



# **Rane Brake Lining Limited**

**8th ANNUAL REPORT 2013**

# Rane Brake Lining Limited

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## Board of Directors

L GANESH

*Chairman*

L LAKSHMAN

HARISH LAKSHMAN

S A MURALI PRASAD

ANIL KUMAR V EPUR

S SANDILYA

SURESH CHANDRA GUPTA

KOJI NISHIHARA

*(Nominee of Nisshinbo Holdings Inc., Japan)*

## Audit Committee

S SANDILYA

*Chairman*

S A MURALI PRASAD

L GANESH

SURESH CHANDRA GUPTA

## Investors' Service Committee

HARISH LAKSHMAN

*Chairman*

ANIL KUMAR V EPUR

L GANESH

## President

P S RAO

## General Manager - Finance

M A P SRIDHAR KUMAR

## Secretary

G KARTHIKEYAN

## Auditors

VARMA & VARMA

Chartered Accountants

105, "Sreela Terrace" First Main Road

Gandhi Nagar, Adyar, Chennai - 600 020

## Cost Auditors

STR & ASSOCIATES

Cost Accountants

'Vignesh Villa' A-3, III Floor

No.56, 7th Avenue

Ashok Nagar

Chennai 600 083

## Listing of Shares with

Bombay Stock Exchange Limited, Mumbai

National Stock Exchange of India Limited, Mumbai

The Madras Stock Exchange Limited, Chennai

## Bankers

IDBI Bank Limited

Standard Chartered Bank

HDFC Bank Limited

The Hongkong and Shanghai Banking Corporation

State Bank of India

YES Bank Limited

## Registered Office

"MAITHRI", 132, Cathedral Road

Chennai 600 086

Phone : 28112472

Fax : 28112449

Email : investorservices@rane.co.in

## Plants

- 1) Plot No. 30, Industrial Estate  
Ambattur, Chennai 600 058  
Tamil Nadu
- 2) Pregnapur Village, Gajwel Mandal  
Siddipet Highway, Medak District 502 311  
Andhra Pradesh
- 3) RS No. 48, 49 & 50, Sanyasikuppam Village  
Mannadipet Commune, Thirubhuvanai Post  
Puducherry 605 107
- 4) Sethurapatti Village, Fathima Nagar Post  
Srirangam Taluk, Trichy - 620 012  
Tamil Nadu

## Registrar and Transfer Agents

Integrated Enterprises (India) Limited

II Floor, "Kences Towers", No 1 Ramakrishna Street

North Usman Road, T Nagar, Chennai 600 017

Ph: 28140801-03 E-mail : corpserv@ieindia.com

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# Rane Brake Lining Limited

## FINANCIAL HIGHLIGHTS

### KEY PERFORMANCE INDICATORS

(Rupees in Crores)

FINANCIAL YEAR	UOM*	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Return on Capital Employed (ROCE)	%	7.65	13.92	15.00	13.46	6.47	7.53
Return on Equity (ROE)	%	9.16	17.65	18.76	14.12	4.43	9.91
Earnings Per Share (EPS)	Rs.	11.50	20.45	19.31	12.78	4.01	12.39
Dividend	%	40	70	50	45	20	40
Book Value Per Share	Rs.	128.88	122.03	109.72	96.50	92.49	88.38

\* Unit of Measurement

### OPERATIONAL PERFORMANCE

(Rupees in Crores)

FINANCIAL YEAR	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Total Income	379.68	363.52	308.32	237.68	193.15	184.27
Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA)	36.08	43.76	36.49	30.20	21.25	23.29
Profit Before Tax (PBT)	10.92	21.90	19.67	14.93	4.32	11.19
Profit After Tax (PAT)	9.10	16.19	15.29	10.09	2.89	8.94

### BALANCE SHEET SUMMARY\*\*

(Rupees in Crores)

FINANCIAL YEAR	2012-13	2011-12	2010-11
Equity Share Capital	7.91	7.91	7.91
Shareholders' funds	102.01	96.59	86.84
Non current Liabilities	56.63	59.55	46.79
Current Liabilities	102.87	95.60	73.22
Non current assets	148.44	132.28	115.14
Current assets	113.07	119.46	91.71

\*\* pertains to revised Schedule VI applicable years only

**NOTICE TO SHAREHOLDERS**

**NOTICE** is hereby given that the **Eighth Annual General Meeting** of the Equity Shareholders of the Company will be held at **10.15 a.m. on Wednesday, July 24, 2013**, 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, 2013 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, 2013, the Profit and Loss Account for the year ended March 31, 2013 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/- per equity share declared by the board of directors of the Company on January 22, 2013 on 79,14,980 equity shares of Rs.10/- each fully paid, absorbing a sum of Rs.1,83,97,975 (including dividend distribution tax and cess thereon), paid to the shareholders on February 5, 2013 for the year ended March 31, 2013 be and is hereby approved."

"Resolved further that final dividend of Rs.2/- per equity share of Rs.10/- each on 79,14,980 equity shares be and is hereby declared out of the profits of the Company for the year ended March 31, 2013, absorbing an amount of Rs.1,85,20,262 (including dividend distribution tax and cess thereon) and that the dividend be paid to those shareholders, whose names appears in the Company's Register of Members as on **July 24, 2013** and in respect of shares in electronic form to those beneficial owners of the shares as at the end of business hours on **July 19, 2013** as per the details furnished by the Depositories for this purpose."

3. To appoint a Director in the place of Mr. S Sandilya, who retires by rotation under Article 111 and 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. S Sandilya, who retires by rotation and being eligible for re-appointment, be and is hereby reappointed as a Director of the Company."

4. To appoint a Director in the place of Mr. S A Murali Prasad, who retires by rotation under Article 111 and 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. S A Murali Prasad, who retires by rotation and being eligible for re-appointment, be and is hereby reappointed as a Director of the Company."

5. To appoint auditors of the Company and to determine their remuneration. The retiring auditors M/s. Varma & Varma, 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. Varma & Varma, Chartered Accountants (Registration No. FRN 04532S with The Institute of Chartered Accountants of India), be and are hereby re-appointed as auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting 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."

(By Order of the Board)

For **Rane Brake Lining Limited**

Chennai  
May 20, 2013

**G Karthikeyan**  
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**

# Rane Brake Lining Limited

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**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 **Saturday, July 20, 2013 to Wednesday, July 24, 2013** (both days inclusive).
3. Pursuant to the provisions of Section 205A of the Companies Act 1956, dividend for the financial year ended March 31, 2006 and thereafter which remain unclaimed for a period of seven years (including the dividends declared by erstwhile Rane Brake Linings Limited) will be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government.

The Company has sent reminders to all those members whose dividend payments during the last seven years remain unpaid as per Company records. Members are requested to contact the Company's Registrar and Transfer Agents, for payment in respect of the unclaimed dividend for the financial year 2005-06 and thereafter.

4. Ministry of Corporate Affairs (MCA) vide circular no.17/2011 dated April 29, 2011 permitted sending all communications to members by electronic mail (e-mail), as a measure of "Green Initiative in Corporate Governance". In line with the ministry's direction your Company intends to send all future communication to members by e-mail including notice of the Annual General Meeting and annual report, to the e-mail address registered with your respective Depository Participants (DPs). We encourage your participation and expect your support in this green initiative. To receive communications

from the Company in electronic form, please register your e-mail address with your DP/ Registrar and Share Transfer Agents (RTA) or write to us at [investorservices@rane.co.in](mailto:investorservices@rane.co.in). All members are entitled to receive the communication in physical form upon request for the same.

5. Members holding shares in physical form are requested to notify to the Company immediately of any change in their residential and e-mail address to the Registrar and Transfer Agents:

**M/s. Integrated Enterprises (India) Ltd.**

II Floor, "Kences Towers",  
No.1, Ramakrishna Street,  
North Usman Road, T. Nagar,  
Chennai 600 017.

Members holding shares in Dematerialized form may inform the change in their residential and e-mail address to their Depository Participants.

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.

(By Order of the Board)

For **Rane Brake Lining Limited**

Chennai  
May 20, 2013

**G Karthikeyan**  
Secretary

## Rane Brake Lining Limited

### INFORMATION ABOUT DIRECTOR SEEKING RE-APPOINTMENT IN THIS ANNUAL GENERAL MEETING IN RESPECT OF ITEM NOS. 3 & 4 ABOVE (in accordance with Clause 49 (IV) of the Listing Agreement)

	<b>Item No. 3</b>	<b>Item No. 4</b>
<b>Name of the Director</b>	<b>Mr. S Sandilya</b>	<b>Mr. S A Murali Prasad</b>
<b>Father's Name</b>	Mr. S Srinivasan	Mr. S A Venkatarama Iyer
<b>Date of Birth</b>	April 11, 1948	September 27, 1941
<b>Educational Qualifications</b>	B.Com, M.B.A.	ACA, AICWA
<b>Experience</b>	Mr. Sandilya contributes his expertise in the policy and decision making of the Company. Mr. Sandilya has over 43 years of industrial experience	Mr. Murali Prasad provides consultancy services for large and medium-sized corporate. He has over 43 years of experience.
<b>Date of Appointment</b>	February 6, 2008	February 6, 2008
<b>Other Directorships</b>	<ol style="list-style-type: none"> <li>1. Eicher Motors Limited</li> <li>2. Paryys Sugar Industries Limited</li> <li>3. Tube Investments of India Limited</li> <li>4. Mastek Limited</li> <li>5. Mastek UK Limited</li> <li>6. GMR Infrastructure Limited</li> <li>7. Association of Indian Automobile Manufacturers (Section 25)</li> <li>8. Lean Management Institute of India (Section 25)</li> </ol>	Sam Consultancy Services Private Limited
<b>Committee Memberships</b>	<b>Chairman - Audit</b> <ol style="list-style-type: none"> <li>1. Rane Brake Lining Limited</li> <li>2. Tube Investments of India Limited</li> <li>3. Paryys Sugar Industries Limited</li> <li>4. Mastek Limited</li> </ol>	<b>Member - Audit</b> Rane Brake Lining Limited
	<b>Member - Audit</b> <ol style="list-style-type: none"> <li>1. Eicher Motors Limited</li> </ol>	<b>Member – Remuneration</b> Rane Brake Lining Limited
	<b>Member - Shareholders &amp; Investors' Grievance</b> <ol style="list-style-type: none"> <li>1. Eicher Motors Limited</li> <li>2. Mastek Limited</li> </ol>	
	<b>Member - Compensation Committee</b> <ol style="list-style-type: none"> <li>1. Eicher Motors Limited</li> </ol>	
	<b>Chairman – Remuneration</b> <ol style="list-style-type: none"> <li>1. Rane Brake Lining Limited</li> <li>2. Paryys Sugar Industries Limited</li> </ol>	
	<b>Chairman – Nomination Committee</b> <ol style="list-style-type: none"> <li>1. Mastek Limited</li> </ol>	
<b>Number of shares held</b>	NIL	NIL

(By Order of the Board)  
For **Rane Brake Lining Limited**

Chennai  
May 20, 2013

**G Karthikeyan**  
Secretary

## REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting their eighth annual report together with the accounts for the year ended March 31, 2013.

### 1. Financial Performance

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

Particulars	(Rs. Crores)	
	2012-13	2011-12
Sales and Operating Revenues	376.44	359.17
Other Income	3.24	4.35
Profit before tax	10.92	21.90
Provision for tax	1.82	5.71
Profit after tax	9.10	16.19
Surplus brought forward	33.40	25.27
Profit available for appropriation	42.50	41.46

Despite slowing down of the market demand, the Sales and Operating Revenues grew by 5% over the previous year. However, the Profit Before Tax declined by 50% over the previous year mainly due to strengthening of US Dollar and Japanese Yen resulting in increased raw material cost and higher power cost as power situation in Tamilnadu and Andhra Pradesh are yet to improve. Earnings per share for the year 2012-13 was Rs. 11.50 as against Rs. 20.45 in the previous year.

### 2. Appropriation

Out of the profit available for appropriation of Rs. 42.50 crores, the directors have declared and paid an interim dividend of 20% on the equity capital of the Company for the year ended March 31, 2013. Further, the directors have recommended a final dividend of 20%, making total dividend as 40% for the year. The total dividend amount inclusive of distribution tax and surcharge thereon would be Rs. 3.68 crores. After transfer of Rs. 0.91 crores to the General Reserve, Rs. 37.91 crores has been retained as surplus in the Profit and Loss Account.

### 3. Management Discussion and Analysis

Your Company is engaged in the manufacturing and marketing of auto components for transportation industry. A detailed analysis on the performance of the Industry and the Company are enumerated in

the Management Discussion and Analysis report forming part of this report and annexed as Annexure 'A'.

### 4. Fixed Deposits

Deposits outstanding as on March 31, 2013 amounted to Rs. 7.05 crores. All deposits that matured during the year were repaid / renewed except for a sum of Rs. 0.01 crores for which claims have not been lodged with your Company.

### 5. Board of Directors

Mr. S Sandilya and Mr. S A Murali Prasad retire by rotation and being eligible, offer themselves for re-appointment. The notice convening the ensuing Annual General Meeting includes the proposal for their re-appointment as directors.

### 6. Conservation of Energy

Your Company has been continuously engaged in energy saving initiatives to offset the power shortage and the resultant cost impact. Energy savings were achieved through available alternate economical sources, special projects in shop-floor, sustenance of high power factor and employee involvement to reduce consumption of power.

Energy conservation projects are rigorously undertaken by the Company through horizontal deployment of best practices. Energy efficient processes are widely used at different locations. Through energy conservation efforts, your Company saved upto 6,85,287 units of electricity during the year 2012-13.

### 7. Research and Development Activities

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

### 8. Foreign Exchange Earnings and Outgo

Foreign exchange earned during 2012-13 was Rs. 21.21 crores against foreign exchange outgo of Rs. 71.30 crores.

Strategic initiatives were undertaken to increase export business in terms of Customers, Product and Geographical location by identifying new business opportunities.

## 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 C.

## 10. Auditors

### Statutory Auditors

The Auditors, M/s. Varma & Varma hold office until the conclusion of the ensuing Annual General Meeting and have expressed their willingness to continue as statutory auditors of the Company. The Company has received letter from M/s. Varma & Varma to the effect that their appointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956. M/s. Varma & Varma has submitted the Peer Review Certificate issued to them by The Institute of Chartered Accountants of India.

The notice of the ensuing Annual General Meeting contains necessary resolution in this regard. Your directors recommend the appointment of M/s. Varma & Varma as Statutory Auditors.

### Cost Auditors

In terms of the Companies (Cost Accounting Records) Rules, 2011, the Cost Compliance Report for the financial year 2011-12 was filed with The Ministry of Corporate Affairs (MCA) on December 27, 2012 which is well within the extended due date of February 28, 2013.

Pursuant to the Cost Audit Orders issued by the MCA under Section 233B of the Companies Act, 1956, the Board has appointed M/s. STR & Associates, Cost Accountants, Chennai to carry out the cost audit of the Company for the financial year 2012-13. The Company would be filing the Cost Audit Report for the financial year ended March 31, 2013 before the due date viz. September 30, 2013 or such other date extended by the MCA.

The Company has received a letter from M/s. STR & Associates, to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. Based on the recommendation of the Audit Committee, the Board has re-appointed M/s. STR & Associates, as cost auditors for the financial year 2013-14.

