



Rane Engine Valve Ltd.

39th Annual Report 2011

Board of Directors

L GANESH

Chairman & Managing Director

HARISH LAKSHMAN

Vice Chairman

L LAKSHMAN

R JAGANNATH

ASHOK MALHOTRA

C N SRIVATSAN

R V RAGHAVAN

Audit Committee

C N SRIVATSAN - *Chairman*

ASHOK MALHOTRA

R JAGANNATH

L LAKSHMAN

Investors' Service Committee

L LAKSHMAN - *Chairman*

L GANESH

ASHOK MALHOTRA

President

G RAMKUMAR

General Manager - Finance & Secretary

K SANKARANARAYANAN

Statutory Auditors

BRAHMAYYA & CO.

Chartered Accountants,

48, Masilamani Road,

Balaji Nagar, Royapettah,

Chennai - 600 014.

Listing of Shares with

The Madras Stock Exchange Limited, Chennai

Bombay Stock Exchange Limited, Mumbai

National Stock Exchange of India Limited, Mumbai

Our Bankers

Bank of Baroda, Chennai

The Hongkong and Shanghai Banking Corporation Ltd.,
Chennai

IDBI Bank Ltd., Chennai

HDFC Bank Ltd., Chennai

Standard Chartered Bank, Chennai

South Indian Bank Ltd., Chennai

YES Bank Ltd., Chennai

Registered Office

"MAITHRI", 132, Cathedral Road,

Chennai - 600 086.

Phone : (044) 28112472

Fax : (044) 28112449

E-Mail : investorservices@rane.co.in

Head Office

"ANMOL PALANI"

Level 5, 88, G.N. Chetty Road

P.B. No. 4964,

T. Nagar, Chennai 600 017.

Plants

1. 'Glendale', 5, Noble Street, Post Box No. 1305, Alandur, Chennai - 600 016, Tamilnadu.
2. Plot Nos. 68 to 77, Industrial Estate, Medchal - 501 401, R.R. District, Andhra Pradesh.
3. Post Box No. 4, Redhills Road, Madhavaram, Ponneri - 601 204, Tamilnadu.
4. Survey No. 177/20, Hyderabad-Vikarabad Road, Aziz Nagar - 500 075, R.R. District, Andhra Pradesh.
5. Survey Nos. 109, 111 & 121, Seniapatti, Kasavanur Village, Viralimalai Union - 621 316 Pudukottai District, Tamilnadu.

Registrar and Transfer Agents

Integrated Enterprises (India) Limited

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

Phone: (044) 28140801, Fax: (044) 28142479

Email: corpserve@iepindia.com

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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the **Thirty Ninth Annual General Meeting** of the Equity Shareholders of the Company will be held at **10.30 a.m.** on **Wednesday, the July 20, 2011**, at **Narada Gana Sabha (Main Hall)**, No. 314, TTK Road, Chennai 600 018, to transact the following: -

ORDINARY BUSINESS:

1. To receive, consider and adopt the Directors' Report, the audited accounts of the Company for the year ended March 31, 2011 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, 2011, the Profit and Loss Account for the year ended March 31, 2011 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 ₹. 3/- per equity share declared by the board of directors of the Company on January 24, 2011 on 5,150,992 equity shares of ₹. 10/- each fully paid, absorbing a sum of ₹. 18.02 million (including dividend distribution tax and cess thereon), paid to the shareholders in February 2011, for the year ended March 31, 2011 be and is hereby approved."

"Resolved further that final dividend of ₹. 2/-per equity share of ₹. 10 each on 5,150,992 equity shares be and is hereby declared out of the profits of the Company for the year ended March 31, 2011, absorbing an amount of ₹. 11.97 million (including dividend distribution tax and cess thereon) and that the dividend be paid to those shareholders, whose names appears on the Company's Register of Members as on **July 20, 2011** and in respect of shares in electronic form to those beneficial owners of the shares as at the end of business hours on **July 15, 2011** as per the details furnished by the Depositories for this purpose."

3. To appoint a Director in the place of Mr. L Lakshman, who retires by rotation under Article 106 of the

Articles of Association of the company and being eligible offers himself for re-election.

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

"Resolved that Mr. L Lakshman, who retires by rotation and being eligible for re-appointment, be and is hereby reappointed as a Director of the Company."

4. To appoint a Director in the place of Mr. R Jagannath, who retires by rotation under Article 106 of the Articles of Association of the company and being eligible offers himself for re-election.

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

"Resolved that Mr. R Jagannath, 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 Messrs Brahmayya & Co., Chartered Accountants, are eligible for re-appointment. The declaration under Section 224(1B) of the Companies Act, 1956 has been received.

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

"Resolved that Messrs Brahmayya & Co., Chartered Accountants (Registration No. 000511S with the Institute of Chartered Accountants of India), be and are hereby re-appointed as the auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be determined by the Board of Directors of the Company, in addition to reimbursement of travelling and other out-of-pocket expenses actually incurred by them in connection with the audit."

SPECIAL BUSINESS:

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

"Resolved that pursuant to provisions of Sections 198, 269, 309, 310, 311 and 316 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 ("Act") and such other approvals, permissions and sanctions, as may be

required, the approval of the shareholders be and is hereby accorded for re-appointment of Mr. L Ganesh, Chairman as 'Managing Director' of the Company within the meaning of Section 2(26) of the Act for a period of three years i.e., from the period April 1, 2011 to March 31, 2014, on a remuneration by way of commission as may be decided by the Board for every financial year, upto a maximum of five percent (5%) of the net profits of the Company, calculated in accordance with the provisions of Sections 198, 349 and 350 of the Act."

"Resolved further that the Board be and is hereby authorised to do all such acts, deeds and things as may be necessary to give effect to the resolution and to settle any questions, difficulties or doubts that may arise in this regard."

(By Order of the Board)
For **Rane Engine Valve Limited**

Chennai
May 19, 2011

K Sankaranarayanan
General Manager (Finance) & Secretary

NOTES:

- Any member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of himself. The proxy need not be a member of the Company. The proxies should however be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.**
 - The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business as given in the notice is annexed.
 - The Register of Members of the Company will remain closed from **Saturday, the July 16, 2011 to Wednesday, the July 20, 2011** (both days inclusive).
 - Pursuant to the provisions of Section 205A of the Companies Act 1956, dividend for the financial year ended March 31, 2004 and thereafter which remain unclaimed for a period of seven years (including the dividends declared by erstwhile Rane Engine Valves Ltd.) will be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government.
- Members are requested to contact the Company's Registrars and Transfer Agents, for payment in respect of the unclaimed dividend for the financial year 2003-04 and thereafter.
- 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 you have already registered with your respective Depository Participants (DPs). We encourage your participation and expect your support in this initiative. In case you are yet to register your e-mail address, please update the same with your DP. Members holding shares in physical form may register their e-mail address with the Registrar and Share Transfer Agents (RTA) or write to us at investorservices@rane.co.in. All members are entitled to receive the communication in physical form upon request for the same.
 - As a part of 'Green initiative in corporate governance', MCA has enabled shareholders' participation in general meeting through electronic mode i.e., video conference. The company is in support of the initiative, however taking into consideration the infrastructural arrangements required for enabling such participation, the company is not extending this facility for this annual general meeting.
 - 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.
 - 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.
 - Members / Proxies should bring the attendance slip duly filled in for attending the meeting.

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

Resolution No. 6

The shareholders of the Company at the Annual General Meeting (AGM) held on July 23, 2008 reappointed Mr. L Ganesh, Chairman as Managing Director for a period of three years with effect from April 1, 2008 and determined the remuneration payable to him by way of salary, allowances, perquisites etc. Thereafter, the Board revised the remuneration payable to him for his remaining term, only by way of commission not exceeding 5% of the net profits of the Company for every financial year with effect from August 1, 2009. The same was approved by the shareholders at the AGM held on July 20, 2010.

As the tenure of appointment of Mr. L Ganesh as Managing Director ended on March 31, 2011, the Board at its meeting held on March 23, 2011 re-appointed Mr. L Ganesh as 'Managing Director' for a further term of three years with effect from April 1, 2011, on a remuneration by way of Commission as may be decided by the Board for every financial year, upto a maximum of five percent (5%) of the net profits of the Company,

calculated in accordance with the provisions of Sections 198, 349 and 350 of the Companies Act, 1956. The abstracts containing re-appointment and terms of remuneration to the Managing Director as required under Section 302 of the Companies Act, 1956 was sent to the shareholders.

Mr. L Ganesh is concerned or interested in the resolution to the extent of remuneration proposed. Mr. L Lakshman being a relative of Mr. L Ganesh may be deemed to be interested in the resolution. No other director is concerned or interested in the resolution.

Your directors commend the resolution for adoption.

(By Order of the Board)
For **Rane Engine Valve Limited**

Chennai
May 19, 2011

K Sankaranarayanan
General Manager (Finance) & Secretary

Rane Engine Valve Limited

INFORMATION ABOUT DIRECTORS 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)

	Item No. 3	Item No. 4
Name of the director	Mr. L Lakshman	Mr. R Jagannath
Father's Name	Mr. L L Narayan	Mr. S Ranganathan
Date of birth	July 17, 1946	December 7, 1943
Educational Qualifications	B.E., Executive MBA from London Business School	B.E.
Date of appointment	June 25, 1997	February 6, 2008
Experience	Mr. Lakshman has been spearheading the business of different companies in Rane Group and has more than 41 years of industrial experience.	Mr. Jagannath has over 43 years of experience in Automobile Industry.
Other Directorships	<ol style="list-style-type: none"> 1. Rane Brake Lining Limited 2. Rane (Madras) Limited 3. Rane TRW Steering Systems Limited 4. Rane NSK Steering Systems Limited 5. Rane Holdings Limited 6. Kar Mobiles Limited 7. JMA Rane Marketing Limited 8. Force Motors Limited 9. DCM Engineering Limited 10. Automotive Stampings and Assemblies Limited 11. Tata AutoComp Systems Limited 	<ol style="list-style-type: none"> 1. Asia Motor Works Limited 2. AMW-MGM Forgings Pvt. Limited
Committee Memberships	<p>Chairman – Audit</p> <ol style="list-style-type: none"> 1. Kar Mobiles Limited 2. Rane TRW Steering Systems Limited 3. Rane NSK Steering Systems Limited <p>Member – Audit</p> <ol style="list-style-type: none"> 1. Rane (Madras) Limited 2. Rane Engine Valve Limited 3. Automotive Stampings and Assemblies Limited 4. Tata AutoComp Systems Limited <p>Chairman – Investors' Service</p> <ol style="list-style-type: none"> 1. Rane (Madras) Limited 2. Rane Engine Valve Limited <p>Member – Investors' Service</p> <ol style="list-style-type: none"> 1. Rane Holdings Limited 	<p>Member – Audit</p> <ol style="list-style-type: none"> 1. Rane Engine Valve Limited
No. of Shares held	50	Nil

(By Order of the Board)
For **Rane Engine Valve Limited**

Chennai
May 19, 2011

K Sankaranarayanan
General Manager (Finance) & Secretary

REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting their Thirty Ninth annual report together with the accounts for the year ended March 31, 2011.

