meeting.

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

Foreign exchange earned during 2008-09 is Rs. 682 million and foreign exchange outgo was Rs.170 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.

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 Governance Report

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

For and on behalf of the Board

L. Ganesh
Chairman

Chennai
May 28, 2009

L Lakshman
Director

www.reportjunction.com

www.sansco.net --- --- & --- --- www.reportjunction.com

REPORT OF THE DIRECTORS (contd.)

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, 2009.

RESEARCH AND DEVELOPMENT (R & D)

Your Company has indigenously developed hydrostatic steering gears and supplies to some key OEMs. As part of system supply, hydraulic cylinders have also been developed and commercial supplies have started.

The Company continues its foray in developing complementary capabilities and technologies to improve and enhance the performance of mechanical steering gears, which could be used as part of electric power steering systems for modern small and mid sized cars.

EXPENDITURE ON R&D	Rs. '000
Capital	5,223
Recurring	29,602
Total	34,825
Total R&D expenditure as a percentage of total turnover.	1.02%

TECHNOLOGY ABSORPTION, ADAPTATION AND INTRODUCTION OF NEW FORMULATIONS.

Technology development and assimilation is an ongoing process. The company has fully absorbed the technology arising out of earlier years' technology agreements.

(a) Technology Imported :

Manufacture, assembly and testing of ball joints for installation on certain manual steering gears and hydraulic power steering gears.

(b) Year of Import : 2009

(c) Has technology been fully absorbed :

Yet to be absorbed as the technology is in initial stages of implementation.

For and on behalf of the Board

L Ganesh
Chairman

Chennai
May 28, 2009

L Lakshman
Director

www.reportjunction.com