## 11. Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act 1956 and based on representations received from operating management, the directors hereby confirm that they have :

- i. Followed the applicable accounting standards in the preparation of the annual accounts for the financial year 2012-13 and there are no material departures;
- 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, preventing and detecting fraud and other irregularities;
- iv. Prepared the accounts for the financial year on a 'going concern' basis.

## 12. Corporate Social Responsibility (CSR)

The vision on Corporate Social Responsibility (CSR) is: **"To be socially and environmentally responsive organisation committed to improve quality of life within and outside"**. The CSR activities of Rane Group focus on four specific areas of (a) Education (b) Healthcare (c) Community Development (d) Environment.

Some of the CSR initiatives undertaken by your Company were as follows:

### 1. Education

- Contributions to Rane Foundation and JACOB Memorial Trust towards providing basic and higher education to the deserving.
- Career guidance / motivational workshops for the government school students to explore various career options through career counselling and renovation of the washroom facilities in government schools to promote hygiene for the school students.
- Distribution of school bags and stationeries to the underprivileged students of government schools.

### 2. Environment

The Company celebrated "World Environment Day" with a theme "Go Green". The activities have been broadly grouped under 4 headings viz., Green Office, Green Home, Green Society and Green School. Environment rally and awareness campaign and competitions were conducted to the school children



to sensitize the importance of environment protection.

Also an environment awareness campaign was organized for the employees and their spouses to reinforce the usage of environment friendly material and participants were encouraged to say “no to plastics” in their daily life.

### 3. Community Development

- Conducted road safety awareness programme and distributed safety pamphlets to the drivers. High beam stickers and red colour reflectors were pasted in the vehicles.
- Conducted blood donation camps.
- Provided support to Self-Helping Groups (SHG) in women empowerment projects.
- Provided food and organized employee birthday celebrations in children, old age, mentally challenged and visually impaired home.
- Organized reading programme for visually challenged.

### 4. Health Care

- Provided First Aid Kits to the government schools.
- Health & hygiene program was organized to the contract workers.
- Organ donation awareness program was conducted.
- Provided food for the health camps conducted by the primary health centre.

### 13. Corporate Governance Report

Your Company has complied with the Corporate Governance requirements as stipulated under clause 49 of the Listing Agreement. Detailed report on the compliance and a certificate by the Statutory Auditors forms part of this report as Annexure ‘D’.

For and on behalf of the Board

**L. GANESH**  
Chairman

Chennai  
May 20, 2013

**HARISH LAKSHMAN**  
Director

**Annexure A to Report of the Directors**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Overview**

The Company is a manufacturer of safety critical friction material products such as brake linings, disc pads, clutch facings, clutch buttons, brake shoes and railway brake blocks for passenger cars, utility vehicles, commercial vehicles, two wheelers and railways. The Company operates in a single reportable business segment, viz. “components for the transportation industry”.

**Industry Structure, Developments and Performance**

During the financial year 2012-13, the domestic industry had not witnessed growth in any segment except in Utility Vehicles, Light Commercial Vehicles and Two Wheelers. While overall domestic sales had registered a marginal growth, export growth was negative due to global slowdown.

**INDUSTRY GROWTH**

During the year under review the growth in automotive industry is as given below:

**Volume Growth in %  
over previous year**

<b>Vehicles</b>	<b>2012-13</b>	<b>2011-12</b>
Passenger Cars	-4	2
Utility Vehicles	52	17
Small Commercial Vehicles	-17	27
Light Commercial Vehicles	25	28
Medium & Heavy Commercial Vehicles	-28	11
Three Wheelers	-4	10
Two Wheelers	2	16
Farm Tractors	-1	12

Source: Society of Indian Automobile Manufacturers

**Domestic Market**

Continued higher inflation and interest rates and lack of positive market sentiments slowed growth during the year 2012-13. The Company’s continued focus on

cost management and caution towards capital expenses enabled an overall growth in turnover of 5% over previous year and also in maintaining its leadership position in the market.

The break-up of the sales by product lines is given below:

<b>Domestic Sales</b>	<b>(Rs. in crores)</b>		
	<b>2012-13</b>	<b>2011-12</b>	<b>Growth in %</b>
Brake Linings	171.42	177.23	-3.3
Disc Pads	142.25	127.01	12.0
Other Products	40.95	33.97	20.5

**OEM and Aftermarket**

There was marginal growth in the OEM and aftermarket business of the Company during 2012-13. The Company continued to meet the demand of OEM and aftermarket customers in a timely manner.

<b>Market</b>	<b>(Rs. in crores)</b>		
	<b>2012-13</b>	<b>2011-12</b>	<b>Growth in %</b>
OEM	191.01	187.30	2.0
Aftermarket	140.82	131.01	7.5
Rail	22.79	19.90	14.5

**Exports**

Globally, the vehicle industry faced lack of growth due to weak economic expansion of the developed countries. The aftermarket sales to emerging markets constituted a significant part of Rs. 21.27 crores export sales of the Company. While the impact of exchange rate volatility and weak rupee was significant, the Company contained further erosion with prudent forex policy management.

**Operational and Financial Performance**

**Financial Review**

The Company reported net sales of Rs. 375.88 crores during the year under review, a growth of 5% over previous year, with new products generating 2.9% (i.e. Rs. 10.88 crores) of the revenues. The Profit Before Tax at Rs. 10.92 crores was a decrease of about 50% over the previous year mainly due to strengthening of US Dollar and Japanese Yen against INR with resultant increase in raw material cost and also due to acute power crisis in Tamilnadu and Andhra Pradesh.

## MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

### Operations and Manufacturing Review

Various cost reduction initiatives and yield improvement projects were implemented to control material cost. Overall reduction in raw materials inventory saw inventory days reducing to 29 as against 36 days in previous year.

Total wage cost as a percentage to sale was maintained at last year's level, even after implementing long term settlements in plants, due to implementation of lean production system and other productivity measures initiated by the Company. With aggressive fixed cost reduction initiatives and the special drive carried out due to market slow down, the Company managed the fixed cost with only a marginal increase to last year.

Sustenance of energy savings initiatives taken in Chennai plant and horizontal deployment of best practices to other plants, evaluating and utilising power from low cost sources helped in reduction of power cost despite increase in EB unit rates and higher diesel generator power usage due to severe power outages.

The Company has achieved global level quality standards. The Company undertook various initiatives for Quality control like:

- 1 Pro-active and structured customer visits
- 1 QCC approach for problem solving
- 1 Failure Mode Effective Analysis (FMEA) / Corrective And Preventive Action (CAPA) / Poka Yoke audits
- 1 Benchmarking of best practices

These efforts have resulted in winning several quality awards from various institutes, culminating with Silver Medal from Ashok Leyland for BEST PERFORMANCE towards support extended to their aftermarket for the year 2012-13 and award for PERFORMANCE in "PROPRIETARY CATEGORY" from Brakes India Limited for the year 2012-13.

### Outlook

The Company remains cautiously optimistic about the growth of the automotive industry. With easing of inflation rates and hopes of interest rate cuts, the economic growth is likely to build gradual momentum. The newer vehicle models introduced in the market are likely to spur the growth.

The Company would continue to take rigorous efforts to retain the market leadership by developing customised products for the customers. The Company in collaboration with the Nisshinbo Brakes Inc., Japan provides the state-of-the-art technologies for applications in new generation vehicles. With profitable growth continuing to remain the focus area, the Company plans to expand its horizons by adding new territories and new customers.

### Opportunities and Threats

Despite cyclical ups and downs, India continues to attract foreign investments as it provides largest engineering talent pool with acclaimed designing and process engineering skillsets. India has quality manufacturing and test facilities on par with facilities available elsewhere in the World.

The Company's main areas of strength are:

- 1 State of art R&D and manufacturing facility
- 1 In-house formulation development and benchmarking capability
- 1 Operational excellence
- 1 Preferred supplier for OEMs
- 1 Strong distribution network
- 1 Good customer contact and rapport with Tier-1 & vehicle OEM's
- 1 Market leadership
- 1 Brand equity

The main threats to which auto component industry is exposed are:

- 1 Unceasing cost reduction demand from OEMs from whom the major portion of the future growth is expected to come.
- 1 Spiralling commodity prices affecting the input costs structure.
- 1 Dumping from China.
- 1 Apprehension about weak economic expansion in the developed countries.

### Internal Control Systems and Risk Management

Your Company has an adequate "Internal Control System" that promotes reliable financial reporting, safeguard assets, propagate ethical conduct, encourage adherence management policies and standards as

## MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

applicable. The strong internal control systems have been designed not only to prevent fraud and misuse of the Company resources but also to protect shareholders interest. Your Company has engaged an independent agency to carry out internal audit at all its locations across the country.

The Audit Committee and the Board, in consultation with the internal auditor, statutory auditor and operating management approve annual internal audit plan. The findings of the internal auditors in their quarterly audit are placed before the Audit Committee at each of its quarterly meeting for review. The response of the operating management and counter measures proposed are discussed in the Audit Committee meetings. This process ensures the reliability of internal control systems and compliance with laws and regulations including resource utilization and system efficacy.

The risks associated with each of the business processes and the sub-processes are reviewed periodically by the Audit committee. The risks are broadly classified into strategic risks, operational risks, financial risks and statutory compliance risks. These risks are rated based on factors such as past year experience, probability of occurrence, probability of non-detection and its impact on business. Every quarter the top management reviews the strategic risks, the risks with high probability and high impact and presents its report to the Board of Directors together with the risk mitigation plan on half-yearly basis. The strategic risks are taken into consideration in the annual planning processes. Other risks are covered as part of internal audit process and presented to the Audit Committee every quarter. The risk ratings are revalidated with the top management as part of the internal audit process every quarter. The overall re-assessment of risks at company level is carried out and presented to the Board once in two years for their review.

### Human Resource Development and Industrial Relations

Our HR practices are an expression of our Employer Brand Promise of creating enduring experiences by developing, nurturing and institutionalizing a culture of high performance and innovation. Challenging assignments and continuous learning opportunities will help our people to realize their potential and grow professionally and personally. Working our way towards profitable growth, we have embarked upon innovation journey, creating an innovation agenda. We are sowing the seeds of a spirit of innovation among our employees with some identified teams working on select projects with the objective of taking quantum leaps in the areas of product development, business processes reengineering, market penetration etc. In our constant endeavour to strengthen corporate governance, the Rane COMPASS – the revised Ethical Standards of Behaviour was rolled out making it contemporary and comprehensive. To complement it further, Whistle Blower Policy was introduced with a view to monitoring undesirable behaviour and take corrective actions. Our initiatives in the areas of people practices and HR processes were recognized by the Asia's Best Employer Brand Award for 'Talent Management' by the Employer Branding Institute and the 'Significant Achievement in HR Excellence' award by the Confederation of Indian Industry respectively.

As at the end of March 31, 2013, the total number of employees stood at 955 against 935 as on March 31, 2012.

### 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.

## Annexure B to Report of the Directors

### FORM B

Disclosure of particulars with respect to Research & Development, technology absorption, adaptation and innovation, as required under the 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 March 31, 2013.

#### Research and Development (R & D)

##### 1. Specific areas in which R & D is carried by Company

The Company has been actively engaging in developing new friction materials to meet emerging OEM customer requirements on Quality, NVH (Noise, Vibration and Harshness) and also ensuring cost effectiveness. Significant progress has been made towards improving the available range of applications in quick time to market by enhancing "Formulation Library" and using it effectively. Development of new grades pro-actively for un-served segments as a new approach has been taken.

Focus areas are development of cost effective Asbestos free grades for Brake Linings and Disc Pads for PC, UV, HCV and LCV markets for improving market share in both OE and Aftermarket. Joint development with Nisshinbo, Japan is an important initiative for serving OEMs and also ensuring maximum localisation of raw materials. RBL's own efforts for development of low cost formulations is also continuing at a fast pace.

In order to combat stiff competition including overseas players, the Company is also focusing on development of alternate and green materials for performance and cost factors in collaboration with global suppliers.

##### 2. Benefits derived as a result of R & D

The Company has been successful in offering localization solutions to major international customers for their new product launches. Specific R&D efforts to meet field performance requirements in passenger cars and utility vehicle segment helped the Company to add new product platforms of the customers and offer competitive technical alternatives to our competitor products including imports. The Company could gain new business based on competitive performance proposals from major OEMs.

The Company has developed new asbestos-free friction materials for domestic commercial vehicle and global OEM customers with high-life liners for stringent city bus applications as well as for global OEMs in India to whom full LCV / M&HCV range of products were offered.

##### 3. Future plan of action

Your Company intends to strengthen formulation development and testing capabilities including NVH test capability & environmental test facilities. Towards this the Company has improved the testing facilities and imparted basic and specialized training to all testing engineers in Japan. The installation of state of art Dynamometer facility is also in progress.

##### 4. Expenditure on R & D

(Rupees in Crores)

Particulars	2012-13	2011-12
A Capex	0.72	0.41
B Recurring	6.08	4.84
C Total	6.80	5.25
D Total R & D expenses as a percentage of total turnover	1.81%	1.46%

## Technology Absorption, Adaptation and Innovation

### 1. Efforts, in brief

The Company has a range of formulations and technology base to compete effectively in a wide range of markets including domestic and overseas. The Company has been continuously benchmarking with the collaborator and similar industries towards absorbing best practices and continuous improvements in Product / Process Quality and Productivity areas. The Company has invested in new manufacturing technologies for disc pads and brake linings for Passenger Cars / Utility Vehicles to enhance product quality. The plants have continuously benchmarked and improved on the manufacturing systems. These steps have enabled the Company to enhance the competitiveness and thereby continue its growth in the OEM business.

### 2. Benefits derived as a result of the above efforts

The Company has been able to offer localization solutions to major international customers for their new programs. The potential to add few more domestic customers has also been strengthened.

3. (a) **Technology Imported (Technology imported during the last 5 years reckoned from the beginning of the financial year)** : Technical service and know how relating to design and manufacture of disc pads and brake linings from M/s Nisshinbo Brake Inc., Japan.
- (b) **Year of Import** : 2010
- (c) **Has the technology been fully absorbed** : Yes
- (d) **Areas where technology not fully absorbed, reason and future plan of action** : Not Applicable

For and on behalf of the Board

**L. GANESH**  
Chairman

Chennai  
May 20, 2013

**HARISH LAKSHMAN**  
Director

## Rane Brake Lining Limited

### Annexure C to Report of the Directors

Particulars as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, annexed to and forming part of the Directors' Report for the year ended March 31, 2013

Sl No	Name	Age	Designation / Nature of Duties	Date of Commencement of employment	Remuneration (Rs.)	Qualification	Experience (Years)	Particulars of Last Employment
1	Mr. P S Rao	61	President / "Manager" under the Companies Act, 1956	12.04.2001	74,13,035	M.Tech	38	Vice-President (Operations) Rane (Madras) Limited

- Notes :**
1. Remuneration as shown above includes salary, house rent and other allowances, contribution to provident and other funds and perquisites evaluated as per Income Tax Rules.
  2. The services of Mr. P S Rao is contractual in nature.
  3. Mr. P S Rao is not related to any director.
  4. No employee of the Company is covered by the provision of Section 217(2A) (a) (iii) of the Companies Act, 1956.

For and on behalf of the Board

**L. GANESH**  
Chairman

**HARISH LAKSHMAN**  
Director

Place : Chennai  
Date : May 20, 2013

**Annexure D to Report of the Directors**

**CORPORATE GOVERNANCE**

**1. Philosophy on Code of Governance**

Rane Group’s time tested philosophy of Governance is based on principles of integrity, transparency and fairness. The Rane businesses seek enhancement to shareholder value within this framework. Employee behaviour is nourished by this culture and is governed through a policy document “Ethical Standards of Behaviour – RANE COMPASS” that regulates employees and directors.