1. Financial Performance:

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

	₹. in Million)	
	2010-11	2009-10
Sales and Operating Revenues	2884.54	2360.31
Other Income	12.50	11.96
Profit before tax	161.23	70.01
Provision for tax	53.20	27.01
Profit after tax	108.03	43.00
Surplus brought forward	71.42	50.77
Amount available for appropriation	179.45	93.77

2. Appropriation

Profit available for appropriation is ₹. 179.45 million. Your directors have declared and paid an interim dividend of 30% on the equity capital for the year ended March 31, 2011 and are pleased to recommend a further 20 % as final dividend making for a total dividend for the year of 50%. The amount on this account inclusive of tax on distributed profits and surcharge thereon, works out to ₹. 30 million leaving the company with retained profits of ₹. 149.45 million. Out of this, ₹. 10.80 million is being transferred to the General Reserve and ₹. 138.65 million being retained as surplus in the Profit and Loss Account.

3. Management Discussion and Analysis

a. Industry Structure, Developments & Segment-wise Performance

Your Company operates in single segment viz., components for transportation industry. The growth within automobile industry was as follows :

Segments	Growth in %	
	2010-11	2009-10
Passenger Cars	27	28
Utility Vehicles	17	24
Small Commercial Vehicles (One Ton & below)	36	8
Light Commercial Vehicles	22	77
Medium and Heavy Commercial Vehicles	38	30
Three Wheelers	29	25
Two Wheelers	27	25
Farm Tractors	22	27

Source: Society of Indian Automobile Manufacturers.

Domestic market continued its robust growth across all the segments and this required ramping up capacity. The emphasis on capacity increase and improvement of delivery continued throughout the year.

Exports

In the export market, the surge in volumes from the later part of the year 2009-2010, continued in the year 2010-2011. The US Markets recovered and there was also an improvement in the off-take from the European customers. Your Company's exports grew by 29% over the previous year.

The United States Dollar and Euro currencies, in which your Company's exports were mostly dependent on, were relatively stable. The strengthening of the rupee with respect to the USD was marginal and such fluctuations were handled well with the Company's exchange rate policy. This also helped your company to realize the export sales in full.

OEM & Aftermarket

Your company's OEM Segment grew by 22% as compared to 7% in the previous year albeit at higher costs in some areas to meet delivery deadlines. The Company's aftermarket volumes, with the introduction of new products and strategic focus on new markets, grew at a healthy rate of 13%.

b. Operational and Financial Performance

The Profit before tax for the year under review was ₹. 161.23 million against ₹. 70.01 million in the previous year. This was achieved not only due to a robust growth in sales but also effective cost reduction initiatives, consistent and stable output and a reasonably stable raw material cost trend for major part of the year.

c. Outlook

The domestic Vehicle Industry is expected to continue its growth in the coming years in view of steady growth rate of our GDP, rising number of middle class and higher disposable income. With a favourable forecast of the monsoon, Farm Tractors Segment is likely to continue its growth and will be closely monitored by your Company for timely ramping up of Capacity.

However, prices of commodities like steel have already hardened and the cascading effect would impact on all commodity prices. The increase in

interest rates could cause an adverse impact on the demand for vehicles.

Focus on capacity utilisation, cost savings, quality and productivity is the key to sustain and improve the higher levels performance. The Contracts remaining to be executed on Capital account will result in enhancement of our capacity to meet the customer demand.

d. Opportunities & Threats

India's process engineering skills applied to the redesigning of production processes, raw material availability, quality assurance and technically skilled manpower has provided a distinct global advantage of cost and quality. This has helped India becoming a major auto components outsourcing hub for several automobile manufacturers. This has provided your company an opportunity for accelerated growth.

Your Company's preparedness in development of new products and meeting capacity requirements in time are key in realising the full benefits of the opportunity.

The main threats your Company likely to face are:-

- increasing price pressure from OEMs from whom the major portion of the future growth is likely to come,
- increase in commodity prices arising out of natural calamities in Japan and Australia and political instability in certain parts of the world,
- volume increase that requires ramp up of capacities in a short span of time, affecting profitable growth,
- dumping of Chinese products at a lower price.

e. Internal Control Systems and Risk Management

An independent agency carries out internal audit of all the Company locations across the country. The Audit Committee of the Board approves the audit plan in the beginning of the financial year in consultation with the internal auditors, the statutory auditors and the operating management. The findings of the internal auditors are placed before the Audit Committee for review. The response of the operating management and counter measures proposed are discussed at the Audit Committee meetings. The process not only seeks to ensure the reliability of control systems and compliance with laws and regulations but also covers resources utilization and system efficacy.

Risk Management is an integral part of the business process. The Company has mapped the risks at the

business processes and enterprise levels and has evolved a risk management framework. Internal audit focuses on these risks at all sub-process levels. Mitigative measures have been put in place in respect of these risks. These would be periodically reviewed by the Board of Directors.

f. Human Resource Development and Industrial Relations

Your Company gives significant importance to Human Resource Development (HRD) and stable industrial relations. The management is continuously working on the development of human capital which is very vital for achieving the goals and realizing the Vision of the Company in an ever-changing and challenging business environment. "Rane Institute for Employee Development" is a group resource that imparts training for enhancing leadership and managerial skills. On an average each employee across all segments and divisions is trained for 2% of their working time.

Total Employee Involvement is a key element of Total Quality Management (TQM) that enables continuous improvement to all business processes. New strategies like multi skilling, competency enhancement programs and enhancing managerial depth are being progressively implemented to optimise employee costs and improve productivity.

In our journey towards becoming an Employer of Choice, your Company is implementing a number of initiatives. The Company conducts regular Employee Opinion Surveys, the outcome of which is shared with the employees, deliberated and acted upon. Specific HR initiatives are rolled out to enhance employee engagement. During the year a unique Strategic Leadership Program was co-created with and delivered by IIM Bangalore for the leadership team of your company.

Rane Group won the prestigious National Award for "Excellence in Training" from the Employer Branding Institute and figures in the top forty Best Employers for the year 2010 – 2011.

As at the end of March 31, 2011, the total number of employees stood at 1,331.

g. Cautionary Statement

The information and opinion expressed in this report may contain certain forward looking statements, which the management believe are true to the best of its knowledge at the time of its preparation. Actual results may differ materially from those either expressed or implied in this report.

4. Deposits

Deposits outstanding as on March 31, 2011 amounted to ₹. 137.34 million. All deposits that matured during the year were repaid / renewed.

5. Board of Directors

Mr. L Lakshman and Mr. R Jagannath retire by rotation and being eligible, offer themselves for re-appointment.

6. Conservation of Energy

By sustaining high power factor and other energy saving measures such as installation of Variable Frequency Drives for Motors, your company has reduced energy consumption and maximum demand charges. Employee involvement in conserving electricity both in shop floors and offices by switching off power whenever not in use also contributed to reduction in consumption of power. Focused efforts are also taken to upgrade the design of the old machines facilitating efficiency of power usage.

7. Research and Development Activities

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

8. Foreign Exchange Earnings and Outgo

Foreign exchange earned during 2010-11 was ₹. 829.39 million and foreign exchange outgo was ₹. 557.87 million. Your company continued to remain a substantial net foreign exchange earner.

9. Employees

There was no employee for whom the particulars as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is applicable.

10. Auditors

M/s Brahmayya & Co., Chartered Accountants, Chennai, the auditors of the Company retire at the ensuing Annual General Meeting and are eligible for re-appointment. The declaration under Section 224(1B) of the Companies Act, 1956 has been received from them.

11. Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act 1956, the directors hereby confirm that they have:

- i. Followed the applicable accounting standards in the preparation of the annual accounts;
- ii. Selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the company for the year under review;
- iii. Taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the company and detecting fraud and other irregularities;
- iv. Prepared the accounts for the financial year on a 'going concern' basis.

12. Corporate Social Responsibility (CSR)

The vision on Corporate Social Responsibility (CSR) is, "**To be a socially and environmentally responsible corporate citizen**". CSR activities of Rane Group are channelized through Rane Foundation, a public charitable and educational trust, in the social and environmental spectrum.

The specific CSR initiatives taken by your Company are as follows:

- Contribution of funds towards establishment of Polytechnic College by Rane Foundation.
- Construction of bus shelters near the Medchal factory.
- Provision of traffic signal at road intersection near the Alandur factory.
- Providing noon meals to children in Anganwadi centre near Alandur and Ponneri factories on special occasions.
- Upgrading infrastructure in needy schools in Alandur.
- Free medical camp and donation of medicines in nearby localities of the plants.
- Donation of dress, books to schools.
- Sapling plantation in rural areas nearby the plants.

13. Corporate Governance Report

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

For and on behalf of the Board

Chennai
May 19, 2011

L. LAKSHMAN
Director

L. GANESH
Chairman & Managing Director

Annexure - A 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 Act (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Report of the Board of Directors for the year ended March 31, 2011.

Research and Development (R & D) Activities

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

Co-design of valves with customers.

2. Benefits derived as a result of R&D and future plan of action:

Future business prospects by becoming a preferred supplier to prestigious customers.

3. Expenditure on R&D

(₹. '000s)

	2010-11	2009-10
A Capex	441	125
B Recurring	4,649	2,992
C Total	5,090	3,117
D Total R & D expenses as a percentage of total turnover	0.18%	0.13%

Technology Absorption, Adaptation and Innovation :

1. Efforts, in brief

The company has a strong technology base. Absorption of enhancements and continuous improvements are ongoing processes.

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

The Company has developed certain special purpose machines in-house to improve productivity and quality of the product and also to reduce machinery cost.

These steps have enabled the Company to enhance the competitiveness and thereby continue its growth in the global OEM business.