Our belief in good corporate citizenship drives internal processes towards statutory and regulatory compliances.

**2. Board of Directors**

The Board of the Company consists of eight non-executive directors. The composition of the independent directors (50%) is in conformity with

clause 49 of the Listing Agreement entered into with stock exchanges. None of the directors on the Board, is a member of more than 10 committees or chairman of more than 5 committees across all the companies in which he is a director. Necessary disclosures regarding committee positions in other public companies as on March 31, 2013 have been made by the directors.

The Board met five (5) times during the financial year on May 23, 2012, July 20, 2012, October 29, 2012, January 22, 2013 and March 21, 2013. The names and categories of the directors on the Board, their attendance at Board Meetings and Annual General Meeting held during the year and the number of directorships and committee chairmanships / memberships held by them in other companies are given below:

Name of the Director	Category	No. of board meetings attended	Whether attended last AGM	Number of Directorship in other Companies #		Number of Committees®	
				Chairman	Member	Chairman	Member
Mr. L Lakshman	Non-Executive & Promoter	4	Yes	1	11	3	7
Mr. L Ganesh	Non-Executive & Promoter	5	Yes	7	4	2	7
Mr. Harish Lakshman	Non-Executive & Promoter	5	Yes	–	8	2	2
Mr. S A Murali Prasad	Independent and Non-Executive	5	No	–	–	–	1
Mr. S Sandilya	-do-	4	Yes	2	3	4	3
Mr. Anil Kumar V Epur	-do-	5	Yes	–	1	1	1
Mr. Suresh Chandra Gupta	-do-	5	Yes	–	–	–	1
Mr. Koji Nishihara (Nominee of Nisshinbo Holdings Inc.)	Non-Executive	1	No	–	–	–	–

# Excludes Companies exempted under Section 278 of the Companies Act, 1956 and foreign companies.

® Membership in Audit Committee and Investor’s Service /Grievance Committee only is considered

Mr. L Lakshman is related to Mr. L Ganesh and Mr. Harish Lakshman

The information as required under Annexure IA to clause 49 of the Listing Agreement such as annual operating plans and budgets, quarterly results for the company, minutes of meetings of audit committee and other committees of the board, quarterly details of foreign exchange exposures, risk management and mitigation measures etc. are placed before the Board of Directors.



## Corporate Governance (Contd.)

The Board and Audit Committee meeting annual calendars are circulated in advance to the directors, to facilitate them in attending the meetings. The directors are provided with detailed agenda for the meetings along with necessary annexures to effectively participate in discussions. The Company has a post board meeting review mechanism to monitor and follow up the effective execution of the decisions, directions or suggestions of the Board and its Committees, by the management.

### 3. Audit Committee

#### Overall purpose / objective

The purpose of the Audit Committee is to assist the Board of Directors (the "Board") in reviewing the financial information which will be provided to the shareholders and others, reviewing the systems of internal controls established in the Company, appointing, retaining and reviewing the performance of independent accountants/internal auditors and overseeing the Company's accounting and financial reporting processes and the audit of the Company's financial statements.

The scope of reference to the committee, inter alia, includes:

1. Discuss the scope of audit and post-audit area of concern, if any, with Statutory Auditors and Internal Auditors.
2. Recommending the appointment of Statutory Auditor and fixation of audit fee.
3. Review of quarterly / annual financial statements with Statutory Auditors and management before submission to the Board.
4. Review of internal control systems with the Management, Statutory Auditors and Internal Auditors.
5. Reviewing the adequacy of internal audit function.
6. Review of financial and risk management policies of the Company.
7. Reviewing defaults, if any, in payments to depositors, shareholders and creditors.
8. Reviewing the statement of significant related party transactions submitted by the management.
9. Reviewing the management letters/ letters of internal control weaknesses issued by the statutory auditors, if any.
10. Reviewing the internal audit reports relating to internal control weaknesses, if any.
11. Management discussion and analysis of financial condition and results of operation.

The composition of audit committee is as follows:

Mr. S Sandilya	Chairman	Independent Director
Mr. Suresh Chandra Gupta	Member	Independent Director
Mr. S A Murali Prasad	Member	Independent Director
Mr. L Ganesh	Member	Non-Executive Director

All the members of the audit committee are financially literate and possess accounting and related financial management expertise.

Mr. G Karthikeyan, Secretary of the Company is the Secretary to the Committee.

The Committee met Four (4) times during the year May 23, 2012, July 20, 2012, October 29, 2012 and January 22, 2013.

Name of the Director	No. of Meetings Attended
Mr. S Sandilya	3
Mr. Suresh Chandra Gupta	4
Mr. S A Murali Prasad	4
Mr. L Ganesh	4

The Statutory Auditors and the Internal Auditors were present as invitees in all the meetings. The President and the General Manager - Finance of the Company attended the meetings by invitation. Based on the requirement, other directors attended the meetings by invitation.

In compliance with clause 41 of the Listing Agreement, the Audit committee reviews the quarterly unaudited financial results of the Company. These results are subjected to limited review by the Statutory Auditors of the Company. The Statutory Auditors are eligible to issue limited review report as the audit firm has been subjected to peer review process of Institute of Chartered Accountants of India (ICAI) and hold a valid certificate issued by the Peer Review Board of ICAI.

The audit committee reviews all mandatory information under clause 49 of the Listing Agreement.

### 4. Remuneration to Directors

During the year 2012-13, the Company has paid sitting fee of Rs. 20,000 per meeting to the non-executive directors for attending each meeting of the Board and Audit Committee and Rs. 2,500 for attending the meeting of other committees of the Board, apart from reimbursement of actual travel and out-of-pocket expenses incurred by them for attending the meetings. Mr. L Lakshman and Mr. L Ganesh do not receive sitting fees for attending

## Corporate Governance (Contd.)

the meeting of the Board or other committees of the board. The Company does not have any stock option scheme.

The details of sitting fee paid to the directors, for the year ended March 31, 2013 are as follows:

Name of the Director	Sitting Fees (Rs.)
Mr. S A Murali Prasad	1,80,000
Mr. S Sandilya	1,40,000
Mr. Suresh Chandra Gupta	1,80,000
Mr. Anil Kumar V Epur	1,07,500
Mr. Harish Lakshman	1,10,000
Mr. Koji Nishihara	20,000

Commission of Rs. 10,98,293 is payable for the year 2012-13 to Mr. L Ganesh, Chairman in accordance with the approval of shareholders vide special resolution passed at the Annual General Meeting held on July 13, 2012.

The shareholding details of directors for the year ended March 31, 2013:

Name of the Director	No. of shares	No. of Shares pledged
Mr. L Lakshman	50	Nil
Mr. L Ganesh	50	Nil
Mr. Harish Lakshman	50	Nil

None of the other directors holds any share in the Company.

During the year, Mr. P S Rao, was appointed as 'Manager' under the Companies Act, 1956 with effect from April 1, 2012. There is no severance fee payable to the Manager. There is no Stock Option Scheme prevailing in the Company.

Remuneration Committee constituted under the provisions of the Schedule XIII of the Companies Act, 1956 and clause 49 of the Listing Agreement, comprises the following directors as its members:

- Mr. S Sandilya, Chairman
- Mr. S A Murali Prasad, Member
- Mr. Suresh Chandra Gupta, Member
- Mr. L Ganesh, Member

The Remuneration Committee met on July 20, 2012 to approve the remuneration payable to Mr. P S Rao, Manager of the Company.

## 5. Code of Conduct

During the year, the Company has strengthened the code of conduct applicable for the board members and senior management of the Company. The same has been posted on the website of the Company viz. URL: <http://rane.co.in/pdf/coc.pdf>. The board members and senior management personnel affirmed their compliance with the code of conduct. Declaration from the Chief Executive Officer to this effect forms part of this report.

The board of directors has also laid down a code of conduct for prevention of insider trading. The designated persons have disclosed their shareholding and their dependent relatives' shareholding, if any, in a prescribed form as laid down under the Rane Group's code of conduct for prevention of Insider Trading.

## 6. Investors' Service Committee

The Investors' Service Committee was constituted to look into all types of grievances from shareholders and redress them expeditiously in a fit and proper manner. The Committee comprises the following Directors:

- Mr. Harish Lakshman - Chairman
- Mr. L Ganesh - Member
- Mr. Anil Kumar V Epur - Member

Mr. G Karthikeyan, Secretary, is the Compliance Officer of the Company.

The Committee met three (3) times during the year on May 23, 2012, July 20, 2012, and October 29, 2012.

Name of the Director	No. of Meetings Attended
Mr. Harish Lakshman	3
Mr. L Ganesh	3
Mr. Anil Kumar V Epur	3

During the year, the Company received 2 complaints from the investors and all of them were disposed off. The complaints pertain to non-receipt of dividend warrant and transmission of shares. One of the above mentioned complaints, was received from SEBI Complaints Redress System (SCORES). Action taken report as required under SCORES has been duly submitted. During the year, no complaint was received from Ministry of Corporate Affairs / Stock Exchanges. No investor complaints were pending unresolved at the year end.

## Corporate Governance (Contd.)

### 7. General Body Meetings

Details of last three Annual General Meetings are as under:

Date of AGM	Special resolutions passed	Time	Venue
July 13, 2012 (Seventh AGM)	1. Appointment of Mr. P S Rao as 'Manager' under the Companies Act, 1956 2. Payment of Commission to Mr. L Ganesh, Chairman	10.15 A.M.	Music Academy (Mini Hall), New No. 168, TTK Road, Royapettah, Chennai 600 014
July 22, 2011 (Sixth AGM)	No Special resolution was passed	10.15 A.M.	Narada Gana Sabha (Main Hall), No.314, TTK Road, Chennai 600 018
July 21, 2010 (Fifth AGM)	Payment of Commission to Mr. L Ganesh, Chairman	10.30 A.M.	Music Academy (Mini Hall), New No. 168, TTK Road, Royapettah, Chennai 600 014

No resolution was required to be passed by means of postal ballot by the members of the Company during the year 2012-13.

### 8. Disclosures

During the year, the Company had not entered into any transaction of material nature with any of the promoters, directors, management or relatives etc., which were in conflict with the interest of the Company. The details of the related party transactions as stated in Note 38 of the financial statements have been reviewed by the Audit Committee.

There was no instance of non compliance by the Company on any matters relating to the capital markets; nor was there any penalty / strictures imposed by the stock exchanges or SEBI or any other statutory authority on such matters.

The Company has complied with all the mandatory requirements prescribed under revised clause 49 of the listing agreement. The CEO and CFO of the Company have certified to the Board on the integrity of the financial statements, effectiveness of internal controls and significant changes in internal control / accounting policies during the year as required under clause 49 (V) of the Listing Agreement.

The Company has complied with the following non-mandatory requirements:-

- i. maintaining an office for the Chairman at the registered office of the Company.
- ii. adopting best practices to ensure a regime of unqualified financial statements.
- iii. individual communication of half-yearly results to shareholders
- iv. Whistle blower mechanism

During the year, the Company has adopted a formal Whistle Blower Policy. This policy provides the mechanism for reporting with reliable information on any improper or unethical practices or actions which are violative (actual or potential) of the code of the Company by any employee or others dealing with the Company. It also addresses the protection of whistle blower who makes protected disclosures under the policy. The Whistle Blower policy has also been posted in the Company's website URL: <http://rane.co.in/rblpolicy.html>.

To comply with all laws governing the operations and conduct of affairs of the Company in accordance with the highest ethical and legal standards, the Company has adopted a Statutory Compliance Kit (STACK). STACK is a structured process providing comprehensive reference framework to facilitate education to dealing personnel, execution, escalation and regular reviews to strengthen compliance management. The master lists of statutory requirements are effectively complied through practice of Daily Routine Management (DRM) and Vital Activity Monitoring (VAM) charts. Reports relating to the compliance with various laws applicable to the Company are regularly reviewed and the vital issues are presented to the Audit Committee and the Board.

### 9. Means of communication

The quarterly / annual financial results were published in "Business Standard" (English) and "Makkal Kural" (Tamil). The financial results and the shareholding pattern were uploaded in the websites of the stock exchanges and the Company viz. <http://rane.in>. During the year, a presentation was made to analysts/institutional investors and was published in the website of the Company. A Management Discussion and Analysis report is part of the annual report.

## Corporate Governance (Contd.)

### 10. General Shareholder Information

#### i. Information about director seeking re-appointment in this Annual General Meeting

<b>Name of the Director</b>	<b>Mr. S Sandilya</b>	<b>Mr. S A Murali Prasad</b>
<b>Father's Name</b>	Mr. S Srinivasan	Mr. S A Venkatarama Iyer
<b>Date of Birth</b>	April 11, 1948	September 27, 1941
<b>Educational Qualifications</b>	B.Com, M.B.A	ACA, AICWA
<b>Experience</b>	Mr. Sandilya contributes his expertise in the policy and decision making of the Company. Mr. Sandilya has over 43 years of Industrial experience.	Mr. Murali Prasad provides consultancy services for large and medium-sized corporate houses. He has over 43 years of experience.
<b>Date of Appointment</b>	February 6, 2008	February 6, 2008
<b>Other Directorships</b>	<p><b>Public Limited Company</b></p> <ol style="list-style-type: none"> <li>1. Eicher Motors Limited</li> <li>2. Parry Sugar Industries Limited</li> <li>3. Tube Investments of India Limited</li> <li>4. Mastek Limited</li> <li>5. GMR Infrastructure Limited</li> </ol> <p><b>Foreign Company</b></p> <ol style="list-style-type: none"> <li>1. Mastek UK Limited</li> </ol> <p><b>Section 25 Company</b></p> <ol style="list-style-type: none"> <li>1. Association of Indian Automobile Manufacturers</li> <li>2. Lean Management Institute of India</li> </ol>	Sam Consultancy Services Private Limited
<b>Committee Memberships</b>	<p><b>Chairman – Audit</b></p> <ol style="list-style-type: none"> <li>1. Rane Brake Lining Limited</li> <li>2. Tube Investments of India Limited</li> <li>3. Parrys Sugar Industries Limited</li> <li>4. Mastek Limited</li> </ol> <p><b>Member – Audit</b></p> <ol style="list-style-type: none"> <li>1. Eicher Motors Limited</li> </ol> <p><b>Member – Investors' Service</b></p> <ol style="list-style-type: none"> <li>1. Eicher Motors Limited</li> <li>2. Mastek Limited</li> </ol> <p><b>Member – Compensation Committee</b></p> <ol style="list-style-type: none"> <li>1. Eicher Motors Limited</li> </ol> <p><b>Chairman – Remuneration Committee</b></p> <ol style="list-style-type: none"> <li>1. Rane Brake Lining Limited</li> <li>2. Parrys Sugar Industries Limited</li> </ol> <p><b>Chairman – Nomination Committee</b></p> <ol style="list-style-type: none"> <li>1. Mastek Limited</li> </ol>	<p><b>Member – Audit</b></p> <ol style="list-style-type: none"> <li>1. Rane Brake Lining Limited</li> </ol>
<b>Number of shares held</b>	NIL	NIL

## Corporate Governance (Contd.)

### ii. Annual General Meeting

**July 24, 2013 at 10.15 a.m.**

The Music Academy (Mini Hall)

New No.168, T T K Road

Royapettah, Chennai 600 014

### iii. Financial Year: 1<sup>st</sup> April - 31<sup>st</sup> March

Financial Calendar

Board Meeting for approval of	Tentative Date
Annual Accounts for the year ended March 31, 2013	May 20, 2013
Un-audited results for the 1 <sup>st</sup> quarter ending June 30, 2013	July 24, 2013
Un-audited results for the 2 <sup>nd</sup> quarter ending September 30, 2013	October 22, 2013
Un-audited results for the 3 <sup>rd</sup> quarter ending December 31, 2013	January 24, 2014
Annual Accounts for the year ending March 31, 2014	By last week of May 2014

### iv. Book Closure & Dividend

The book closure period is from **July 20, 2013** (Saturday) to **July 24, 2013** (Wednesday), both days inclusive.

#### Dividend

During the year, the Board of Directors declared an interim dividend of Rs. 2/- per equity share and the same was paid on February 5, 2013 to all eligible shareholders whose name appeared in the Register of Members of the Company on February 1, 2013.

The Board of Directors at its meeting held on May 20, 2013, has recommended a final dividend of Rs. 2/- per equity share. The dividend, if declared by the shareholders, will be paid on July 30, 2013 to all those members whose name appears in the Register of Members as on July 24, 2013 and in respect of shares in electronic form to those beneficial owners of the shares as at the end of business hours on July 19, 2013.

### v. Listing on Stock Exchanges

Stock Exchanges	Stock Code
National Stock Exchange of India Ltd. (NSE) Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051	RBL
Bombay Stock Exchange Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001	532987
Madras Stock Exchange Limited (MSE) 11, Second Line Beach, Chennai 600 001	RANEBRAKE

**Listing Fee:** Annual Listing fee for the financial year 2013-14 has been paid to NSE & BSE.

During the year, the Board of Directors had approved the voluntary de-listing of equity shares from MSE since NSE and BSE provide nationwide access to trade and deal in Company's equity shares across the country and there is no trading activity for the shares at MSE. An application for voluntary de-listing was made to MSE during November 2012 and the approval is awaited. However, the shares of the Company would continue to be listed in NSE and BSE.

### vi. Unpaid / Unclaimed Dividends

Pursuant to the provisions of Section 205A of the Companies Act, 1956, dividend for the financial year ended March 31, 2006 and thereafter which remain unclaimed for a period of seven years (including dividend declared by erstwhile Rane Brake Linings Limited) will be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government.

During the year, the Company had transferred to IEPF an unclaimed dividend amount of Rs. 88,974 for the financial year ended March 31, 2005 and an unclaimed interim dividend amount of Rs. 1,16,524 for the financial year ended March 31, 2006.

## Corporate Governance (Contd.)

The Company has sent reminder letters to each of the shareholder's whose dividend is remaining unclaimed as per the records available with the Company. Information in respect of such unclaimed dividends when due for transfer to the said fund is given below:

Year	Date of declaration	Dividend per share# (Rs.)	Amount outstanding in Unclaimed Dividend Account (as on 31.03.2013) (Rs.)	Last Date for claiming unpaid dividend	Due date for transfer to IEPF u/s 205A(5)
31.03.2006	26.07.2006	3.00	81,531.00	29.08.2013	27.09.2013
31.03.2007 *	23.01.2007	4.00	1,37,956.00	27.02.2014	28.03.2014
31.03.2007 *	22.03.2007	3.00	95,634.23	25.04.2014	24.05.2014
31.03.2008	22.07.2008	4.00	1,27,616.00	25.08.2015	23.09.2015
31.03.2009	20.07.2009	2.00	69,438.00	24.08.2016	22.09.2016
31.03.2010 *	21.01.2010	1.50	1,07,361.00	25.02.2017	26.03.2017
31.03.2010	21.07.2010	3.00	1,01,505.00	25.08.2017	23.09.2017
31.03.2011 *	25.01.2011	3.00	1,17,378.00	01.03.2018	30.03.2018
31.03.2011	22.07.2011	2.00	79,234.00	26.08.2018	24.09.2018
31.03.2012 *	25.01.2012	4.00	1,99,276.00	28.02.2019	29.03.2019
31.03.2012	23.05.2012	3.00	1,38,633.00	17.08.2019	15.09.2019
31.03.2013*	22.01.2013	2.00	3,406.00	25.02.2020	25.03.2020

# - Share of paid-up value of Rs.10 per share

\* - Interim dividend

During the year, the Company had filed with Registrar of Companies, the details of all unpaid and unclaimed amounts as on July 13, 2012 in accordance with the Investor Education and Protection Fund (uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012. The above details were also uploaded in the website of the Company viz. <http://rane.in>

### vii. Unclaimed share certificates

The Company had sent reminder letters to the shareholders whose physical share certificates remain unclaimed with the Company. Based on the response from such shareholders, the Company will transfer the unclaimed shares into one folio in the name of "RBL Unclaimed Suspense Account" (Demat Account) as per the provisions of clause 5A (II) of the Listing Agreement.

### viii. Green Initiative

The Ministry of Corporate Affairs ("MCA") has taken a "Green initiative in the corporate governance" by allowing companies to make paperless compliances and service of notice / documents including annual reports to the shareholders of the Company through electronic mode. As a responsible corporate citizen, your Company welcomes and supports the Green Initiative taken by the MCA, as this will reduce paper consumption to a great extent and allow the members to contribute towards a greener environment. This will also ensure prompt receipt of communication and avoid loss in postal transit.

During last year, the shareholders of the Company whose e-mail addresses were registered with the Company / Depository Participants (DPs) and who have opted to receive the documents in electronic mode and not in physical mode were provided with a link to the annual report of the Company via., e-mail. In order to support this initiative, members are requested to register their e-mail addresses, with the DPs, in case shares are held in dematerialized form and with the Registrar and Transfer agent, in case the shares are held in physical form.

## Corporate Governance (Contd.)

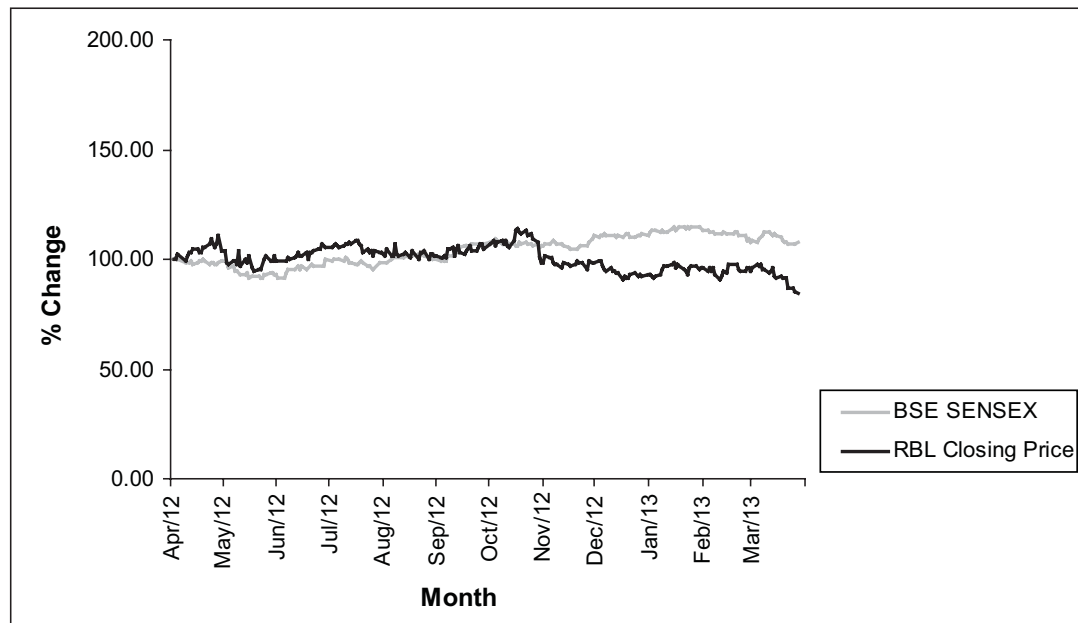
### ix. Share Price Data

There has been no trading in Madras Stock Exchange Limited. The share price data (based on closing price) as quoted on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited during the last financial year viz., April 1, 2012 – March 31, 2013 is given below :

Month	National Stock Exchange of India Ltd (NSE)		Bombay Stock Exchange Ltd (BSE)	
	Share Prices (Rs.)		Share Prices (Rs.)	
	High	Low	High	Low
April 2012	120.25	110.65	124.15	111.50
May 2012	115.30	105.05	116.50	105.75
June 2012	119.95	110.45	119.90	110.75
July 2012	121.95	113.05	121.55	113.30
August 2012	117.80	112.70	119.60	111.75
September 2012	120.05	112.10	119.50	112.55
October 2012	126.15	109.45	127.55	110.00
November 2012	114.30	107.45	114.00	107.10
December 2012	110.00	102.00	111.50	101.65
January 2013	109.80	102.75	110.00	102.75
February 2013	108.00	101.85	109.75	101.95
March 2013	108.90	93.55	109.60	95.00

Source : [www.bseindia.com](http://www.bseindia.com) & [www.nseindia.com](http://www.nseindia.com)

Performance of share price of the Company vs. BSE Sensex:



Note: Both BSE Sensex and RBL share prices are Indexed to 100 as on April 1, 2012

## Corporate Governance (Contd.)

### x. Registrar and Transfer Agents

The contact details of the Registrar and Transfer Agents are as follows:

Integrated Enterprises (India) Ltd.,  
II Floor, 'Kences Towers',  
No.1, Ramakrishna Street,  
North Usman Road,  
T. Nagar, Chennai - 600 017.  
Phone: 28140801 - 03,  
Fax: 28142479, 28143378.  
e-mail: [corpseiv@iepindia.com](mailto:corpseiv@iepindia.com)

Name of the contact person: Mr. K. Suresh Babu,  
Vice President

### xi. Share Transfer System

The power to approve transfer of shares has been delegated by the Board to the Share Transfer Committee. Share transfer process is completed within 15 days from the date of receipt of transfer document by the Registrar

and Transfer Agents (RTA). Requests for dematerialisation are generally confirmed on a weekly basis by the RTA.

On a half-yearly basis the compliance with the share transfer formalities is audited by a Practising Company Secretary (PCS) in terms of clause 47(c) of the Listing Agreement with the stock exchanges and a certificate to this effect is filed with the stock exchanges. Also reconciliation of share capital audit in terms of regulation 55A of SEBI (Depositories and Participants) Regulations, 1996 is taken up on a quarterly basis and the report of the PCS is filed with the stock exchanges certifying that the total listed capital of the Company is in agreement with the total number of shares in physical and dematerialized form and that there is no difference between the issued and the listed capital of the Company.

### xii. Distribution of shareholding as on March 31, 2013

No. of shares held	Shareholders		Shares	
	Number	% to total	Number	% to total
Upto 500	5,497	91.14	5,83,792	7.38
501 - 1,000	237	3.93	1,82,791	2.31
1,001 - 2,000	126	2.09	1,88,869	2.39
2,001 - 5,000	105	1.74	3,37,495	4.26
5,001 - 10,000	34	0.56	2,54,430	3.21
10,001 - 20,000	12	0.20	1,69,398	2.14
20,001 - 50,000	16	0.27	4,64,715	5.87
50,001 & above	4	0.07	57,33,490	72.44
<b>Total</b>	<b>6,031</b>	<b>100.00</b>	<b>79,14,980</b>	<b>100.00</b>



# Rane Brake Lining Limited

## Corporate Governance (Contd.)

### xiii. Pattern of shareholding

Sl. No.	Category	As on March 31, 2013			As on March 31, 2012		
		No. of Shareholders	No. of Shares	% to total capital	No. of Shareholders	No. of Shares	% to total capital
A	Promoters	12	49,82,812	62.95	12	49,07,812	62.01
B	Mutual Funds & UTI	1	200	—	1	200	—
C	Banks, Financial Institutions & Insurance Companies	6	7,71,273	9.75	7	7,71,843	9.75
D	Private Corporate Bodies	126	1,21,704	1.54	135	1,13,526	1.44
E	Indian Public and others	5,815	20,12,675	25.43	5,912	21,10,311	26.66
F	NRI	71	26,316	0.33	69	11,288	0.14
<b>Total</b>		<b>6,031</b>	<b>79,14,980</b>	<b>100.00</b>	<b>6,136</b>	<b>79,14,980</b>	<b>100.00</b>

### xiv. Dematerialisation of shares and liquidity

The Company has entered into the necessary agreements with National Securities Depository Limited and Central Depositories Services (India) Limited for dematerialisation of the shares held by investors. As of March 31, 2013, about 96.32% of the shareholdings have been dematerialised.

Comparative chart of physical and demat holdings for the current and previous financial year is given below.

Particulars	Number of shares		% to total capital	
	As on March 31, 2013	As on March 31, 2012	As on March 31, 2013	As on March 31, 2012
Physical	2,91,378	2,95,654	3.68	3.74
Demat	76,23,602	76,19,326	96.32	96.26
<b>Total</b>	<b>79,14,980</b>	<b>79,14,980</b>	<b>100.00</b>	<b>100.00</b>

The equity shares held by the Promoter & Promoter group in the Company have been fully dematerialised.

Demat ISIN Number: **INE244J01017**

Corporate Identification Number (CIN) : **L63011TN2004PLC054948**

### xv. Plant locations - given in the First page of the Annual Report.

### xiv. Address for communication

Mr. G Karthikeyan, Compliance officer  
Rane Brake Lining Limited,  
Rane Corporate Centre,  
"Maithri" 132, Cathedral Road, Chennai 600 086.  
Ph.28112472 Fax: 28112449  
E-mail: [investorservices@rane.co.in](mailto:investorservices@rane.co.in)

OR

Mr. K Suresh Babu, Vice President,  
Integrated Enterprises (India) Ltd.,  
II Floor, 'Kences Towers' No.1, Ramakrishna Street,  
North Usman Road, T. Nagar, Chennai 600 017.  
Phone: 28140801-03, Fax: 28142479  
E-mail: [corpserv@iepindia.com](mailto:corpserv@iepindia.com)

**AUDITORS' CERTIFICATION ON COMPLIANCE  
WITH THE CONDITIONS OF CORPORATE GOVERNANCE**

To the Members of **Rane Brake Lining Limited**

1. We have examined the compliance of conditions of Corporate Governance by **Rane Brake Lining Limited**, for the year ended March 31, 2013 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges in India.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement) issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company of ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of the opinion on the financial statement of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
4. We further state that such compliance is neither an assurance as the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Varma & Varma**  
Chartered Accountants  
Firm Registration Number : 004532S

Place : Chennai  
Date : May 20, 2013

**P R Prasanna Varma**  
Partner  
Membership Number : 025854

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To  
The Members  
**Rane Brake Lining Limited**

**Declaration by Chief Executive Officer on Code of Conduct under clause 49 of the Listing Agreement**

I, hereby declare that to the best of my knowledge and information, all the Board Members and Senior Management Personnel have affirmed compliance with the code of conduct for the year ended March 31, 2013.