3. (a) Technology Imported (Technology imported during the last 5 years reckoned from the beginning of the financial year).

: NIL

(b) Year of Import

: Not Applicable

(c) Has the technology been fully absorbed

: Not Applicable

(d) Areas where technology not fully absorbed, reason and future plan of action

: Not Applicable

For and on behalf of the Board

Chennai
May 19, 2011

L. LAKSHMAN
Director

L. GANESH
Chairman & Managing Director

Annexure – B 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" that regulates employees and directors.

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

2. Board of Directors

As of March 31, 2011, the company has Seven Directors with an Executive chairman. Of the Seven directors, Six (86%) are Non-Executive directors and Four (57%) are Independent Directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement entered into with stock exchanges. None of the directors on the Board are members of more than 10 committees or chairman of more than 5 committees across all the companies in which they are Directors. Necessary disclosures regarding committee positions in other public companies as on March 31, 2011 have been made by the Directors.

The Board met Five (5) times during the financial year on May 21, 2010, July 20, 2010, October 18, 2010, January 24, 2011 and March 23, 2011. The names and categories of the Directors on the Board, their attendance at Board meetings 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 Ganesh	Executive Chairman & Promoter	5	Yes	6	4	2	8
Mr. L Lakshman	Non-executive Director & Promoter	4	Yes	1	10	5	5
Mr. Harish Lakshman	Non-executive Director & Promoter	5	Yes	-	7	2	2
Mr. R Jagannath	Non-executive & Independent Director	4	No	-	1	-	1
Mr. Ashok Malhotra	Non-executive & Independent Director	4	Yes	-	-	-	2
Mr. C N Srivatsan	Non-executive & Independent Director	5	Yes	-	4	1	3
Mr. R V Raghavan	Non-executive & Independent Director	4	Yes	-	2	-	1

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

@ Membership in Audit Committee and Investors' 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.

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. Management discussion and analysis of financial condition and results of operation.

The composition of audit committee is as follows:

Mr. C N Srivatsan - Chairman – Independent Director

Mr. L Lakshman - Member – Non-Executive Director

Mr. R Jagannath - Member – Independent Director

Mr. Ashok Malhotra - Member – Independent Director (with effect from July 20, 2010)

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

Mr. K Sankaranarayanan, Secretary of the company is the Secretary to the Committee.

The committee met four times during the year on May 21, 2010, July 20, 2010, October 18, 2010 and January 24, 2011.

Name of the Director	No. of Meeting attended
Mr. L Lakshman	3
Mr. R Jagannath	3
Mr. C N Srivatsan	4
Mr. Ashok Malhotra ¹	3

¹ Co-opted as the member of the audit committee at the Board meeting held on July 20, 2010.

The statutory auditors and the internal auditors were present as invitees in all the meetings. The President and Head of Finance of the Company attended the meeting 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 (other than the last quarter). 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 holds 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 2010-11, the Company has paid sitting fees of ₹. 20,000 per meeting to the non-executive directors for each Meeting of the Board & Audit Committee and ₹. 2,500 for attending 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. No sitting fee is paid to Mr.L Ganesh, Chairman and Managing Director and Mr. L Lakshman, non-executive director, for attending the meetings of the board or other committees of the board. No other remuneration is paid to the Non-Executive Directors.

The details of remuneration paid to the directors for the year ended March 31, 2011 are as follows:

Name of the Director	Sitting Fees (₹.)
Mr. L Ganesh	Nil
Mr. L Lakshman	Nil
Mr. R Jagannath	140,000
Mr. Ashok Malhotra	145,000
Mr. Harish Lakshman	105,000
Mr. C N Srivatsan	180,000
Mr. R V Raghavan	80,000

Remuneration by way of commission is payable to Mr.L.Ganesh, Managing Director for the year 2010-11. The commission payable is within the limits prescribed under Companies Act, 1956. The details of commission payable for the year ended March 31, 2011 is given in Note 16.1 - Notes on Accounts.

The employment of the MD is contractual. There is no severance fee payable to him. The Company does not have any stock option scheme.

Number of Shares held by the Directors:

Name of the Director	No. of Shares held
Mr. L Ganesh	50
Mr. L Lakshman	50
Mr. Harish Lakshman	50

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

Rane Engine Valve Limited

5. Code of Conduct

The board of directors has laid down a code of conduct for all board members and senior management of the Company. The same has also been posted on the website of the Company URL: <http://www.rane.co.in/pdf/coc.pdf>. The board members and senior management personnel have affirmed their compliance with the code of conduct for the year under review. 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 affirmed compliance with the code.

6. Investors' Service Committee

An Investors' Service Committee was constituted on February 06, 2008 to look into all types of grievances from shareholders and redress them expeditiously in a fit and proper manner.

7. General Body Meetings

Details of last three Annual General Meetings are as under:

Date of AGM	Special resolutions passed	Time	Venue
July 20, 2010 38 th AGM	Revision in Managerial remuneration payable to Mr. L Ganesh, Chairman, by way of payment of commission	10.30 a.m.	The Music Academy, (Mini Hall), New No. 168, T.T.K. Road, Royapettah, Chennai 600 014.
July 22, 2009 37 th AGM	No Special resolution was passed	10.30 a.m.	The Music Academy, (Mini Hall), New No. 168, T.T.K Road, Royapettah, Chennai 600 014.
July 23, 2008 36 th AGM	Reappointment of Mr. L Ganesh as Managing Director	10.15 a.m.	Narada Gana Sabha, (Main Hall), 314, T.T.K Road, Chennai 600 018.

There was no resolution that was required to be passed by means of postal ballot by the members of the company during the year 2010-11.

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 20 - Notes on Accounts, 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 during the last three years.

The Company has complied with all the mandatory requirements prescribed under revised Clause 49

- (i) The composition of the committee is as follows:
Mr. L Lakshman - Chairman
Mr. L Ganesh
Mr. Ashok Malhotra
Mr. K Sankaranarayanan, General Manager (Finance) & Secretary is the Compliance Officer of the Company.
- (ii) The Committee met three times during the year on May 20, 2010, July 20, 2010 and January 24, 2011.

Name of the Director	No. of Meetings Attended
Mr. L Ganesh	3
Mr. L Lakshman	3
Mr. Ashok Malhotra	2

During the year, the Company received Six complaints from the investors and all of them were resolved to the satisfaction of the shareholders. The complaints pertain to non-receipt of dividend, share certificate and annual report. During the year, no complaint was received from Stock Exchanges/ SEBI / Ministry of Corporate Affairs.

of the Listing Agreement. The Company has obtained and placed before the Board certificate from the CEO and CFO on matters stated in Clause 49 (V) of the listing agreement.

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

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

No remuneration committee meeting was required to be held during the year. The Company has not adopted a formal Whistle Blower policy. However, being a

transparent organisation, the Company permits access to its employees to approach the top management on any critical issue. The present board consists of professional and well-experienced members, hence training and evaluation of the performance of the non-executive directors are not practiced.

9. Means of communication

The quarterly / annual financial results were published in “Business Standard” and “Dinamani” (Tamil). The quarterly / annual 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.

10. General Shareholder Information

i. Information about director seeking re-appointment in this annual general meeting

Name of the director	Mr. L Lakshman	Mr. R Jagannath
Father's Name	Mr. L L Narayan	Mr. S Ranganathan
Date of birth	July 17, 1946	December 7, 1943
Educational Qualifications	B.E., Executive MBA from London Business School	B.E.
Experience	Mr. L Lakshman has been spearheading the business of different companies in Rane Group and has more than 41 years of industrial experience.	Mr R Jagannath has over 43 years of experience in Automobile Industry
Date of appointment	June 25, 1997	February 6, 2008
Other Directorships	<ol style="list-style-type: none"> 1. Rane Brake Lining Limited 2. Rane (Madras) Limited 3. Rane TRW Steering Systems Limited 4. Rane NSK Steering Systems Limited 5. Rane Holdings Limited 6. Kar Mobiles Limited 7. JMA Rane Marketing Limited 8. Force Motors Limited 9. DCM Engineering Limited 10. Automotive Stampings and Assemblies Limited 11. Tata AutoComp Systems Limited 	<ol style="list-style-type: none"> 1. Asia Motor Works Ltd. 2. AMW-MGM-Forgings Pvt. Ltd.
Committee Memberships	<p>Chairman – Audit</p> <ol style="list-style-type: none"> 1. Kar Mobiles Limited 2. Rane TRW Steering Systems Limited 3. Rane NSK Steering Systems Limited <p>Member – Audit</p> <ol style="list-style-type: none"> 1. Rane (Madras) Limited 2. Rane Engine Valve Limited 3. Automotive Stampings and Assemblies Limited 4. Tata AutoComp Systems Limited <p>Chairman – Investors' Service</p> <ol style="list-style-type: none"> 1. Rane (Madras) Limited 2. Rane Engine Valve Limited <p>Member – Investors' Service</p> <ol style="list-style-type: none"> 1. Rane Holdings Limited 	<p>Member - Audit</p> <ol style="list-style-type: none"> 1. Rane Engine Valve Ltd
Number of shares held	50	-

ii Annual General Meeting

July 20, 2011 at 10.30 a.m.
Narada Gana Sabha (Main Hall),
314, TTK Road, Chennai 600 018

Rane Engine Valve Limited

iii Financial Year - 1st April to 31st March

Financial Calendar:

Board Meeting for approval of	Tentative Date
Annual Accounts for the year ended March 31, 2011	May 19, 2011
Un-audited results for the 1st quarter ending June 30, 2011	July 20, 2011
Un-audited results for the 2nd quarter ending September 30, 2011	October 19, 2011
Un-audited results for the 3rd quarter ending December 31, 2011	January 24, 2012
Annual Accounts for the year ending March 31, 2012	Fourth week of May 2012

iv. Book Closure & Dividend

The book closure period is from **July 16, 2011** (Saturday) to **July 20, 2011** (Wednesday), both days inclusive.

Dividend: The Board has recommended a final dividend of ₹.2/- per equity share on May 19, 2011. The dividend, if declared by the shareholders, will be paid on July 27, 2011 to all those members whose name appear in the Register of Members as on July 20, 2011 and in respect of shares in electronic form to those beneficial owners of the shares as at the end of business hours on July 15, 2011.

v. Listing on Stock Exchanges

Stock Exchange	Stock Code
a) Madras Stock Exchange Ltd, (MSE) 11, Second Line Beach, Chennai 600 001.	RANEENGINE
b) 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.	RANEENGINE
c) Bombay Stock Exchange Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.	532988

Listing Fee: Annual listing fees for the financial year 2011-12 have been paid to all the stock exchanges where the shares of the company are listed.

vi. Unpaid / Unclaimed Dividends :

Pursuant to the provisions of Section 205A of the Companies Act 1956, dividend for the financial year ended March 31, 2004 and thereafter which remain unclaimed for a period of seven years (including dividends declared by erstwhile Rane Engine Valves 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, the unclaimed dividend relating to the financial year ended March 31, 2003, ₹. 117,770 and for March 31, 2004, ₹. 276,410.