Chennai  
May 20, 2013

**P S Rao**  
Manager

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# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF RANE BRAKE LINING LIMITED

### Report on the Financial Statements

We have audited the accompanying financial statements of Rane Brake Lining Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, the Profit and Loss Statement and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the Profit and Loss Statement, of the Profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### Report on Other Legal & Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227 (3) of the Act, we report that:
  - a. we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. the Balance Sheet, Profit and Loss Statement and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. in our opinion, the Balance Sheet, Profit and Loss Statement and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

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## AUDITORS' REPORT (contd.)

e. on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors are disqualified as on March 31,

2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

Place: Chennai  
Date : May 20, 2013

**For Varma & Varma**  
Chartered Accountants  
Firm Registration Number : 004532S

**P R Prasanna Varma**  
Partner  
Membership Number : 025854

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## ANNEXURE REFERRED TO IN OUR AUDIT REPORT OF EVEN DATE

1.
    - a. The company is maintaining records showing full particulars, including quantitative details of fixed assets.
    - b. The fixed assets of the company have been physically verified during the year by the management, in accordance with a phased programme designed to cover all the assets over a period of 3 years, which in our opinion is reasonable having regard to the size of the company and the nature of assets. According to the information and explanations given to us, no material discrepancies have been noticed on such verification.
    - c. There has not been disposal of any substantial portion of fixed assets of the company during the year, which would affect the status of the company as a going concern.
  2.
    - a. According to the explanation given to us, the inventories of the company at all its locations have been physically verified by the management, at reasonable intervals.
    - b. In our opinion and according to the explanations given to us, the procedures followed by the management with regard to physical verification of inventories are reasonable and adequate in relation to the size of the company and nature of its business.
    - c. In our opinion, the company is maintaining proper records of inventory. As per the information and explanation furnished to us, no material discrepancies were found on such physical verification as compared to the books and records maintained by the company.
  3.
    - a. The Company has not granted any loans, secured or unsecured, to companies / firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956, except an interest free unsecured loan given to a party covered in the register maintained under section 301 of the Act. The maximum amount involved during the year and the year end balance of the loan is Rs. 0.75 crores.
    - b. In our opinion, the terms and conditions of such loan are not prima facie prejudicial to the interest of the company considering the purpose for which the above loan has been given.
    - c. Having regard to the revised terms, in our opinion, no amount is due for repayment in respect of the above loan as at the Balance Sheet date.
  - d. In respect of the above loan, there is no principal overdue amount as at the Balance Sheet date.
  - e. The company has not taken any loans, secured or unsecured, from companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956, except public deposits accepted from the directors and their relatives. Such deposits have been accepted from 8 parties and maximum involved during the year is Rs. 1.14 crores and the year end balance of the loan is Rs. 0.91 crores.
  - f. The rate of interest and other terms and conditions of such loans taken are, in our opinion, not prejudicial to the interest of the company.
  - g. The company is regular in payment of principal and interest on the above said loans.
4. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased / services availed are of special nature and suitable alternatives sources are not readily available for obtaining comparable quotations, the internal control systems for the purchase of inventory and fixed assets and for the sale of goods and services are generally commensurate with the size of the company and nature of its business. There are no major weaknesses in internal control of a continuing nature.
  5.
    - a. According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
    - b. In our opinion and according to the information and explanations given to us, in respect of each of such transactions made in pursuance to contracts and arrangements that exceed value of Rupees Five Lakhs with the above parties during the year, the prices / rates are comparable with similar transactions entered into with other parties or no comparable market prices are available as the related goods / services are proprietary in nature.
  6. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Section 58A, 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules 1975 with regard to deposits accepted from public. According to the

## ANNEXURE TO THE AUDITORS' REPORT (contd.)

information and explanation given to us, no order has been passed by the Company Law Board, or the National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal in this regard.

7. The company has an adequate internal audit system which is commensurate with the size of the Company and nature of its business.
8. We have broadly reviewed the Cost records maintained by the company pursuant to the Companies (Cost Accounting Record) Rules, 2011 prescribed by the Central Government u/s 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate and complete.
9. a. According to the information and explanations given to us, the company has been generally regular in depositing undisputed statutory dues

including Provident Fund, Investor Education and Protection fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service tax, Customs Duty, Excise Duty and other material statutory dues as applicable to it with the appropriate authorities during the year. According to the information and explanations given to us, there were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection fund, Employees' State Insurance Income Tax, Wealth tax, Service tax, Sales tax, Excise duty, Customs Duty and other statutory dues which were outstanding at the yearend for a period of more than six months from the date they became payable.

- b. According to the information and explanations given to us and as per our verification of records of the company, there are no disputed amounts of tax / duty that have not been deposited with appropriate authorities as at March 31, 2013, on account of a dispute, except as follows:

Name of the statute	Nature of dues	Amount (Rs. in crores)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	0.46	April 2000 to March 2001	Commissioner of Income Tax (Appeals), Chennai
Income Tax Act, 1961	Income Tax	0.25	April 2001 to March 2002	Commissioner of Income Tax (Appeals), Chennai
Income Tax Act, 1961	Income Tax	0.02	April 2003 to March 2004	High Court of Judicature, Madras
Income Tax Act, 1961	Income Tax	6.06	April 2004 to March 2005	Commissioner of Income Tax (Appeals), Chennai
Income Tax Act, 1961	Income Tax	0.17	April 2005 to March 2006	Commissioner of Income Tax (Appeals), Chennai
Income Tax Act, 1961	Income Tax	0.40	April 2006 to March 2007	Commissioner of Income Tax (Appeals), Chennai
Income Tax Act, 1961	Income Tax	0.58	April 2009 to March 2010	Commissioner of Income Tax (Appeals), Chennai
Central Sales Tax Act, 1956	Sales Tax	0.03	April 2004 to March 2005	Sales Tax Appellate Tribunal, Hyderabad
Central Sales Tax Act, 1956	Sales Tax	0.08	April 2005 to March 2006	The Appellate Deputy Commissioner of Commercial Taxes, Hyderabad
Central Sales Tax Act, 1956	Sales Tax	0.03	April 2008 to March 2009	The Appellate Deputy Commissioner of Commercial Taxes, Hyderabad

## ANNEXURE TO THE AUDITORS' REPORT (contd.)

Name of the statute	Nature of dues	Amount (Rs. in crores)	Period to which the amount relates	Forum where the dispute is pending
Central Sales Tax Act, 1956	Sales Tax	0.13	April 2005 to March 2006	The Appellate Deputy Commissioner of Commercial Taxes, Chennai
Andhra Pradesh Value Added Tax Act, 2005	Sales Tax	0.04	April 2006 to March 2010	The Appellate Deputy Commissioner of Commercial Taxes, Hyderabad
Kerala Value Added Tax Act, 2003	Sales Tax	0.01	April 2010 to March 2011	The Deputy Commissioner (Appeals-I), Ernakulam
Central Excise Act, 1944	Excise Duty	0.03	April 1979 – March 1981	The Assistant Commissioner of Central Excise, Chennai II Commissionerate
Central Excise Act, 1944	Excise Duty	0.02	April 2003 to March 2004	Commissioner of Central Excise (Appeals), Chennai
Central Excise Act, 1944	Excise Duty (including interest and penalty)	0.65	April 2001 to March 2005	Customs, Excise And Service Tax Appellate Tribunal, Chennai
Central Excise Act, 1944	Excise Duty (including interest and penalty)	0.00	March 2009 to April 2010	Commissioner of Central Excise (Appeals), Chennai
Finance Act, 1944	Service Tax (including interest and penalty)	0.26	August 2002 to March 2004	Customs, Excise And Service Tax Appellate Tribunal, Chennai
Finance Act, 1944	Service Tax (including interest and penalty)	0.17	September 2004 to September 2006	Customs, Excise And Service Tax Appellate Tribunal, Chennai
Finance Act, 1944	Service Tax (including interest and penalty)	0.01	July 2007 to November 2007	Commissioner of Central Excise (Appeals), Chennai
Finance Act, 1944	Service Tax (including interest and penalty)	0.75	November 2007 to April 2008	Customs, Excise And Service Tax Appellate Tribunal, Chennai
Finance Act, 1944	Service Tax (including interest and penalty)	0.35	November 2007 to April 2008	Commissioner of Central Excise (Appeals), Chennai
Finance Act, 1944	Service Tax (including interest and penalty)	0.08	November 2007 to April 2008	Commissioner of Central Excise (Appeals), Chennai

10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.

11. According to the information and explanations given to us, the Company has not defaulted in repayment of dues to any banks or financial institution.

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## ANNEXURE TO THE AUDITORS' REPORT (contd.)

12. In our opinion and according to the information and explanations given to us, and based on the documents and records produced to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations given to us, the nature of activities of the company does not attract any special statute applicable to chit fund and nidhi / mutual benefit fund / societies.
14. In our opinion, the company is not dealing or trading in shares, securities, debentures or other investments and accordingly, the relative reporting requirements of the order are not applicable to the company.
15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
16. According to the information and explanations given to us, the term loans have been applied, for the purpose for which they were obtained.
17. According to the information and explanations given to us and on an overall verification of the attached balance sheet of the company, we report that the funds raised by the company on short-term basis have not been used to finance long-term assets.
18. During the year, the company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act.
19. The company does not have any outstanding debentures as at the year-end.
20. The company has not raised any money by way of public issues during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the Generally Accepted Auditing Practice in India, and according to the information and explanation given to us, we have neither come across any instances of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such cases by the management.

**For Varma & Varma**

Chartered Accountants

Firm Registration Number : 004532S

**P R Prasanna Varma**

Partner

Membership Number : 025854

Place: Chennai

Date : May 20, 2013



# Rane Brake Lining Limited

## BALANCE SHEET AS AT 31 MARCH 2013

(Rupees in Crores)

Particulars	Note	As at 31 March 2013	As at 31 March 2012
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share Capital	3	7.91	7.91
(b) Reserves and Surplus	4	94.10	88.68
<b>(2) Non-current Liabilities</b>			
(a) Long-term borrowings	5	45.28	47.68
(b) Deferred tax liabilities (Net)	6	9.27	9.37
(c) Other long-term liabilities	7	0.04	0.21
(d) Long-term provisions	8	2.04	2.29
<b>(3) Current Liabilities</b>			
(a) Short-term borrowings	9	28.67	15.89
(b) Trade payables	10	47.72	47.72
(c) Other current liabilities	11	22.67	26.51
(d) Short-term provisions	12	3.81	5.48
<b>Total</b>		<b>261.51</b>	<b>251.74</b>
<b>II. ASSETS</b>			
<b>(1) Non-current Assets</b>			
(a) Fixed assets			
(i) Tangible assets	13	122.38	121.17
(ii) Intangible assets	14	0.30	0.13
(iii) Capital work-in-progress		18.58	2.68
(b) Long term loans and advances	15	6.84	7.51
(c) Other non-current assets	16	0.34	0.79
<b>(2) Current Assets</b>			
(a) Inventories	17	28.16	28.35
(b) Trade receivables	18	75.16	69.58
(c) Cash and Bank balances	19	3.58	10.65
(d) Short-term loans and advances	20	5.89	8.39
(e) Other current assets	21	0.28	2.49
<b>Total</b>		<b>261.51</b>	<b>251.74</b>
<b>Summary of Significant Accounting Policies</b>	2		

The accompanying Notes are an integral part of the financial statements.

This is the Balance sheet referred to in our report of even date

For and on behalf of the Board

For **Varma & Varma**

Chartered Accountants

Firm Registration Number : 004532S

**P R Prasanna Varma**

Partner

(Membership No. 025854)

Place : Chennai

Date : May 20, 2013

**P S RAO**  
Manager

**G KARTHIKEYAN**  
Secretary

**HARISH LAKSHMAN**  
Director

**L GANESH**  
Chairman

**PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31 MARCH 2013**

(Rupees in Crores)

Particulars	Note	Year ended 31 March 2013	Year ended 31 March 2012
I. <b>Revenue from Operations (Gross)</b>	25	425.62	398.99
Less: Excise Duty (See Note 32(a))		49.18	39.82
<b>Revenue from Operations (net)</b>		376.44	359.17
II. <b>Other Income</b>	26	3.24	4.35
III. <b>Total Revenue (I + II)</b>		379.68	363.52
IV. <b>Expenses:-</b>			
Cost of materials consumed	27	201.64	189.39
Purchase of Stock-in-trade		0.05	0.50
Changes in inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	28	(4.00)	(1.64)
Employee benefits expense	29	49.26	46.15
Finance costs	30	7.29	6.76
Depreciation and amortisation expense	31	17.87	15.10
Other expenses	32	96.65	85.36
<b>Total Expenses</b>		368.76	341.62
V. Profit before tax (III - IV)		10.92	21.90
VI. Tax Expense:			
(1) Current Tax		2.51	4.57
(2) Minimum Alternative Tax Credit		(0.59)	(0.37)
(3) Tax relating to earlier years		-	0.46
(4) Deferred Tax		(0.10)	1.05
VII. Profit / (Loss) for the period (V – VI)		9.10	16.19
VIII. Earnings per equity share: {Nominal Value per share: Rs.10 (Rs.10)}			
Basic (in Rs.)	37	11.50	20.45
Diluted (in Rs.)	37	11.50	20.45
<b>Summary of Significant Accounting Policies</b>	2		

The accompanying Notes are an integral part of the financial statements

This is the Profit and Loss statement referred to in our report of even date

For and on behalf of the Board

**For Varma & Varma**

Chartered Accountants

Firm Registration Number : 004532S

**P R Prasanna Varma**

Partner

(Membership No. 025854)

Place : Chennai

Date : May 20, 2013

**P S RAO**

Manager

**G KARTHIKEYAN**

Secretary

**HARISH LAKSHMAN**

Director

**L GANESH**

Chairman

# Rane Brake Lining Limited

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

(Rupees in Crores)

Particulars		Year ended 31 March 2013	Year ended 31 March 2012
<b>(A)</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
	Profit before Tax	10.92	21.90
	<b>Adjustment for</b>		
	Depreciation / Amortisation	17.87	15.10
	Interest Charges	6.94	6.09
	Profit on tangible Assets sold*	(0.08)	(0.00)
	Interest income from deposits	(0.41)	(0.53)
	<b>Operating profit before Working Capital Changes</b>	<b>35.24</b>	<b>42.56</b>
	<b>Changes in working capital</b>		
	(Increase) / Decrease in Inventories	0.19	(3.44)
	(Increase) / Decrease in Trade Receivables	(5.57)	(7.54)
	(Increase) / Decrease in Loans and Advances	3.50	(6.22)
	(Increase) / Decrease in Other Current Assets	2.08	(2.08)
	Increase / (Decrease) in Trade and other payables	(0.21)	12.76
	<b>Cash generated from operations</b>	<b>35.23</b>	<b>36.04</b>
	Income Taxes Paid (Net of refunds)	(2.22)	(5.21)
	<b>Net Cash generated from Operating Activities</b>	<b>33.01</b>	<b>30.83</b>
<b>(B)</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
	Purchase of tangible / intangible Assets	(35.21)	(30.90)
	Sale proceeds of tangible / intangible assets	0.13	0.11
	Interest received	0.54	0.30
	<b>Net Cash used in Investing Activities</b>	<b>(34.54)</b>	<b>(30.49)</b>
<b>(C)</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
	Increase / (Decrease) in long term loans (net)	(3.23)	21.61
	Proceeds from A.P Government Sales tax deferral Scheme	(0.16)	0.58
	Increase / (Decrease) in Fixed Deposits	3.61	(10.68)
	Proceeds from / (Repayment) of Short term loans	10.50	(9.97)
	Net increase in Cash credit and Packing credit	2.28	9.38
	Dividend and Dividend tax paid	(4.58)	(5.52)
	Interest paid	(7.24)	(5.43)
	<b>Net Cash from Financing Activities</b>	<b>1.18</b>	<b>(0.03)</b>
	<b>Net Increase / (Decrease) in Cash and Cash Equivalents ( A + B + C )</b>	<b>(0.36)</b>	<b>0.31</b>

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013 (contd.)**  
(Rupees in Crores)

<b>Particulars</b>	<b>Year ended 31 March 2013</b>	<b>Year ended 31 March 2012</b>
(D) Cash and Cash Equivalents At the Beginning of the Year	<b>1.50</b>	1.19
(E) Cash and Cash Equivalents At the End of the Year	<b>1.14</b>	1.50
* Amount, Rs. 17,207 in the previous year is below the rounding off norm adopted by the Company		
Note: Cash and Cash Equivalents comprise of:		
Cash on hand	<b>0.02</b>	0.01
Bank Balances	<b>1.12</b>	1.49
	<b>1.14</b>	1.50

The accompanying Notes are an integral part of the financial statements.

This is the Cash Flow Statement referred to in our report of even date

For and on behalf of the Board

For **Varma & Varma**

Chartered Accountants

Firm Registration Number : 004532S

**P R Prasanna Varma**

Partner

(Membership No. 025854)

Place : Chennai

Date : May 20, 2013

**P S RAO**

Manager

**G KARTHIKEYAN**

Secretary

**HARISH LAKSHMAN**

Director

**L GANESH**

Chairman

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 1. General Information

Rane Brake Lining Limited (The "Company") is engaged in manufacture of brake linings, disc pads, clutch facings, clutch buttons, brake shoes and railway brake blocks and as such operates in a single reportable business segment of 'components for transportation industry'. The Company is having four manufacturing facilities at Chennai, Hyderabad, Puducherry and Trichy. The Company is a Public Limited Company and listed on The Madras Stock Exchange Limited, Chennai, Bombay Stock Exchange Limited, Mumbai and National Stock Exchange of India Limited, Mumbai.

### 2. Summary of Significant accounting policies

#### 2.1 Basis of Preparation

The financial statements are prepared under historical cost convention in accordance with the generally accepted accounting principles in India and comply in all material respects with the accounting standards notified under Section 211(3C) (Companies (Accounting Standards) Rules, 2006, as amended) and with the other relevant provisions of the Companies Act, 1956.

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of the products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current / non-current classification of assets and liabilities.

#### 2.2 Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in India requires the management to make estimates and assumptions that affect the reported amount of assets and liabilities as of the Balance Sheet date, reported amount of revenues and expenses for the year and disclosure of contingent liabilities as of the Balance Sheet date. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results could differ from these estimates.

#### 2.3 Fixed Assets & Depreciation

##### (i) Tangible Assets

Fixed Assets are valued at cost, namely, cost of acquisition and other incidental expenses directly related to their installation / erection less accumulated depreciation and impairment, if any. Capital work-in-progress comprises of the cost of fixed assets that are not yet ready for their intended use at the reporting date. Subsequent expenditure related to an item of fixed asset is added to its book value only, if it increases the future benefit from the existing asset beyond its previously assessed standard of performance.

Depreciation on tangible assets is computed on a pro-rata basis at the rates specified in Schedule XIV of the Companies Act, 1956 on the Straight line method. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If the management's estimate on the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the technical estimate of the useful life / remaining useful life. According to this policy, depreciation is provided at the rates indicated below which is higher than the corresponding rates prescribed in Schedule XIV to the Companies Act, 1956

Assets	Rates
Vehicles	20.00%
Furniture and Fixtures	20.00%
Office Equipments (other than computers)	33.33%
Laboratory Equipments	33.33%
Computers	25.00%

Assets individually costing Rs. 10,000 or less are depreciated at the rate of 100%

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (contd.)**

(ii) Intangible Assets

Intangible assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised on a straight line basis over their estimated useful life as given below.

<b>Assets</b>	<b>Rate</b>
Software licence	33.33%
Technical Know how	33.33%

**2.4 Impairment**

Assessment is done at each Balance Sheet date as to whether there is any indication that an asset (tangible and intangible) may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets, is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the asset / cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased.

**2.5 Borrowing Cost**

Borrowing costs that are attributable to the acquisition / construction / production of qualifying assets (assets which require substantial period of time to get ready for its intended use) are capitalised as part of the cost of that asset. All other borrowing costs are charged to revenue.

**2.6 Inventories**

Inventories are stated at lower of cost and net realisable value. Cost is determined using the moving weighted average basis. Goods in transit are valued at cost. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

**2.7 Foreign Currency Transaction**

**Initial Recognition**

On initial recognition, all foreign currency transactions are recorded by applying to the foreign currency amount, the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

**Subsequent Recognition**

As at the reporting date, non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. All non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

All monetary assets and liabilities in foreign currency are restated at the end of accounting period.

Exchange differences on restatement of all monetary items are recognised in the Statement of Profit and Loss.

**Forward Exchange Contracts**

Forward Contracts for firm commitment and highly probable forecast transactions outstanding as at the year end are marked to market and the resultant loss, if any, is recognized in Profit & Loss statement and in case of gain the same is ignored.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (contd.)

### 2.8 Revenue Recognition

Revenue from sales is recognised when the substantial risks and rewards of ownership in the goods are transferred to the buyer as per the terms of the contract and are recognised net of trade discounts, rebates, sales taxes and excise duties.

### 2.9 Other Income

**Interest :** Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

**Dividend :** Dividend income is recognised when the right to receive dividend is established.

### 2.10 Employee Benefits

#### 1. Short - Term employee benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits and recognised in the period in which the employee renders the related service.

#### 2. Defined Contribution Plans

##### Provident Fund

Contribution towards provident fund for employees is made to the regulatory authorities, where the Company has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Company does not carry any further obligations, apart from the contributions made on a monthly basis.

##### Superannuation Fund

This is a defined contribution Plan. The company contributes sum equivalent to 0%, 5%,10% and 15% of the eligible annual salaries based on the options exercised by the eligible employees to Superannuation Fund administered by Life Insurance Corporation of India (LIC).The Company has no further obligations for future superannuation benefits other than its annual contribution and recognises such contribution as expense as and when due.

#### 3. Defined Benefit Plan

##### Gratuity

The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan") administered by LIC covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses / gains are recognised in the Statement of Profit and Loss in the year in which they arise.

#### 4. Other Long term employee benefits

##### Compensated Absences

Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses / gains are recognised in the Statement of Profit and Loss in the year in which they arise.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (contd.)****2.11 Taxes on Income**

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the relevant prevailing tax laws.

Deferred tax is recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. At each Balance Sheet date, the Company re-assesses unrecognised deferred tax assets, if any.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

Minimum Alternative Tax credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

**2.12 Research & Development Expenditure**

Revenue expenditure on Research and Development is charged off in the year in which it is incurred. Capital expenditure on Research and Development is included under Fixed Assets.

**2.13 Provisions and Contingent Liabilities**

**Provisions :** Provisions are recognised when there is a present obligation as result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance sheet date and are not discounted to its present value.

**Contingent Liabilities :** Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

**2.14 Earnings Per Share**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Earnings considered in ascertaining the Company's earnings per share is the net profit for the period after deducting equity dividends and any attributable tax thereto for the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares, that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (contd.)

		(Rupees in Crores)	
		As at 31 March 2013	As at 31 March 2012
<b>3</b>	<b>Share Capital</b>		
3.1	<b>Authorised</b>		
	1,00,00,000 (March 31, 2012 : 1,00,00,000) equity shares of Rs. 10 each	10.00	10.00
	<b>Issued</b>		
	7,914,980 (March 31, 2012 : 7,914,980) equity shares of Rs. 10 each	7.91	7.91
	<b>Issued, Subscribed and paid up</b>		
	7,914,980 (March 31, 2012 : 7,914,980) equity shares of Rs. 10 each	7.91	7.91
3.2	<b>Reconciliation of number of shares</b>		
	Equity Shares		
	Balance as at the beginning of the year		
	Number of Shares	7,914,980	7,914,980
	Value of shares (Rupees in Crores)	7.91	7.91
	Balance as at the end of the year		
	Number of Shares	7,914,980	7,914,980
	Value of shares (Rupees in Crores)	7.91	7.91
3.3	<b>Rights, preferences and restrictions attached to Shares</b>		
	Equity Shares : The Company has one class of equity shares having a par value of Rs. 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their share holding.		
3.4	<b>Shares held by holding company</b>		
	3,367,713 shares (March 31, 2012 : 3,292,713 shares) of Rs. 10 each, fully paid up held by Rane Holdings Limited, the Holding Company	3.37	3.29

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (contd.)

		(Rupees in Crores)	
		As at 31 March 2013	As at 31 March 2012
3.5	<b>Details of shares held by shareholders holding more than 5% of the aggregate shares in the company</b>		
	Equity Shares in Numbers		
	Rane Holdings Limited	3,367,713 (42.55%)	3,292,713 (41.60%)
	Nisshinbo Holdings Inc.	1,595,249 (20.15%)	1,595,249 (20.15%)
	United India Insurance Company Ltd.	479,030 (6.05%)	479,030 (6.05%)
4	<b>Reserves and Surplus</b>		
4.1	<b>Securities Premium Account</b>		
	Balance as at the beginning of the year	2.80	2.80
	<b>Balance as at the end of the year</b>	<u>2.80</u>	<u>2.80</u>
4.2	<b>General Reserve</b>		
	Balance as at the beginning of the year	52.48	50.86
	Add: Transferred from surplus in Profit and Loss Statement	0.91	1.62
	<b>Balance as at the end of the year</b>	<u>53.39</u>	<u>52.48</u>
4.3	<b>Surplus in Profit and Loss Statement</b>		
	Balance as at the beginning of the year	33.40	25.27
	Profit for the year	9.10	16.19
	Less: Appropriations		
	Interim dividend on the Equity Shares (Rs. 2 per share (Rs. 4 per share))	1.58	3.17
	Dividend distribution tax on Interim dividend on Equity Shares	0.26	0.51
	Proposed dividend on the Equity Shares (Rs. 2 per share (Rs. 3 per share)) (Refer Note 24)	1.58	2.37
	Dividend distribution tax on proposed dividend on Equity Shares	0.26	0.39
	Transfer to General Reserve	0.91	1.62
	<b>Balance as at the end of the year</b>	<u>37.91</u>	<u>33.40</u>
		<u>94.10</u>	<u>88.68</u>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (contd.)

		(Rupees in Crores)	
		As at 31 March 2013	As at 31 March 2012
<b>5</b>	<b>Long - term borrowings</b>		
5.1	<b>Secured</b>		
	Term Loans		
	Foreign Currency Loans from Banks	34.00	39.27
		<u>34.00</u>	<u>39.27</u>
5.1.a	In respect of foreign currency loans availed, the Company has entered into derivative contracts to hedge the loans including interest. This has the effect of freezing the rupee equivalent of these liabilities as reflected under the Borrowings. Thus there is no impact in the Profit & Loss Statement, arising out of exchange fluctuations for the duration of the loans. Consequently, there is no restatement of the loan taken in foreign currency. The interest payable in Indian Rupees on the borrowings are accounted for in the Profit & Loss Statement.		
5.2	<b>Unsecured</b>		
	Fixed Deposits (Refer Note 5.5)	5.75	2.66
	Deferred Sales Tax Loan	5.53	5.75
		<u>11.28</u>	<u>8.41</u>
		<u>45.28</u>	<u>47.68</u>
5.3	<b>Nature of Security and terms of repayment for secured borrowings</b>		

### Nature of Security

- i. Term loan from a Bank (including repayable within one year classified in Note 11 other current liabilities) amounting to Rs. 1.92 Crores (March 31, 2012 : Rs. 5.93 Crores) are secured by paripasu basis first charge on the company's immovable properties both present and future and also secured by hypothecation of company's movable properties both present and future.
- ii. Term loan from a Bank (including repayable within one year classified in Note 11 other current liabilities) amounting to Rs. 11.89 Crores (March 31, 2012 : Rs. 16.64 Crores) are secured by paripasu basis first charge on the company's immovable properties both present and future and also secured by hypothecation of company's movable properties both present and future.
- iii. Term loan from a Bank (including repayable within one year classified in Note 11 other current liabilities) amounting to Rs. 2.45 Crores (March 31, 2012 : Rs. 4.08 Crores) are secured by way of hypothecation and as sole charge on the Plant & Machinery both present and future situated at Trichy Plant.

### Terms of Repayment

- Repayable in 16 equal quarterly instalments from the date of the loan (November 26, 2009) along with interest rate of 10.62%
- Repayable in 16 equal quarterly instalments from the date of the loan (December 28, 2011) along with interest rate of 8.00%
- Repayable in 12 equal quarterly instalments from the date of the loan (October 17, 2011) along with interest rate of 8.22%

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (contd.)**

- iv. Term loan from a Bank (including repayable within one year classified in Note 11 other current liabilities) amounting to Rs. 23.02 Crores (March 31, 2012 : Rs. 24.55 Crores) are secured by paripasu basis first charge on the company's immovable properties both present and future and also secured by hypothecation of company's movable properties both present and future. Repayable in 16 equal quarterly instalments from the date of the loan (January 20, 2013) along with interest rate of 7.25%
- v. Term loan from a Bank (including repayable within one year classified in Note 11 other current liabilities) amounting to Rs. 9.17 Crores (March 31, 2012 : Rs. Nil) are secured by way of first paripasu charge on all the present and future movable fixed assets of the Company. Repayable in 8 equal quarterly instalments from the date of the loan (May 07, 2014) along with interest rate of 9.50%

**5.4 Terms of Repayment for unsecured borrowings:**

- (i) Deferred Sales Tax Loan - Government of Andhra Pradesh, Commissionerate of Industries issued to the Company Eligibility Certificate No.20/2/8/1551 dated January 27, 1999 for deferral of sales tax beyond the base sales turnover of Rs. 21 Crores for a period of 14 years i.e. from 01.07.1998 to 30.06.2012 which would be treated as interest free loan. The sales tax deferred for the period from January 1, 1999 to March 31, 2012 aggregating Rs. 5.75 Crores (Rs. 5.91 Crores) has been classified as Unsecured Loan under Long Term Borrowings and current maturities classified under Note 11 Other Current Liabilities. Deferred sales tax loan is repayable in monthly instalments for 14 years beginning from July, 2012.

- (ii) Fixed Deposits Repayable as per the terms of individual deposit ranging from 24 months to 36 months from the date of acceptance of deposits

**(Rupees in Crores)**

	<b>As at 31 March 2013</b>	As at 31 March 2012
5.5 Includes Fixed Deposits held by Directors	<b>0.67</b>	0.74
Deposits held by Relatives	<b>0.24</b>	0.41
<b>6 Deferred Tax Liabilities (Net)</b>		
<b>Deferred Tax Liabilities</b>		
Difference between WDV of Fixed Assets as per books and as per Income Tax Act	<b>11.79</b>	11.59
<b>Deferred Tax Assets</b>		
Provision for expenses allowable on payment basis	<b>1.13</b>	0.97
Other timing differences	<b>1.39</b>	1.25
	<b>9.27</b>	9.37

Deferred Tax Assets and Deferred Tax Liabilities have been offset as they relate to the same governing taxation laws.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (contd.)