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 (₹.)	Amount outstanding in Unclaimed Dividend Account (as on 31.03.2011) (₹.)	Last Date for claiming unpaid dividend	Due date for transfer to IEPF u/s 205A(5)
31.03.2005**	25.01.2005	5.00	131,450.00	02.03.2012	31.03.2012
31.03.2005	23.07.2005	3.00	89,202.00	27.08.2012	25.09.2012
31.03.2006**	27.01.2006	5.00	151,260.00	02.03.2013	31.03.2013
31.03.2006	25.07.2006	3.00	100,050.00	28.08.2013	26.09.2013
31.03.2007**	21.03.2007	8.00	249,752.18	25.04.2014	24.05.2014
31.03.2008	23.07.2008	4.50	145,498.00	28.08.2015	26.09.2015
31.03.2009	22.07.2009	2.00	90,700.00	26.08.2016	24.09.2016
31.03.2010**	20.01.2010	1.50	54,048.00	24.02.2017	25.03.2017
31.03.2010	20.07.2010	1.50	66,501.00	24.08.2017	22.09.2017
31.03.2011**	24.01.2011	3.00	192,255.00	28.02.2018	29.03.2018

Share of paid-up value of ₹.10 per share. ** Interim dividend

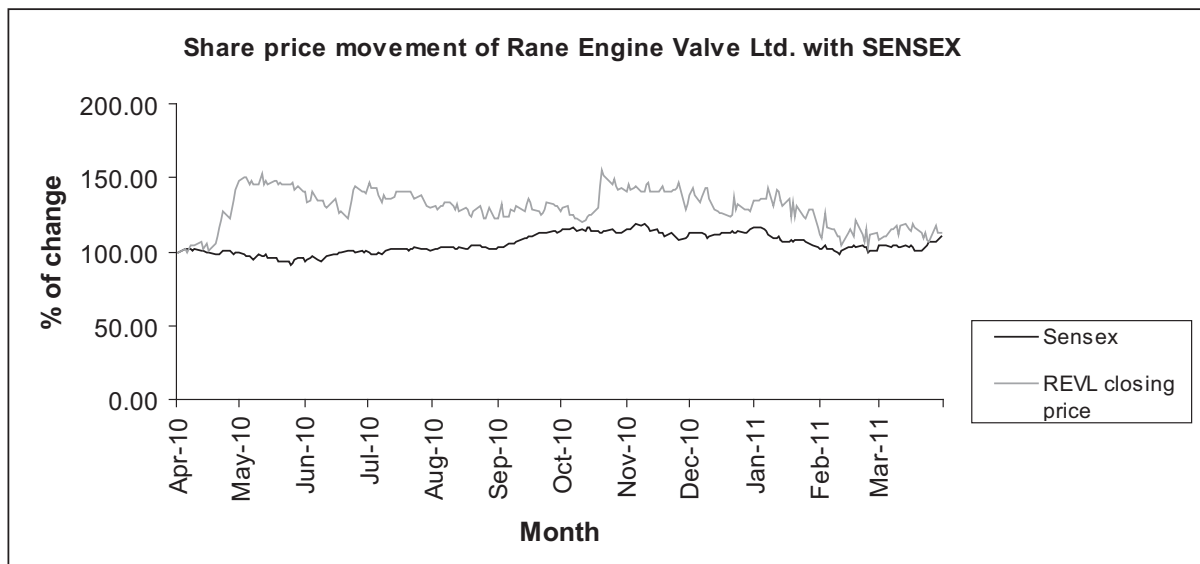
vii. Share Price Data:

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, 2010 – March 31, 2011 is given below :

Month	National Stock Exchange of India Ltd (NSE)				Bombay Stock Exchange Ltd (BSE)			
	Share Prices (₹.)		NSE S&P Nifty		Share Prices (₹.)		BSE Sensex	
	High	Low	High	Low	High	Low	High	Low
Apr-10	307.50	209.30	5,374.65	5,203.65	316.65	212.70	17,970.02	17,380.08
May-10	324.95	310.00	5,222.75	4,806.75	324.90	300.00	17,386.08	16,022.48
Jun-10	322.00	267.00	5,353.30	4,970.20	308.80	261.40	17,876.55	16,572.03
Jul-10	310.00	274.75	5,449.10	5,235.90	312.00	277.25	18,130.98	17,441.44
Aug-10	285.00	261.45	5,543.50	5,402.40	285.70	261.15	18,454.94	17,971.12
Sep-10	288.30	261.05	6,035.65	5,471.85	289.05	261.50	20,117.38	18,205.87
Oct-10	333.70	260.55	6,233.90	5,982.10	331.45	256.00	20,687.88	19,872.15
Nov-10	312.50	276.00	6,312.45	5,751.95	312.50	275.25	21,004.96	19,136.61
Dec-10	296.00	256.55	6,134.50	5,766.50	305.95	264.10	20,509.09	19,242.36
Jan-11	254.10	250.00	6,157.60	5,505.90	305.70	248.10	20,561.05	18,327.76
Feb-11	254.10	223.35	5,546.45	5,225.80	270.00	220.50	18,506.82	17,463.04
Mar-11	258.75	230.55	5,833.75	5,364.75	254.90	227.20	19,445.22	17,839.05

Source : www.bseindia.com : www.nseindia.com

Performance of the share price of the Company in comparison to the Bombay Stock Exchange Limited Sensex:



viii. Registrar and Transfer Agents

The contact details of the Registrar and Transfer Agents is 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: corpserv@iepindia.com

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

Rane Engine Valve Limited

ix. Share Transfer System

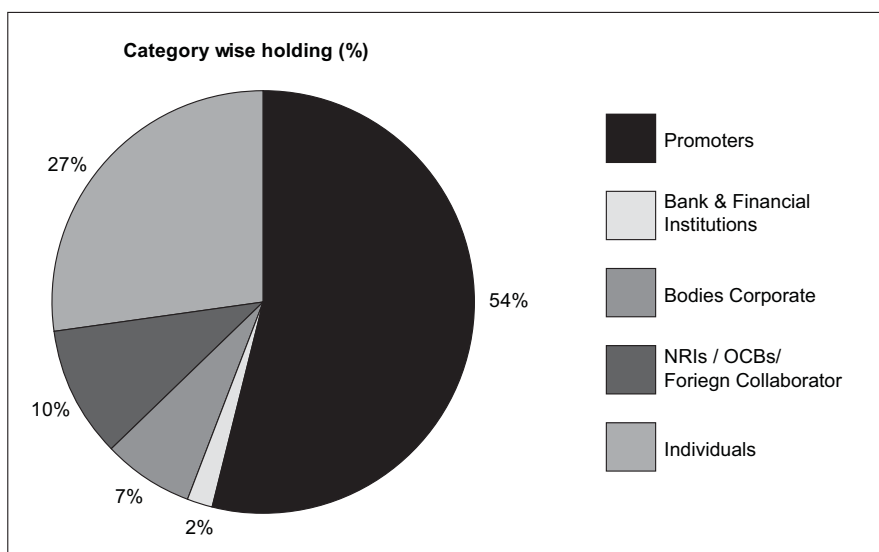
The power to approve transfer of shares has been delegated by the Board to the share transfer committee. Share transfer process is completed within 30 days from the date of receipt of transfer documents by the Registrar and Transfer Agents (RTA). Requests for dematerialisation are generally confirmed on a weekly basis by the RTA.

x. Distribution of shareholding as on March 31, 2011

Number of shares held	Folio		Shares	
	Number	%	Number	%
Upto 500	3,738	91.64	400,286	7.77
501 - 1000	149	3.65	109,890	2.13
1001 - 2000	76	1.86	109,674	2.13
2001 - 5000	76	1.86	252,180	4.90
5001 - 10000	15	0.37	109,935	2.13
10001 - 20000	12	0.29	186,163	3.61
20001 - 50000	7	0.17	271,350	5.27
50001 - 100000	2	0.05	113,072	2.20
100001 & above	4	0.10	3,598,442	69.86
Total	4,079	100.00	5,150,992	100.00

xi. Pattern of shareholding as on March 31, 2011

Sl. No.	Category	No. of Folios	No. of shares	% to total capital
A	Promoters	13	2,762,973	53.64
B	Banks & Financial Institutions	6	105,435	2.05
C	Bodies Corporate	104	368,883	7.03
D	NRIs / OCBs / Foreign Collaborator	30	539,343	10.47
E	Individuals	3,926	1,374,358	26.81
	Total	4,079	5,150,992	100.00



xii 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, 2011, about 93.05% of the shareholdings have been dematerialised.

Demat ISIN Number: **INE 222J01013**

Corporate Identification Number (CIN): **L74999TN1972PLC006127**

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

xiv. Address for communication:

Mr. K Sankaranarayanan
Compliance Officer
Rane Engine Valve Limited
Rane Corporate Centre,
"Maithri", 132, Cathedral Road,
Chennai 600 086.
Ph.28112472 Fax: 28112449
E-mail: 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

To

The Members
Rane Engine Valve 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, 2011.

Place : Chennai
Date : May 19, 2011

L. Ganesh
Chairman & Managing Director

AUDITORS' CERTIFICATE

To the Shareholders of Rane Engine Valve Limited

We have examined the compliance of conditions of Corporate Governance by Rane Engine Valve Ltd. for the year ended on 31st March 2011 as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

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.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For BRAHMAYYA & CO.,
Chartered Accountants
Firm Reg. No. 000511S

Chennai
May 19, 2011

P.S. KUMAR
Partner
(Membership No. 15590)

AUDITORS' REPORT TO THE MEMBERS OF RANE ENGINE VALVE LIMITED

1. We have audited the attached balance sheet of Rane Engine Valve Limited as at 31st March 2011 and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) 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;
 - (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from the directors, as on 31st March 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, 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 31st March 2011;
 - (b) in the case of the profit and loss account, 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.