		(Rupees in Crores)	
		As at 31 March 2013	As at 31 March 2012
<b>7</b>	<b>Other Long-term Liabilities</b>		
	Trade Deposits	0.04	0.04
	Others		
	Interest payable to Micro & Small Enterprises (Refer Note 35)	–	0.17
		<u>0.04</u>	<u>0.21</u>
<b>8</b>	<b>Long-term Provisions</b>		
	Provision for Employee Benefits		
	Provision for Compensated absences (See Note No.29(c))	1.89	1.55
	Other Provisions		
	Provision for Litigations / Disputes	0.12	0.69
	Provision for Sales Tax Disputes*	0.00	0.00
	Provision for Warranty	0.03	0.05
		<u>2.04</u>	<u>2.29</u>

\* Amount Rs. 16,164 (March 31, 2012 : Rs. 16,164), is below the rounding off norm adopted by the Company.

### Provisions:

(Rupees in Crores)

	Litigations / Disputes		Sales Tax Disputes*	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Balance as at the beginning of the year	0.69	0.44	0.00	0.00
Additions	–	0.28	–	–
Amounts used	0.30	0.03	–	–
Unused amounts reversed	0.27	–	–	–
Balance as at the end of the year	0.12	0.69	0.00	0.00
Classified as Non-Current	0.12	0.69	0.00	0.00
Classified as Current	–	–	–	–
	<u>0.12</u>	<u>0.69</u>	<u>0.00</u>	<u>0.00</u>

\* Amount Rs. 16,164 (March 31, 2012 : Rs. 16,164), is below the rounding off norm adopted by the Company.

		(Rupees in Crores)	
		As at 31 March 2013	As at 31 March 2012
<b>9</b>	<b>Short-term Borrowings</b>		
	<b>Secured</b>		
	Working Capital Loans repayable on demand from banks (Refer Note (a))	4.88	9.88
	Short-term Loans repayable on demand from bank (Refer Note (b))	10.50	–
	Buyers Credit / Packing Credit Facility (Refer Note (a) below and (5.1.a))	13.29	6.01
		<u>28.67</u>	<u>15.89</u>

(a) Working Capital Loans, Buyers credit and PCFC, from 6 (March 31, 2012 - 6) banks, are secured on paripasu basis by way of hypothecation of all inventories, book debts and other current assets of the Company.

(b) Short term loan from a bank is secured on a paripasu basis by way of hypothecation of inventories, book debts and other current assets of the Company.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (contd.)

		(Rupees in Crores)	
		As at 31 March 2013	As at 31 March 2012
<b>10</b>	<b>Trade Payables</b>		
	Acceptances	–	2.84
	Trade Payables		
	– Due to Micro and Small Enterprises (Refer Note 35)	1.48	2.15
	– Others	46.24	42.73
		47.72	47.72
<b>11</b>	<b>Other Current Liabilities</b>		
	Current Maturities of Long-term debt		
	– Term Loan Repayable Within One year (Refer note 5.3)	14.44	12.40
	– Fixed Deposits repayable within one year	1.28	7.90
	– Deferred Sales Tax Loan repayable within one year	0.22	0.16
	Interest accrued but not due on borrowings	1.19	1.48
	Unpaid dividends (Refer note (a) below)	0.13	0.14
	Statutory dues including Provident Fund and Tax deducted at Source	3.26	2.89
	Creditors for Capital Goods	1.88	1.32
	Others	0.27	0.22
		22.67	26.51
	(a) There are no amounts due for payment to the Investor Education and Protection Fund under Section 205C of the Companies Act, 1956 as at the year end		
<b>12</b>	<b>Short Term Provisions</b>		
	Provision for Employee benefits		
	Provision for Compensated absence (Refer Note 29(b))	1.10	0.94
	Provision for Gratuity (Refer Note 29(a))	0.78	1.68
	Other provisions		
	Provision for Warranty (Refer Note below)	0.09	0.10
	Proposed Dividend on Equity Shares	1.58	2.37
	Dividend Distribution Tax on above	0.26	0.38
		3.81	5.48

### Warranty Provisions

Particulars	Warranty - Short Term		Warranty - Long Term	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Balance as at the beginning of the year	-	-	0.05	0.10
Additions	0.09	0.10	0.10	-
Amounts used	-	-	-	-
Unused amounts reversed	-	-	0.12	0.05
<b>Balance as at the end of the year</b>	<b>0.09</b>	<b>0.10</b>	<b>0.03</b>	<b>0.05</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (contd.)**

**Note No. 13 & 14 : Fixed Assets and Capital Work in Progress**

(Rupees in Crores)

Description	Gross Block			Depreciation			Net Block	
	April 1, 2012	March 31, 2013	April 1, 2012	For the year	Disposals / Adjust-ments	March 31, 2013	March 31, 2013	March 31, 2012
<b>13 Tangible Assets</b>								
<b>Own Assets</b>								
Land	2.49	3.77	-	-	-	-	3.77	2.49
Buildings	37.78	39.11	1.33	1.26	-	9.33	29.78	29.71
Plant and Equipment	187.51	202.64	15.73	15.60	0.56	115.02	87.62	87.53
Furniture and Fixtures	1.02	1.21	0.25	0.23	0.04	0.91	0.30	0.30
Vehicles	0.61	0.61	-	0.11	-	0.35	0.26	0.37
Office Equipment	6.18	6.60	0.43	0.55	0.01	5.95	0.65	0.77
Previous year	235.59	253.94	19.02	17.75	0.61	131.56	122.38	121.17
	202.95	235.59	32.97	15.01	0.23	114.42	121.17	103.31
<b>14 Intangible Assets</b>								
<b>Own Assets (Acquired)</b>								
Software Licence	1.01	1.30	0.29	0.12	-	1.00	0.30	0.13
Technical Knowhow	1.78	1.78	-	-	-	1.78	0.00	0.00
<b>Others</b>								
Goodwill	1.62	1.62	-	0.00	-	1.62	0.00	0.00
Previous year	4.41	4.70	0.29	0.12	-	4.40	0.30	0.13
	4.27	4.41	0.14	0.09	-	4.28	0.13	0.09
Capital Work in Progress							18.58	2.68

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (contd.)**

		(Rupees in Crores)	
		As at 31 March 2013	As at 31 March 2012
<b>15</b>	<b>Long Term Loans and Advances</b>		
	Unsecured, considered good (unless otherwise stated)		
	Capital Advances	0.77	1.73
	Security Deposits	0.20	0.09
	Interest Free Loan to Rane Foundation (Refer note (a))	0.75	0.75
	Advance payment of Income Tax and Tax Deducted at Source (Refer note (b))	2.60	2.27
	Rent Advance	0.02	0.06
	Other loans and advances		
	Balance with Government Authorities (Refer note (c))	0.63	0.48
	Balance with Electricity Board	1.87	2.13
		<b>6.84</b>	<b>7.51</b>
	(a) Interest free loan given to a Trust in which Chairman and directors are Trustees	0.75	0.75
	(b) Net of provision for taxes Rs. 59.61 Crs (March 31, 2012 : Rs. 57.10 Crs)		
	(c) Includes Sales tax and Excise deposit	0.48	0.30
<b>16</b>	<b>Other Non current assets</b>		
	Unsecured, considered good (unless otherwise stated)		
	Long term deposits with banks with maturity period more than 12 months (Refer note (a) below)	0.20	0.62
	Other Bank Balances		
	Unpaid Dividend Account	0.13	0.14
	Interest Warrant Account	0.01	0.03
	Margin money deposit (Refer Note (b) & (c))	-	0.00
		<b>0.34</b>	<b>0.79</b>

(a) Represents deposit held by Electricity Department - for Puducherry Plant towards Security Deposit.

(b) Held as lien by bank against bank guarantees.

(c) Amount is Rs. Nil (March 31, 2012 : Rs. 10,000), below the rounding off norm adopted by the Company.



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (contd.)

		(Rupees in Crores)	
		As at 31 March 2013	As at 31 March 2012
<b>17</b>	<b>Inventories</b>		
	Stores and Spares	1.59	1.74
	Raw Materials (includes in transit : Rs. 1.98, March 31, 2012 : Rs. 5.80) (Includes Packing Material Rs. 0.22, March 31 2012 : Rs. 0.26)	16.92	20.96
	Work - in - Progress (Refer Note a (ii))	3.38	2.77
	Finished Goods (Refer Note a (i))	6.27	2.88
		<b>28.16</b>	<b>28.35</b>
	<b>(a) Details of Inventory</b>		
	<b>(i) Goods Manufactured</b>		
	Brake Linings	3.52	1.38
	Disc Pads	2.01	1.16
	Clutch Facings	0.24	0.08
	Railway Brake Blocks	-	0.02
	Others	0.50	0.24
		<b>6.27</b>	<b>2.88</b>
	<b>(ii) Details of Work in progress</b>		
	Brake Linings	1.78	0.88
	Disc Pads	1.02	1.45
	Clutch Facings	0.28	0.34
	Railway Brake Blocks	0.30	0.10
	Others	-	-
		<b>3.38</b>	<b>2.77</b>
<b>17.1</b>	Method of Valuation of Inventory: Refer Note 2.6 of Significant Accounting Policies		
<b>18</b>	<b>Trade Receivables</b>		
	<b>Unsecured Considered good</b>		
	- Outstanding for a period exceeding 6 months from the date they are due for payment	-	-
	- Others	75.16	69.58
	<b>Unsecured Considered Doubtful</b>		
	- Outstanding for a period exceeding 6 months from the date they are due for payment	0.66	0.18
	- Others	0.07	0.11
	Less : Provision for Doubtful debts	(0.73)	(0.29)
		<b>75.16</b>	<b>69.58</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (contd.)**

		(Rupees in Crores)	
		As at 31 March 2013	As at 31 March 2012
<b>19</b>	<b>Cash and Bank Balances</b>		
	Cash and Cash Equivalents		
	- Cash on hand	0.02	0.01
	Bank Balances		
	- In Current Accounts	1.12	1.49
		<u>1.14</u>	<u>1.50</u>
	Other Bank Balances		
	- Demand deposits (less than 3 months maturity)	1.19	8.80
	- Long term deposit with maturity more than 3 months but less than 12 months	1.25	0.35
		<u>3.58</u>	<u>10.65</u>
<b>20</b>	<b>Short Term Loans and Advances</b>		
	Unsecured, considered good, unless otherwise stated		
	Other loans and advances		
	- Balance with Government Authorities	0.76	1.68
	- Others	4.30	6.12
	Prepaid Expenses	0.83	0.59
		<u>5.89</u>	<u>8.39</u>
<b>21</b>	<b>Other Current Assets</b>		
	Unsecured, considered good, unless otherwise stated		
	Interest accrued on Deposits	0.28	0.41
	Insurance Claims receivable	-	2.08
	Unsecured, considered doubtful		
	Insurance Claims receivable	0.60	-
	Less: Provision for Doubtful claims	(0.60)	-
		<u>0.28</u>	<u>2.49</u>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (contd.)

(Rupees in Crores)

	As at 31 March 2013	As at 31 March 2012
<b>22 Contingent Liabilities</b>		
Claims against the company not acknowledged as debt		
Income Tax matters	4.01	5.43
Sales Tax matters	1.31	0.85
Excise Duty matters	1.73	1.69
Service Tax matters	1.70	1.56
Labour Cases	—	0.01
	<b>8.75</b>	<b>9.54</b>
(a) It is not practicable for the Company to estimate the timings of cash outflows, if any, in respect of the above pending resolution of the respective proceedings. Future cash outflows in respect of the above are determinable only on receipt of the judgements / decisions pending with various forums / authorities.		
(b) The Company does not expect any reimbursements from third parties in respect of the above contingent liabilities.		
<b>23 Capital and other Commitments</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance)	4.36	23.64
	<b>4.36</b>	<b>23.64</b>
<b>24 Proposed Dividend</b>		
The final dividend proposed for the year is as follows:		
On Equity shares of Rs. 10/- each		
Amount of dividend proposed	1.58	2.37
Dividend per Equity Share	<b>Rs. 2 Per Share</b>	<b>Rs. 3 Per Share</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (contd.)**

		(Rupees in Crores)	
		Year ended 31 March 2013	Year ended 31 March 2012
<b>25</b>	<b>Revenue</b>		
	Sale of Products (Gross)		
	Finished Goods	425.03	397.97
	Other Operating revenues		
	Sale of Materials	0.06	0.63
	Scrap Sales	0.53	0.39
	<b>Revenue from Operations (Gross)</b>	<b>425.62</b>	<b>398.99</b>
	Less : Excise duty	49.18	39.82
	<b>Revenue from Operations (Net)</b>	<b>376.44</b>	<b>359.17</b>
	<b>(a) Details of Sales (Finished goods)</b>		
	Brake Linings	189.39	194.10
	Disc Pads	143.95	129.26
	Clutch Facings	9.48	8.14
	Railway Brake Blocks	24.46	20.74
	Others	9.11	6.36
	<b>Sales (net)</b>	<b>376.39</b>	<b>358.60</b>
	<b>(b) Details of sales (Traded goods)</b>		
	Raw Materials	0.05	0.57
		<b>0.05</b>	<b>0.57</b>
<b>26</b>	<b>Other Income</b>		
	Interest Income	0.57	0.57
	Provision / Liabilities written back to the extent no longer required	2.37	2.63
	Profit on Sale of Asset (Net)*	0.08	0.00
	Other non-operating income - Net	0.22	1.15
		<b>3.24</b>	<b>4.35</b>

\* Amount, Rs. 17,208 in the previous year, is below the rounding off norm adopted by the Company.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (contd.)

		(Rupees in Crores)	
		Year ended 31 March 2013	Year ended 31 March 2012
<b>27</b>	<b>Cost of materials Consumed</b>		
	Raw materials and components consumed		
	Opening Inventory	20.96	19.16
	Add : Purchases	190.65	183.86
	Less : Inventory at the end of the year	<u>16.92</u>	<u>20.96</u>
		194.69	182.06
	Freight Inward	3.56	3.88
	Job Work Expenses	<u>3.39</u>	<u>3.45</u>
		<u>201.64</u>	<u>189.39</u>
<b>27.1</b>	Refer note 33 (a) and (d) for details of material consumed		
<b>28</b>	<b>Changes in inventory of finished goods and work in progress</b>		
	(Increase) / decrease in stocks		
	Stock at the beginning of the year :		
	Finished Goods	2.88	0.87
	Work-in-progress	2.77	3.14
	Total - A	5.65	4.01
	Stock at the end of the year :		
	Finished Goods	6.27	2.88
	Work-in-progress	3.38	2.77
	Total - B	9.65	5.65
	<b>(Increase) / Decrease in Stocks (A - B)</b>	<u>(4.00)</u>	<u>(1.64)</u>
<b>29</b>	<b>Employee Benefit Expenses</b>		
	Salaries, Wages and Bonus	39.00	35.13
	Contribution to Provident and Other Funds	2.70	2.29
	Gratuity (Refer note (b) below)	0.78	1.68
	Staff Welfare Expenses	6.78	7.05
		<u>49.26</u>	<u>46.15</u>
	<b>(a) Defined Contribution Plans</b>		
	During the year the following amounts have been recognised in the Profit and Loss Statement on account of defined contribution plans :		
	Employers contribution to Provident Fund	2.31	1.94
	Employers contribution to Employee's State Insurance	0.14	0.13
	Employers contribution to Superannuation Fund	0.38	0.35

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (contd.)**

**(b) Defined benefit Plans (Funded)**

Gratuity: Every employee is entitled to a benefit equivalent to fifteen days salary last drawn for each completed year of service in line with the Payment of Gratuity Act, 1972. The same is payable at the time of separation from the Company or retirement, whichever is earlier. The benefits vest after five years of continuous service.