For **BRAHMAYYA & CO.,**
Chartered Accountants
Firm Regn No: 000511S

P.S. KUMAR
Partner

(Membership No: 15590)

Chennai
May 19, 2011

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

1. The provisions of the following clauses of Companies (Auditor's Report) Order, 2003 are not applicable to the company for the year with respect to:
 - a) Clause 4 (x) with regard to accumulated losses since the company's networth is positive and the company has not incurred any cash losses during the current year and in the immediately preceding financial year;
 - b) Clause 4 (xii) with regard to loans granted against pledge of securities since no loans have been granted by the company during the year;
 - c) Clause 4 (xiii) with regard to special statutes applicable to Chit funds and Nidhis since the company has not carried on such business;
 - d) Clause 4 (xiv) with regard to trading in securities since the company did not carry on such activities during the year;
 - e) Clause 4 (xviii) with regard to preferential allotment of shares to specified parties since no allotment of shares was made during the year;
 - f) Clause 4 (xix) with regard to creation of security or charge in respect of debentures since no debentures issued during the year; and
 - g) Clause 4 (xx) with regard to money raised by public issue since no money was raised by public issue during the year.
2.
 - (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) The company has a programme of verification of fixed assets whereby all the fixed assets are physically verified by the management over a period of three years in a phased manner which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
 - c) The company has not during the year disposed off a substantial part of the fixed assets which would give rise to the question of impairment of status of the company as a going concern.
3.
 - a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - c) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
4.
 - (i) In our opinion and according to the information and explanations given to us, the company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
 - a) The company has not taken any loans secured or unsecured to / from companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956 except fixed deposits accepted from directors and their relatives. These deposits have been accepted from 9 parties aggregating to ₹. 17.58 Million which are outstanding as on 31st March, 2011.
 - b) In our opinion the rate of interest and other terms and conditions of these deposits are not prima facie prejudicial to the interest of the company.
 - c) The payment of principal and interest are regular.
 - (ii)
5. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls.
6.
 - a) Based on the audit procedures applied by us and 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 in the register maintained under section 301 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the registers maintained under Section 301 and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

7. The company has accepted deposits from the public and has complied with the Directives issued by the Reserve Bank of India and the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956, and the rules framed there under where applicable. According to the explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
8. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
9. We have broadly reviewed the books of account maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
10. According to the records of the company, the company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-Tax, Sales-Tax, Wealth-Tax, Service Tax, Custom Duty, Excise-Duty, Cess applicable to it.
11. Based on our audit procedures and on the information and explanations given by the Management, there are no dues outstanding in respect of customs duty, wealth tax, service tax and cess on account of any dispute. The details of disputed excise duty tax, income tax,

and sales tax that have not been deposited with the appropriate authorities are as follows:

Nature of Dues	Amount (₹. in thousands)	Forum where dispute is pending
Sales Tax demands for the financial year 2003-2004	703	Deputy Commissioner (Appeals) Commercial Taxes, Ernakulam
Service Tax	404	Commissioner of Central Excise (Appeals), Trichy
Excise duty	57	Excise Appellate Tribunal, Bangaluru
Trade Tax	38	Joint Commissioner - Trade Tax, Kanpur
Income Tax for the Assessment Year 2004-05 to 2005-06	4,316	Commissioner of Income Tax (Appeals), Chennai

12. The company has not defaulted in repayment of dues to financial institutions, or banks. The company has not issued any debentures.
13. The company has not given any guarantee for loans taken by others from banks or financial institutions.
14. On the basis of review of utilisation of funds on overall basis the term loans taken by the company were applied for the purposes for which the loans were obtained.
15. According to the information and explanation given to us and on a overall examination of the Balance Sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment by the company.
16. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the year.

For BRAHMAYYA & CO.,
Chartered Accountants
Firm Regn No: 000511S

P.S.KUMAR
Partner
(Membership No. 15590)

Chennai
May 19, 2011

Rane Engine Valve Limited

BALANCE SHEET AS AT 31st MARCH, 2011

SOURCES OF FUNDS	Schedule	31.03.2011 ₹. '000	31.03.2010 ₹. '000
Shareholders' Funds			
Capital	A	51,510	51,510
Reserves and Surplus	B	<u>849,707</u>	<u>769,602</u>
		901,217	821,112
Loan Funds			
Secured Loans	C	683,669	603,687
Unsecured Loans	D	<u>191,272</u>	<u>250,611</u>
		874,941	854,298
Deferred Tax Liability (Note 6.2, 6.3 & 19)		<u>88,539</u>	<u>91,980</u>
TOTAL		<u>1,864,697</u>	<u>1,767,390</u>
APPLICATION OF FUNDS			
Fixed Assets	E		
Gross Block		2,450,050	2,347,593
Less: Accumulated Depreciation		<u>1,229,587</u>	<u>1,116,335</u>
Net block		1,220,463	1,231,258
Less: Impairment of Assets		-	2,125
Capital Work-in-progress		<u>134,298</u>	<u>61,967</u>
		1,354,761	1,291,100
Current Assets, Loans and Advances			
Inventories	F	319,579	304,700
Sundry Debtors	G	437,687	397,638
Cash and Bank balances	H	75,419	15,068
Loans and Advances	I	<u>153,709</u>	<u>171,157</u>
		986,394	888,563
Less : Current Liabilities and Provisions			
Liabilities	J	429,351	366,930
Provisions	K	<u>47,107</u>	<u>45,343</u>
		476,458	412,273
Net Current Assets		<u>509,936</u>	<u>476,290</u>
TOTAL		<u>1,864,697</u>	<u>1,767,390</u>

Contingent Liabilities (Note 31)

Accounting Policies and Notes (Pages 32 to 42)

As per our report of even date attached

For and on behalf of the Board

For **BRAHMAYYA & CO.**,
Chartered Accountants
Firm Regn No: 000511S

P.S. KUMAR
Partner
Membership No. 15590

L. LAKSHMAN
Director

L. GANESH
Chairman &
Managing Director

CHENNAI
May 19, 2011

K. SANKARANARAYANAN
General Manager - Finance & Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

	Schedule	2010-2011 ₹. '000	2009-2010 ₹. '000
INCOME:			
Sales and Operating Revenues	L	2,884,538	2,360,311
Other income	M	12,502	11,963
TOTAL INCOME		2,897,040	2,372,274
EXPENDITURE :			
Manufacturing and other expenses	N	2,502,859	2,081,271
Finance Charges	O	62,535	62,802
Depreciation / Amortisation (Note 2.3.1 & 2.3.2)		170,408	157,664
Impairment Loss		-	525
TOTAL EXPENDITURE		2,735,802	2,302,262
PROFIT BEFORE TAX		161,238	70,012
Provision for taxation - Current		44,110	13,671
- MAT Credit Utilised/(Entitlement)		12,770	(8,460)
- Deferred		(3,441)	21,804
- Relating to Earlier Years		(235)	-
PROFIT AFTER TAX		108,034	42,997
Surplus brought forward (Refer Schedule B)		71,418	50,771
AMOUNT AVAILABLE FOR APPROPRIATION		179,452	93,768
Less: Dividend on Equity Shares:			
Interim Dividend @ 30% (15%)		15,453	7,727
Final Dividend @ 20% (15%)		10,302	7,727
Tax on distributed profits		4,238	2,596
Transfer to General Reserve		10,803	4,300
Surplus carried to Balance Sheet		138,656	71,418
EARNINGS PER SHARE			
Basic (Rs.)		20.97	8.35
Diluted (Rs.)		20.97	8.35
Number of shares of Rs. 10 each		5,150,992	5,150,992

Accounting Policies and Notes: Pages (32 to 42)

As per our report of even date attached

For and on behalf of the Board

For **BRAHMAYYA & CO.**,
Chartered Accountants
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P.S. KUMAR
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CHENNAI
May 19, 2011

K. SANKARANARAYANAN
General Manager - Finance & Secretary

Rane Engine Valve Limited

Schedules forming part of Balance Sheet as at 31st March 2011

	31.03.2011 ₹. '000	31.03.2010 ₹. '000
SCHEDULE A		
CAPITAL		
Authorised		
Equity Share Capital		
10,000,000 (10,000,000) Equity Shares of Rs.10 each	100,000	100,000
	100,000	100,000
Issued, Subscribed, and Paid-up		
Equity Share Capital		
5,150,992 (5,150,992) equity shares of Rs.10/- each fully paid-up (Note 11.1 & 11.2)	51,510	51,510
	51,510	51,510

SCHEDULE B

RESERVES AND SURPLUS

Description	Balance as at 31 Mar 2010	Additions during the year	Deductions/ Adjustments during the year	Balance as at 31 Mar 2011
Capital Reserves (Arising out of the amalgamation during 1989-90 - Reserves of amalgamated companies)	2,923	-	-	2,923
Capital Reserve	2,772	-	-	2,772
Capital Subsidy	2,281	-	-	2,281
Export incentive Reserve	1,908	-	-	1,908
Hedge Reserve Account (Note 4.4 & 28)	(2,064)	-	(2,064)	-
General Reserve	690,364	10,803	-	701,167
Surplus in Profit and Loss Account	71,418	67,238	-	138,656
TOTAL	769,602	78,041	(2,064)	849,707
For the previous year 2009-10	746,006	22,883	(713)	769,602

Schedules forming part of Balance Sheet as at 31st March 2011

	31.03.2011 ₹. '000	31.03.2010 ₹. '000
SCHEDULE C		
SECURED LOANS		
Term loan from Banks (Notes 12.1 & 12.3)	472,073	444,717
Cash Credit from Banks (Note 12.2)	211,596	158,970
	683,669	603,687
 SCHEDULE D		
UNSECURED LOANS		
Commercial Paper (Note 12.7)	–	50,000
Fixed Deposits (Note 12.5 & 12.6)	137,335	141,760
Interest free sales tax loan from Government of Andhra Pradesh (Note 12.4)	53,937	58,851
	191,272	250,611

SCHEDULE E

FIXED ASSETS

₹. '000

	DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 31.03.2010	Additions/ Adjustments	Deductions/ Adjustments	As at 31.03.2011	Upto 31.03.2010	For the Period	Deductions/ Adjustments	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Land - Freehold	13,607	6,031	–	19,638	–	–	–	–	19,638	13,607
	Buildings (Note 13 & 14)	240,471	4,918	–	245,389	64,701	6,566	–	71,267	174,122	175,770
	Plant and Machinery (Note 13 & 14)	2,025,010	150,603	62,047	2,113,566	995,262	158,305	54,147	1,099,420	1,014,146	1,029,748
	Furniture and Fittings	41,877	3,776	949	44,704	33,575	3,729	682	36,622	8,082	8,302
	Office Equipment	13,545	1,844	1,059	14,330	12,096	774	1,002	11,868	2,462	1,449
	Vehicles	3,639	–	1,587	2,052	2,432	448	1,325	1,555	497	1,207
A	Total	2,338,149	167,172	65,642	2,439,679	1,108,066	169,822	57,156	1,220,732	1,218,947	1,230,083
	Licence	9,444	927	–	10,371	8,269	586	–	8,855	1,516	1,175
B	Total	9,444	927	–	10,371	8,269	586	–	8,855	1,516	1,175
	Grand Total (A + B)	2,347,593	168,099	65,642	2,450,050	1,116,335	170,408	57,156	1,229,587	1,220,463	1,231,258
	For the year 2009-2010	2,223,714	169,603	45,724	2,347,593	990,340	157,664	31,669	1,116,335	1,231,258	

Rane Engine Valve Limited

Schedules forming part of the Balance Sheet as at 31st March, 2011

SCHEDULE F	31.03.2011 ₹. '000	31.03.2010 ₹. '000
INVENTORIES		
Raw Materials	107,388	98,858
Work-in-progress	71,450	69,351
Finished Goods (Note 22)	69,014	72,839
Stores and Spares	71,727	63,652
	<u>319,579</u>	<u>304,700</u>
SCHEDULE G		
SUNDRY DEBTORS (Unsecured)		
Debts Outstanding for a period exceeding six months		
Considered good	838	330
Considered doubtful	1,466	3,690
	<u>2,304</u>	<u>4,020</u>
Other Debts		
Considered good	436,849	397,308
	<u>439,153</u>	<u>401,328</u>
Less : Provision for doubtful debts	1,466	3,690
	<u>437,687</u>	<u>397,638</u>
SCHEDULE H		
CASH AND BANK BALANCES		
Cash on hand	609	404
<u>Balance with Scheduled Banks</u>		
In Current accounts	31,136	11,598
In Deposit Accounts	43,674	3,066
	<u>75,419</u>	<u>15,068</u>
SCHEDULE I		
LOANS AND ADVANCES		
Advances recoverable in cash or in kind or for value to be received	48,093	42,477
Less : Provision for doubtful advance	2,076	—
	<u>46,017</u>	<u>42,477</u>
Advance Payment of Income Tax (Net of provisions)	33,960	29,824
MAT Credit Entitlement	—	12,770
Deposits	19,801	18,694
Balance with Customs, Excise and other authorities	53,931	67,392
	<u>153,709</u>	<u>171,157</u>

Schedules forming part of the Balance Sheet as at 31st March, 2011

	31.03.2011	31.03.2010
	₹. '000	₹. '000
CURRENT LIABILITIES AND PROVISIONS		
SCHEDULE J		
CURRENT LIABILITIES		
Sundry Creditors for Goods & Services		
Due to Micro enterprises and Small enterprises (Note 25)	1,729	2,217
Others	363,281	338,383
For Other Liabilities	11,366	17,362
Advance received for sale of land	40,000	–
Investor Education and Protection Fund		
Unclaimed dividends	1,271	1,451
Unclaimed matured fixed deposits	–	275
Fixed deposit interest paid but not encashed	674	892
Interest accrued but not due on loans / deposits	11,030	6,350
	429,351	366,930
 SCHEDULE K		
PROVISIONS		
Provision for Leave Encashment	30,921	28,659
Provision for Gratuity	4,213	7,674
Provision for tax	357,070	312,960
Less : Advance payments and tax deducted at source	390,705	342,649
Net provision for tax	(33,635)*	(29,689)*
Provision for Fringe benefit Tax	3,528	15,836
Less : Advance payments	3,853	15,971
Net provision for Fringe Benefit Tax	(325)*	(135)*
Total provision for Tax	–	–
Dividend on Equity Shares	10,302	7,727
Provision for tax on distributed profits	1,671	1,283
	47,107	45,343

* Shown under Loans and Advances

Rane Engine Valve Limited

Schedules forming part of Profit and Loss Account for the year ended 31st March, 2011

SCHEDULE L	2010-2011	2009-2010
	₹. '000	₹. '000
SALES AND OPERATING REVENUE		
Sales	3,076,722	2,488,547
Less : Excise Duty	218,272	150,738
Net Sales (Note 10)	2,858,450	2,337,809
Sale of Material	5,847	6,417
Less: Excise Duty	871	772
Net Sales of Material	4,976	5,645
<u>Operating Revenue</u>		
Sale of Scrap	19,784	14,447
Less: Excise Duty	1,552	867
Net Scrap Sales	18,232	13,580
Interest - trade [Tax deducted at source ₹.128,076 (Previous year ₹.172,566)]	1,382	1,780
Job Work Receipts	1,498	1,497
	2,884,538	2,360,311
SCHEDULE M		
OTHER INCOME		
Interest - Others (Tax deducted at source ₹.134,706 (Previous year ₹.Nil))	1,353	—
Interest on Income Tax Refunds	2,066	—
Profit on Sale of Assets	2,877	1,419
Provision for Doubtful Debts written back	—	3,383
Provision no longer required written back	5,107	5,698
Dividend from Investments	153	82
Miscellaneous Income	946	1,381
	12,502	11,963

Schedules forming part of Profit and Loss Account for the year ended 31st March, 2011

SCHEDULE N	2010-2011	2009-2010
MANUFACTURING AND OTHER EXPENSES	₹. '000	₹. '000
<u>Opening Stock</u>		
Finished Goods	72,839	93,840
Work-in-progress	69,351	56,897
	142,190	150,737
Raw materials consumed (Note 17)	883,900	729,453
Trade Purchase	53,342	46,894
Stores and Tools consumed	208,413	180,938
Power and Fuel	168,707	125,489
Trade Mark Fees	14,923	12,205
<u>Repairs and Maintenance</u>		
Plant and Machinery	85,047	59,286
Buildings	4,095	2,581
Others	14,478	10,263
Salaries, Wages and Bonus	520,571	436,274
Contribution to Provident and other funds	43,509	43,404
Staff Welfare Expenses	84,963	68,599
Job work Expenses	91,715	70,827
Rent	5,351	4,926
Insurance	13,753	8,369
Rates and Taxes	5,866	6,347
Travelling and Conveyance	31,512	25,036
Professional and Legal Expenses	43,110	36,014
Data Processing and Maintenance expenses	15,711	19,390
Administrative Expenses	40,111	34,887
<u>Selling and Distribution Expenses</u>		
Packing and Forwarding	85,685	75,647
Advertisement and Sales Promotion	1,961	1,923
Commission and Discount	61,393	48,417
Bad Debts Written off	2,623	-
Less: Provided in earlier years	2,623	-
Provision for Doubtful debts	398	-
Quality Claim (net of claims receivable of ₹.4,769,493 (₹.5,496,263))	-	3,257
Directors' Sitting Fees	650	615
Audit Fees (Note 18)	1,495	1,261
Loss on Sale of Assets (net of impairment Loss Provision Reversed ₹.2,125,000)	2,687	1,833
Assets Written Off / Provision for Retirement of Assets	1,087	149
Advances Written Off	-	301
Provision for Doubtful Advances	2,076	-
Exchange Loss	6,977	13,325
Bank Charges	4,683	3,258
Excise Duty adjustment on Inc / (Dec) of Finished Goods	464	456
Donations	2,500	1,100
Balance c/f	2,643,323	2,223,461

Rane Engine Valve Limited

Schedules forming part of Profit and Loss Account for the year ended 31st March, 2011

	2010-2011 ₹. '000	2009-2010 ₹. '000
Balance b/f	2,643,323	2,223,461
<u>Less : Closing stock</u>		
Finished Goods	69,014	72,839
Work-in-progress	71,450	69,351
	<u>140,464</u>	<u>142,190</u>
	<u>2,502,859</u>	<u>2,081,271</u>

SCHEDULE O

FINANCE CHARGES

Interest - Fixed Loans

- Term Loans
- Fixed Deposits

Interest - Others

- Cash Credit Loans
- Other Interest

37,851	38,569
14,434	11,372
10,159	11,564
91	1,297
<u>62,535</u>	<u>62,802</u>

ACCOUNTING POLICIES AND NOTES

ACCOUNTING POLICIES

1 System of Accounting

1.1 The financial statements are prepared under the historical cost convention, on the accrual basis of accounting in accordance with the Companies Act, 1956 and comply with the applicable Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 and issued by the Institute of Chartered Accountants of India (ICAI).

1.2 The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts. Estimates include allowance for uncollectible accounts receivables, future obligations under employees benefit plans, useful life of fixed assets, accounting for employee cost pending execution of agreements with workmen unions etc. The actual amounts (crystallized after preparation of financial statements) may differ from these estimates.

2 Fixed Assets, Impairment & Depreciation

2.1 Fixed assets are stated at cost. None of the fixed assets has been revalued. Expenses incurred in connection with project prior to the commencement of commercial production are treated as part of project cost and capitalised as part of fixed assets.

2.2 If an asset is carried at a value more than the recoverable amount through use or sale of the asset, such impairment of asset is recognized as expenditure of the year. If such impairment ceases to exist then the same is recognized as income of that year.

2.3.1 Depreciation is provided on straight line method at the rates specified in Schedule-XIV to the Companies Act, 1956 except for :

- a) Assets acquired upto 31.03.1995 - On written down value method.
- b) Assets of following categories based on useful life acquired on or after 01.04.1996

Assets	Useful Life (Years)
1. Vehicles	5
2. Furniture & Fittings	5
3. Office Equipments	3
4. Licence	3

2.3.2 In case of second hand assets, depreciation is calculated taking into account the estimated useful life of the assets.

3 Inventories

3.1 Raw materials, work in progress and finished goods are valued at lower of cost and net realisable value. Other items of inventory are valued at cost. Cost is determined on Weighted Average basis. Cost includes conversion and other costs incurred in bringing the inventories to the present location and condition.

4 Foreign Currency Transactions

Transaction and Translation:

4.1 Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Foreign currency monetary assets and liabilities are translated at year end exchange rates. Exchange differences arising on settlement and translation of monetary items other than for acquisition of fixed assets, at the year end are recognised as income or expense in the year in which they arise.

4.2 Premium or discount on forward / option contracts is amortised over the life of such contracts and is recognised as income or expense in the Profit and Loss account.