	<b>(Rupees in Crores)</b>	
<b>Gratuity</b>	<b>Year ended 31 March 2013</b>	<b>Year ended 31 March 2012</b>
<b>(i) Present value of Defined benefit obligation</b>		
Balance at the beginning of the year	8.72	6.60
Current service cost	0.69	0.53
Interest cost	0.69	0.53
Actuarial (gain) / loss	0.15	1.22
Benefits paid	(0.25)	(0.16)
Balance at the end of the year	10.00	8.72
<b>(ii) Fair Value of plan assets</b>		
Balance at the beginning of the year	7.04	6.37
Expected return on plan assets	0.74	0.60
Contribution by the company	1.69	0.23
Benefits paid	(0.25)	(0.16)
Balance at the end of the year	9.22	7.04
<b>(iii) Assets and Liabilities recognised in the Balance sheet</b>		
Present value of Defined Benefit obligation	10.00	8.72
Less : Fair Value of Plan Assets	(9.22)	(7.04)
Amounts recognised as liability	0.78	1.68
Recognised under :		
Long Term Provision	-	-
Short Term Provision	0.78	1.68
Current Liabilities	-	-
	0.78	1.68
<b>(iv) Expense recognised in the Profit and Loss Statement</b>		
Current service cost	0.69	0.53
Interest cost	0.69	0.53
Expected return on plan assets	(0.72)	(0.60)
Actuarial (gain) / loss recognised in the year	0.13	1.22
Past Service Cost	-	-
Settlements	-	-
Curtailments	-	-
	0.78	1.68

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (contd.)

(Rupees in Crores)

	31 March 2013	Year ended			
		31 March 2012	31 March 2011	31 March 2010	31 March 2009
<b>(v) Actuarial Assumptions</b>					
Discount rate	8.00%	8.00%	8.00%	8.00%	7.70%
Expected return on plan assets	9.30%	9.30%	9.30%	9.30%	9.30%
Salary Growth Rate	8.00%	8.00%	8.00%	8.00%	6.42%
Attrition rate	1.50%	1-3%	1-3%	1-3%	5.23%
<b>(vi) Amounts recognised in current year and previous four years</b>					
<b>Gratuity</b>					
Defined Benefit Obligation	10.00	8.72	6.60	6.36	4.24
Plan Assets	9.22	7.04	6.38	4.60	4.61
Surplus / (Deficit)	0.78	1.68	0.22	1.76	(0.37)

The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotions and other relevant factors, such as demand and supply in the employment market. The above disclosures are based on information furnished by the independent actuary and relied upon by the auditors

### (c) Compensated Absences (Vesting and Non-vesting unfunded)

Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

The Company accounts its liability for long term compensated absences based on actuarial valuation, as at the balance sheet date, determined every year by an independent actuary using the Projected Unit Credit method. Actuarial gains and losses are recognised in the profit and loss account in the year in which they occur.

	Year ended 31 March 2013	Year ended 31 March 2012
<b>Assumptions</b>		
Discount Rate	8.00%	8.00%
Salary escalation rate	9.30%	9.30%
Attrition rate	1-3%	1-3%

The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotions and other relevant factors, such as demand and supply in the employment market.

### 30 Finance Costs

Interest Expense		
Term Loans	4.21	3.94
Fixed Deposits	0.83	1.18
Working Capital Loans	1.90	0.97
Other borrowing costs	0.35	0.67
	<u>7.29</u>	<u>6.76</u>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (contd.)**

		(Rupees in Crores)	
		Year ended 31 March 2013	Year ended 31 March 2012
<b>31</b>	<b>Depreciation and Amortisation Expense (Refer note 13 &amp; 14)</b>		
	Depreciation on Tangible assets	17.75	15.01
	Amortisation on Intangible assets	0.12	0.09
		17.87	15.10
<b>32</b>	<b>Other Expenses</b>		
	Consumption of Stores and Spare parts (Refer Note 33(d))	6.34	6.20
	Excise Duty (Refer note (a) below)	0.64	0.23
	Power and fuel (Refer note (b) below)	27.60	19.43
	Rent	0.08	0.08
	Repairs & Maintenance		
	Buildings	0.02	0.07
	Machinery	6.43	6.57
	Others	2.70	2.31
	Insurance	0.62	0.58
	Rates and taxes	1.16	0.97
	Travelling and Conveyance	3.35	3.09
	Professional Charges	6.64	6.29
	Royalty and Technical Fees	3.54	3.42
	Freight Outward	7.37	6.73
	Packing and Forwarding	7.07	7.02
	Advertisement and Sales Promotion	1.74	1.56
	Discount and Incentive	11.12	11.05
	Sales Commission	2.02	1.69
	Product Warranty	0.09	0.10
	Trade Mark Fee	2.01	1.88
	Provision for Bad & Doubtful debts	0.57	0.14
	Directors' Sitting Fees	0.07	0.08
	Donation	0.43	0.32
	Auditors' Remuneration - see Note 32.1 below	0.12	0.25
	Miscellaneous Expenses	4.92	5.30
		96.65	85.36
	(a) Excise Duty on Sale of products has been deducted from sales revenue and Excise Duty shown under Other Expense represents the difference between Excise Duty on opening and closing stock of finished goods.		
	(b) Power & Fuel includes an amount of Rs. 1.95 crores being Fuel Surcharge Adjustment Charges for the period from May 2009 to March 2013, accounted for having regard to the order of Honourable High Court of Andhra Pradesh in December 2012.		
<b>32.1</b>	<b>Auditors' Remuneration</b>		
	a. Audit fee	0.08	0.14
	b. Tax Audit Fee	0.01	0.02
	c. Other services	0.03	0.09
	d. Reimbursement of expenses*	0.00	0.00
		0.12	0.25

\* Amount Rs. 8,333 (March 31, 2012 : Rs. 38,001), is below the rounding off norm adopted by the Company



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (contd.)

(Rupees in Crores)

33 Additional Information to the financial statements	Year ended 31 March 2013	Year ended 31 March 2012
	<b>(a) Raw Materials consumed</b>	
i) Asbestos	18.15	15.55
ii) Chemicals & Resins	139.21	131.09
iii) Steel Components	34.78	33.78
iv) Others	2.55	1.64
	<b>194.69</b>	<b>182.06</b>
<b>(b) CIF Value of Imports</b>		
i) Raw Materials	73.77	67.42
ii) Components and spare parts	-	-
iii) Capital goods	9.88	6.10
	<b>83.65</b>	<b>73.52</b>
<b>(c) Expenditure in foreign currency</b>		
i) Royalty (Net of tax)	3.19	3.08
ii) Technical Fees (Net of tax)	1.51	1.28
iii) Travelling	0.01	0.05
iv) Sales Commission	0.30	0.37
v) Professional and Consultancy Charges	0.55	0.45
	<b>5.56</b>	<b>5.23</b>
<b>(d) Value of imported and indigenous raw materials, components and spares consumed and percentage of each to the total consumption :</b>		

Particulars	Year ended			
	March 31, 2013		March 31, 2012	
	Value	Percentage	Value	Percentage
i) Raw Materials				
a) Imported	89.79	45%	85.97	46%
b) Indigenous	104.90	52%	96.09	51%
ii) Stores and Spare Parts				
a) Imported	-	-	-	-
b) Indigenous	6.34	3%	6.20	3%
	<b>201.03</b>	<b>100%</b>	<b>188.26</b>	<b>100%</b>

### (e) Amount remitted in foreign currencies towards dividends during the year :

Particulars	Year ended					
	March 31, 2013			March 31, 2012		
	No. of Non-resident share holders	No. of equity shares held	Dividend remitted	No. of Non-resident share holders	No. of equity shares held	Dividend remitted
Interim Dividend paid during the year	1	1,595,249	0.32	1	1,595,249	0.64
Final Dividend paid during the year	1	1,595,249	0.48	1	1,595,249	0.32

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (contd.)**

		(Rupees in Crores)	
		Year ended 31 March 2013	Year ended 31 March 2012
	<b>(f) Earnings in foreign currency</b>		
	FOB Value of exports	21.09	19.71
		21.09	19.71
	<b>(g) Other Financial Information</b>		
	Outstanding Bank Guarantees	2.14	1.15
	Outstanding Letter of Credit	1.03	2.81
	Net exchange difference debited to Profit and Loss Statement	(0.56)	0.08
		2.61	4.04
	<b>(h) Research and Development Cost</b>		
	Capital Expenditure	0.72	0.41
	Revenue Expenditure	6.08	4.84
		6.80	5.25
<b>34</b>	<b>Managerial Remuneration</b>		
	<b>(a) Remuneration to Manager - Approved by Remuneration Committee</b>		
	Salaries and Allowances	0.65	-
	Contribution to provident and Other Funds	0.09	-
	Perquisites*	0.00	-
		0.74	-
	<b>(b) Computation of Net Profit in accordance with Section 198 of the Companies Act, 1956 and calculation of Commission to Chairman</b>		
	Profit before tax	10.92	21.90
	Commission to Chairman	0.11	0.22
	Directors sitting fees	0.07	0.08
	Adjusted Profit	11.10	22.20
	Commission @ 1%	0.11	0.22
	Restricted to	0.11	0.22

\* Amount of Rs. 30,943 (March 31, 2012 : Rs. Nil) is below the rounding off norm adopted by the Company.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (contd.)

(Rupees in Crores)

	Year ended 31 March 2013	Year ended 31 March 2012
<b>35 Dues to Micro and Small enterprises</b>		
Dues to Micro, Small & Medium Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the company. This has been relied upon by the Auditors. According to the records available with the Company certain amount have been identified as dues to suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The disclosures pursuant to the said MSMED Act are as follows :		
Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	1.48	2.15
Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	-	0.17
Principal amount paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	11.35	15.41
Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	0.22	-
Interest due and payable towards suppliers registered under MSMED Act, for payments already made	-	0.06
Further interest remaining due and payable for earlier years	-	0.12

### 36 Segment Reporting

The Company is engaged in the business of manufacture of "components for Transportation Industry" which is considered to be the only reportable business segment as per the Accounting Standard 17. As the exports are predominantly to developed countries, geographical risk is not different from domestic market and hence no separate secondary segment disclosure is required.

### 37 Earnings per Share

	31 March 2013	31 March 2012
(a) Basic		
Profit after tax	9.10	16.19
Adjusted net profit for the year	9.10	16.19
Weighted average number of shares outstanding	7,914,980	7,914,980
Basic EPS	11.50	20.45
(b) Diluted		
Diluted EPS	11.50	20.45
Face value per share (Rs.)	10.00	10.00

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (contd.)

### 38 Related Party Disclosures

(a) Names of related parties and nature of relationship :

- |   |  |
|---|--|
| (i) Holding Company   | Rane Holdings Limited (RHL)  |
| (ii) Fellow subsidiaries                                      | Rane (Madras) Limited (RML)<br>Rane Die cast Limited (RDL)<br>Rane Engine Valve Limited (REVL)<br>Rane Holdings America Inc. (RHAL)  |
| (iii) Significant influence                                   | Nisshinbo Holdings Inc. (NHI)  |
| (iv) Key Management Personnel (KMP)                           | Mr. L Ganesh - Chairman<br>Mr. P S Rao - Manager under the Companies Act, 1956 w.e.f. April 01, 2012   |
| (v) Relatives of KMP (L.Ganesh & P S Rao)                     | Mr.L.Lakshman, Mrs. Pushpa Lakshman,<br>Mr. Harish Lakshman, Mrs. Hema C Kumar,<br>Mrs.Vanaja Aghoram, Mrs. Shanthi Narayan,<br>Mr. Vinay Lakshman, Mrs. Meenakshi Ganesh,<br>Mr. Aditya Ganesh, Mrs. Aparna Ganesh and<br>Mrs. Poduri Lakshmi Rao |
| (vi) Enterprise over which KMP exercise significant influence | Rane TRW Steering Systems Limited (RTSSL)<br>Kar Mobiles Limited (KML)<br>Rane Foundation (RF)<br>Lakshman (HUF)   |

(b) The above information regarding related parties have been determined to the extent such parties have been identified on the basis of information available with the Company.

(c) Transactions / Balances

(Rupees in Crores)

Description	Holding Company		Fellow Subsidiary		KMP		Relatives of KMP		Enterprise over which KMP / relatives of KMP exercise significant influence		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
<b>Transactions during the year</b>												
Trade Mark Fee	2.01	1.88	-	-	-	-	-	-	-	-	2.01	1.88
Professional Charges	3.45	3.93	0.19	0.09	-	-	-	-	-	-	3.64	4.02
Reimbursement of expenses	-	0.16	0.01	0.10	-	-	-	-	-	-	0.01	0.26
Commission to Chairman	-	-	-	-	0.11	0.22	-	-	-	-	0.11	0.22
Fixed deposits Accepted	-	-	-	-	0.05	0.37	0.08	0.06	0.19	NA	0.32	0.43
Fixed deposits Renewed / Repaid	-	-	-	-	0.05	0.22	0.35	0.06	0.19	NA	0.59	0.28
Interest on Fixed Deposits	-	-	-	-	0.01	0.08	0.07	0.03	0.02	NA	0.10	0.11
Sitting fees paid	-	-	-	-	-	-	NA	0.01	-	-	-	0.01
Interest Free Loan	-	-	-	-	-	-	-	-	-	0.25	-	0.25
Donation	-	-	-	-	-	-	-	-	0.40	0.30	0.40	0.30
<b>Balance as at year end</b>												
<b>Payables</b>												
Fixed Deposits	-	-	-	-	0.05	0.81	0.57	0.32	0.19	NA	0.81	1.13
<b>Receivables</b>												
Interest Free Loan	-	-	-	-	-	-	-	-	0.75	0.75	0.75	0.75
Fellow Subsidiary*	-	-	0.00	-	-	-	-	-	-	-	0.00	-

\* Amount of Rs. 46,250 (March 31, 2012 : Rs. Nil) is below the rounding off norm adopted by the Company.

# Rane Brake Lining Limited

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (contd.)

### 39 Category Wise quantitative data about derivate instruments outstanding at the Balance Sheet Date

(Foreign Currency in Crores)

Particulars	March 31, 2013	March 31, 2012
<b>Foreign Currency Exposures that are directly hedged by a derivative instrument or otherwise</b>		
<b>Receivables</b>		
DOLLAR	-	-
EURO	-	-
GBP	0.01	-
AUD	-	-
<b>Payables</b>		
DOLLAR	-	-
EURO	-	-
GBP	-	-
JPY	-	-
<b>Foreign Currency Exposures that are not directly hedged by a derivative instrument or otherwise</b>		
<b>Due to Creditors</b>		
DOLLAR	0.01	0.06
EURO	0.00	-
GBP	-	-
JPY	6.90	7.05
<b>Due from Debtors</b>		
DOLLAR	0.05	0.03
EURO	0.00	0.00
GBP	-	0.00
AUD	0.01	-
<b>Foreign Currency Loan</b>		
DOLLAR	-	0.06
EURO	-	-
GBP	-	-
JPY	-	4.56

40 The figures for the previous year have been regrouped wherever necessary to conform to current year's classification. Figures have also been rounded off to Crores of rupees.

Signature to Notes 1 to 40

For **Varma & Varma**  
Chartered Accountants  
Firm Registration Number : 004532S

For and on behalf of the Board

**P R Prasanna Varma**  
Partner  
(Membership No. 025854)

**L GANESH**  
Chairman

Place : Chennai  
Date : May 20, 2013

**P S RAO**  
Manager

**G KARTHIKEYAN**  
Secretary

**HARISH LAKSHMAN**  
Director