4.3 Exchange differences arising on settlement / translation of long term monetary items utilized for acquisition of fixed assets are adjusted to carrying cost of fixed assets.

Derivative instruments and Hedge accounting:

4.4 The Company is exposed to foreign currency fluctuations on foreign currency assets and forecasted cash flows denominated in foreign currency. The Company limits the effects of foreign exchange rate fluctuations by following established risk management policies including the use of derivatives. The Company enters into forward contract and option contracts, where the counterparty is a bank.

Pursuant to ICAI Announcement "Accounting for Derivatives" on the early adoption of Accounting Standard AS 30 "Financial Instruments : Recognition and Measurement", the Company has early adopted the standard and accordingly, the changes in the fair values of forward contracts and options designated as cash flow hedges are

recognised directly in 'Hedge Reserve Account' being part of the shareholders' funds and reclassified into the profit and loss account upon the occurrence of the hedged transactions. The changes in fair value relating to the ineffective portion of the cash flow hedges and forward contracts / options not designated as cash flow hedges are recognised in the profit and loss account as they arise.

5. Borrowing Costs

5.1 Borrowing costs that are attributable to the acquisition or construction of qualifying assets requires a substantial period of time are capitalised as a part of the cost of the asset if they will result in future economic benefit to the company. All other borrowing costs are charged to revenue.

6. Taxes on Income

6.1 Provision for Current tax (inclusive of Minimum Alternate Tax) is made based on the tax liability computed on taxable income in accordance with relevant tax rates and tax laws.

6.2 Deferred tax, being tax on timing difference between taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years, has been recognized.

6.3 Deferred tax assets, excluding assets arising from loss/depreciation carried forward, are not recognized unless there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In case of carried forward loss/depreciation, it is recognized only if virtual certainty exists.

7. Research & Development

7.1 Revenue expenditure is charged under natural heads in Profit and Loss Account.

7.2 Capital expenditure is shown as addition to fixed assets under natural heads.

8. Employee Benefits

8.1 Defined Benefit Plan

Gratuity (Funded)

In accordance with applicable laws, the Company provides for gratuity, a defined benefit retirement plan (Gratuity Plan) covering all staff, workers and officers. The Gratuity Plan provides for, at

retirement or termination of employment, an amount based on the respective employees last drawn salary and the years of employment with the Company. The Company provides the gratuity benefit through annual contributions to a Gratuity trust which in turn mainly contributes to Life Insurance Corporation of India (LIC) for this purpose. Under this plan the settlement obligation remains with the Gratuity trust. Life Insurance Corporation of India administers the plan and determines the contribution premium required to be paid by the trust.

Leave encashment liability (Unfunded)

In accordance with applicable rules, the liability for leave encashment (defined benefit plan (Unfunded)) was actuarially valued and provided in the books of accounts, covering all staff, workers and officers.

8.2 Defined Contribution Plan

Provident Fund :

In addition to the above benefits, all employees are entitled to Provident Fund benefits as per the law. For certain category of employees the Company administers the benefits through a recognised Provident Fund Trust. For other employees contributions are made to the regional Provident Fund Commissioners as per law. The Government mandates the annual yield to be provided to the employees on their corpus. For the first category of employees (covered by the Trust), the company has an obligation to make good the shortfall, if any, between the yield on the investments of the trust and the yield mandated by the Government.

Superannuation : Defined Contribution Plan where contributions are made to a Trust which in turn contributes to LIC

Apart from being covered under the Gratuity Plan described above, the employees of the Company who are Assistant Managers and above also participate in a defined contribution Superannuation plan maintained by the Company. The Company has no further obligations under the plan except making annual contributions based on a specified percentage of each covered employees salary.

Rane Engine Valve Limited

9. Pre-operative Expenditure

9.1 All expenditure incurred prior to commencement of business / Expansion of business activities is carried forward as pre-operative expenditure and included in Capital Work in Progress and is capitalised along with the cost of fixed assets on commencement of Business.

10. Revenue Recognition

10.1 Sales are net of sales returns and trade discounts and exclude all taxes and levies.

NOTES

11. Share Capital

11.1 5,150,992 Equity Shares of ₹.10/- each were allotted on February 06, 2008, as fully paid for consideration other than cash, pursuant to the scheme of arrangement of the company with erstwhile Rane Engine Valves Limited.

11.2 2,759,686 Equity Shares of ₹.10/- each are held by Rane Holdings Ltd., the holding company

12. Loans

12.1 Foreign Currency Term Loan and Rupee Term Loans from Banks are secured on pari-passu basis by a 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.

12.2 Cash credit from banks is secured by hypothecation of raw materials, work in progress, finished goods, stores & spares and book debts.

12.3 Term Loans repayable within one year ₹. 183,095,107 (₹.175,858,242).

12.4 The Interest Free Sales Tax Loan from Government of Andhra Pradesh is due and repayable on completion of period of deferral starting from the month of February 2010. Amount due within one year amounts to ₹.3,888,507 (₹.4,913,834).

12.5 Fixed Deposits outstanding include ₹. 1,850,000 (₹. 1,250,000) from Directors.

12.6 Fixed Deposit maturing within a period of one year amounts to ₹.34,870,000 (₹.22,550,000)

12.7 Maximum amount of Commercial Paper outstanding at any time during the period was ₹.100,000,000 (₹. 50,000,000)

13. Fixed Assets

13.1 Foreign currency fluctuation Gain of ₹.788,772 (fluctuation loss of ₹.9,853,024) arising on settlement / translation of long term borrowings utilized for acquisition of capital assets are adjusted to the cost of the assets.

13.2 Borrowing cost of ₹.1,772,056 (₹.2,110,793) is capitalized along with the cost of capital asset.

14. In compliance with the Notification No.GSR226 (E), dated 31st March, 2009 issued by Ministry of Corporate Affairs, the company has exercised the option in terms of newly inserted paragraph 46 to the Accounting Standard - AS -11 "the effect of changes in Foreign Exchange Rates". Accordingly, the exchange differences, fluctuation gain of ₹.788,722 (fluctuation loss of ₹.9,853,024) adjusted to cost of fixed assets arising on settlement / translation of foreign currency monetary items utilized to acquire depreciable capital assets.

15. Investments

15.1 Details of units in mutual funds purchased and redeemed during the year.

Mutual Fund	No. of Units
HDFC Cash Management Fund - Treasury Advantage Plan - Daily Dividend Reinvestment	6,242,646
GFRD IDFC Money Manager Fund - Treasury Plan - Daily Dividend Investment	2,834,159
IDFC Cash Fund – Daily Dividend Investment	2,236,806

16 Managerial Remuneration

16.1 Remuneration to:

	2010-2011 ₹. '000	2009-2010 ₹. '000
a) Chairman & Managing Director		
i) Salary	–	1,100
ii) Perquisites	–	317
iii) Contribution to Provident Fund, Pension Fund and Gratuity	–	174
iv) Commission payable	4,500	2,127
	<u>4,500</u>	<u>3,718</u>

16.2 Computation of net profit under Section 198 of the Companies Act, 1956 for Managerial Remuneration:

	2010-2011 ₹. '000	2009-2010 ₹. '000
Net Profit for the year as per Profit and Loss Account	161,238	70,012
<i>Add:</i> Remuneration paid/provided to Chairman & Managing Director	–	1,591
Commission @ 5% of Profit	4,500	2,127
Wealth Tax paid	–	11
Director's Sitting Fees	650	615
	<u>5,150</u>	<u>4,344</u>
Net profit as per Section 198 of the Companies Act, 1956	166,388	74,356
Maximum Remuneration Payable u/s 309 of the Companies Act, 1956 - 5% of the profits	8,319	3,718
Commission payable Restricted to	4,500	3,718

17. Consumption of raw materials

	2010-2011 ₹.'000	2009-2010 ₹.'000
Opening Stock	98,858	98,257
<i>Add:</i> Purchases during the year	892,430	730,054
	<u>991,288</u>	<u>828,311</u>
<i>Less:</i> Closing stock	107,388	98,858
Consumption during the year	<u>883,900</u>	<u>729,453</u>

Rane Engine Valve Limited

18. Audit Fees

Audit fees (net of Service Tax Credit availed) comprises of the following:

	2010-2011	2009-2010
	₹. '000	₹.'000
Statutory Audit	950	850
Tax Audit	175	150
Certification fees	370	261
	<u>1,495</u>	<u>1,261</u>

19. Deferred Tax Liabilities (Net):

	2010-2011	2009-2010
	₹.'000	₹.'000
Deferred Tax Liability		
Depreciation (net of impairment)	<u>105,430</u>	<u>105,877</u>
	<u>105,430</u>	<u>105,877</u>
Deferred Tax Assets		
Provision for leave Salary	10,032	9,520
Provision for Liability	6,383	3,115
Provision for Bad Debts	476	1,262
	<u>16,891</u>	<u>13,897</u>
Net Deferred Tax Liability	<u>88,539</u>	<u>91,980</u>

20. Related Party Disclosures:

20.1 Related parties and their relationship

Holding Company	:	Rane Holdings Limited
Fellow Subsidiaries	:	Rane (Madras) Limited Rane Brake Lining Limited Rane Diecast Limited
Enterprise Significantly influenced by Key Management Personnel	:	Kar Mobiles Limited Rane Foundation
Key Management Personnel	:	Mr L Ganesh
Relatives of Key Management Personnel	:	1. Mr L Lakshman 2. Mrs Meenakhi Ganesh 3. Ms Aparna Ganesh 4. Mr Aditya Ganesh 5. Mrs Hema C Kumar 6. Mrs Vanaja Aghoram 7. Mrs Shanthi Narayan

20.2 Disclosure in respect of material transactions with associated parties.

For the period 01.04.2010 to 31.03.2011

₹. in '000s

Sl. No.	Particulars	Holding Company	Fellow Subsidiaries	Enterprise Significantly influenced by Key Management Personnel	Key Management Personnel	Relatives of Key Management Personnel
1	Interest Received					
2	Remuneration paid				4,500 (3,718)	
3	Trade Mark Fees Paid	14,922 (12,205)				
4	Services Received	33,330 (34,717)				
5	Interest paid on Fixed Deposits				92 (35)	1,592 (1,032)
6	Reimbursement of Expenses	801 (719)	240 (952)	– (15)		
7	Sale of Material			3,059 (3,958)		
8	Purchase of Material			1,472 (2,199)		
9	Services Rendered		1,231 –	1,634 (1,497)		
10	Donation			2,500 (500)		
11	Purchase of Assets		55 (–)	394 (–)		
12	Sale of Assets	– (900)				
13	Amount payable - Trade	3,949 (3,344)		153 (–)		
14	Amount receivable - Trade		232 (318)	254 (–)		
15	Loans provided			5,000 –		
16	Fixed deposits accepted / (repaid)				– (500)	3,075 (5,100)
17	Fixed deposits outstanding				550 (550)	17,025 (12,000)

20.3 The details of amount paid as remuneration to key management personnel are given in the note 16.

21. Segment Reporting:

21.1 The entire operations of the company relate only to one segment, viz, "Components for Transport Industry". 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.

22. The Company has included an amount of ₹.2,391,030 (₹.2,480,200) representing the excise duty on finished goods manufactured but not cleared as on 31st March, 2011, for valuation and charging off the excise duty to Profit and Loss Account. This has, however, no impact on profit of the year.

23. There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund as on 31st March 2011.

Rane Engine Valve Limited

24. Revenue expenditure during the year on Research & Development activities shown under the various heads of account amounted to ₹. 4,649,238 (Previous Year ₹. 2,992,302)

25. Disclosure required under the Micro, Small and Medium Enterprises Development Act, 2006 are given as follows:

	31.03.2011 ₹.'000	31.03.2010 ₹.'000
a) Principal amount due	1,729	2,217
Interest due on the above	–	1
b) Interest paid during the period beyond the appointed day	–	6
c) Amount of payment made to the supplier beyond the appointed day during the accounting year	516	2,052
d) Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act.	–	61
e) Amount of interest accrued and remaining unpaid at the end of the period	9	55
f) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as deductible expenditure under section 23 of the Act.	–	–

The above information and that given in Schedule-J "Current Liabilities" regarding micro enterprise and small enterprises has been determined on the basis of information available with the Company. This has been relied upon by the auditors.

26. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is ₹.88,358,946 (₹.16,158,657).

27. Employee Benefits

The company has implemented Revised AS-15 and made the provisions accordingly. The disclosure as per Revised AS-15 produced below:-

The following tables set out the details of amount recognised in the financial statements in respect of employee benefit schemes:

	31.03.2011 Gratuity ₹.'000	31.03.2010 Gratuity ₹.'000	31.03.2011 Leave Salary ₹.'000	31.03.2010 Leave Salary ₹.'000
A Net Asset / (liability) recognised in the Balance Sheet as at March 31, 2011				
1 Present value of the Defined Benefit Obligation	106,495	104,511	30,921	28,659
2 Fair Value of plan assets	102,282	96,837	–	–
3 Net Asset / (Liability) recognised in the Balance Sheet	(4,213)	(7,674)	(30,921)	(28,659)
B Expenses recognised in the statement of Profit and Loss Account for the year ended March 31, 2011				
1 Current Service Cost	7,851	5,927	2,894	2,682
2 Interest Cost	8,361	7,925	1,749	1,723
3 Expected return on plan assets	(8,733)	(8,473)	–	–
4 Net actuarial (gain) / loss recognised during the year	1,046	6,647	11,214	8,129
5 Expense / (Income) recognised in Profit and Loss Account	8,525	12,026	15,857	12,534

		31.03.2011 Gratuity ₹.'000	31.03.2010 Gratuity ₹.'000	31.03.2011 Leave Salary ₹.'000	31.03.2010 Leave Salary ₹.'000
C	Change in Defined Benefit obligation during the year ended March 31, 2011				
1	Present value of Defined Benefit obligation as at April 1, 2010	104,511	99,063	28,659	26,942
2	Current Service Cost	7,851	5,927	2,894	2,682
3	Interest Cost	8,361	7,925	1,749	1,723
4	Benefits paid	(15,274)	(15,051)	(13,595)	(10,817)
5	Actuarial gain / (loss) on obligation	1,046	6,647	11,214	8,129
6	Present value of obligation as at March 31, 2011	106,495	104,511	30,921	28,659
D	Change in Fair value of Asset during the year ended March 31, 2010				
1	Fair value of plan assets as at April 1, 2010	96,838	84,549	–	–
2	Expected return on plan assets	8,733	8,473	–	–
3	Contributions made	11,985	18,867	13,595	10,817
4	Benefits paid	(15,274)	(15,051)	(13,595)	(10,817)
5	Actuarial gain / (loss) on plan assets	–	–	–	–
6	Fair value of plan assets as at March 31, 2011	102,282	96,838	–	–
E	Actual return on plan assets for the year ended March 31, 2011				
1	Expected return on plan assets	8,733	8,473	–	–
2	Actuarial gain / (loss) on plan assets	–	–	–	–
3	Actual Return on plan assets	8,733	8,473	–	–
F	Actuarial Assumptions				
1	Discount rate	8.00%	8.00%	8.00%	8.00%
2	Expected rate of return on plan assets	9.30%	9.30%	–	–
3	Rate of increase in compensation levels	4.50%/ 7.0%	4.50%/ 7.0%	4.50%/ 7.0%	4.50%/ 7.0%
	The company assesses these assumptions with its projected long-term plans of growth and prevalent industry standards.				

28. Derivative Instrument and hedge accounting

As per Accounting Standard AS 30 "Financial Instruments: Recognition and Measurement", the Company has provided for the effective portion amounting to ₹.Nil (₹.2.06 Mio) of the changes in the fair values of forward contracts and options designated as cash flow hedges directly in 'Hedge Reserve Account' being part of the shareholders' funds, the changes in fair value relating to the ineffective portion amounting to ₹.0.27 Mio (₹.0.08 Mio) of the cash flow hedges and forward contracts / options are recognised in the profit and loss account.

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29. Derivative Instrument and Unhedged Foreign Currency Exposure

S. No.	Purpose	Nature	Currency	31.03.11	31.03.10	31.03.11	31.03.10
				FCY Amount '000		INR Amount '000	
1	Forward Currency Swap Outstanding						
	ECB Loan taken in JPY 351,433,247 and swapped against USD	Cross Currency Swap	USD	614	1,432	27,517	64,743
	ECB Loan taken in USD 5,910,000 and swapped against INR	Cross Currency Swap	INR	2,216	3,694	89,175	148,625
	ECB Loan taken in USD 3,250,000 and swapped against INR	Cross Currency Swap	INR	3,250	–	153,530	–
2	Payable in JPY	Currency Swap	INR	99,591	160,642	55,424	83,844
	Payable in USD	Currency Swap	INR	250	499	11,227	22,626
	Receivable in USD	Currency Swap	INR	700	220	32,299	10,202
	Receivable in EURO	Currency Swap	INR	200	475	12,351	29,834
	Receivable in AUD	Currency Swap	INR	–	95	–	3,924
3	Receivable in USD	Currency Options	INR	–	–	–	–
4	Unhedged Foreign Currency Exposure						
	a) ECB Loan taken in USD		USD	125	313	5,575	14,028
	b) ECB Loan taken in JPY 351,433,247 and swapped against USD		USD	426	1,058	19,019	47,512
	c) PCFC Loan in USD		USD	1,300	1,314	57,890	58,992
	d) PCFC Loan in EURO		EURO	705	1,300	44,683	78,636
	e) Outstanding Debtors		USD	1,370	1,352	61,100	60,692
			EURO	381	255	24,154	15,447
			GBP	103	19	7,380	1,316
			AUD	60	–	2,786	–
	f) Outstanding Creditors - Goods		USD	245	315	10,947	14,136
			GBP	6	25	439	1,667
			JPY	–	24,006	–	11,537
	g) Outstanding Creditors-Expenses		USD	–	5	–	246
			EURO	8	35	489	2,350
			AUD	–	13	–	519

30. The company in an earlier year received an intimation of product recall on account of product defect from one of the Original Equipment Manufacturer (OEM) customer. The company has not accepted the facts and the claim made by the OEM customer. The company is adequately insured for claims on account of product defect liability. In the opinion of the management, the potential claim net of insurance coverage would not be material.

31. Contingent Liabilities not provided for

	31.03.2011 ₹. '000	31.03.2010 ₹. '000
Liability on bills discounted with bank	35,914	22,678
Liability on letter of credits & guarantees issued by the Banks	79,397	142,771
Labour Disputes	1,600	18,691
Income tax	8,875	11,320
Other Liabilities	2,991	1,097

32. Figures in brackets in the Schedules and Notes pertain to previous year.

33. Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No. 6127 State Code 18
 Balance Sheet Date 3103 2011

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue	Rights Issue
 N I L 	 N I L
Bonus Issue	Private Placement
 N I L 	 N I L

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	Total Assets
1 8 6 4 6 9 7	1 8 6 4 6 9 7

Source of Funds

Paid-up Capital	Reserves & Surplus
 5 1 5 1 0	 8 4 9 7 0 7
Deferred tax liability	
 8 8 5 3 9	
Secured Loans	Unsecured Loans
 6 8 3 6 6 9	 1 9 1 2 7 2

Application of Funds

Net Fixed Assets	Investments
1 3 5 4 7 6 1	 N I L
Net Current Assets	Misc. Expenditure
 5 0 9 9 3 6	 N I L
Accumulated Losses	
 N I L 	

IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Gross Revenue)	Total Expenditure
2 8 9 7 0 4 0	2 7 3 5 8 0 2
+ - Profit / Loss Before Tax	+ - Profit / Loss After Tax
+ 1 6 1 2 3 8	+ 1 0 8 0 3 4
+ - Earnings Per Share in Rs	Dividend Rate %
+ 2 0 . 9 7	5 0

V. Generic Names of Three Principal Products / Services of Company (as per Monetary Terms)

Item Code No. (ITC Code)	
8 4 0 9 9 1	V A L V E S - I N L E T & E X H A U S T
8 4 0 9 9 1	V A L V E G U I D E S
	F O R I C E N G I N E S

Rane Engine Valve Limited

The foregoing Schedules A to P along with Accounting Policies and Notes 1 to 33 annexed to the Balance Sheet and the Profit and Loss Account form part of the accounts and should be read in conjunction therewith.

As per our report of even date attached

For and on behalf of the Board

For **BRAHMAYYA & CO.,**
Chartered Accountants
Firm Regn No: 000511S

P.S. KUMAR
Partner
Membership No. 15590

L. LAKSHMAN
Director

L. GANESH
Chairman &
Managing Director

CHENNAI
May 19, 2011

K. SANKARANARAYANAN
General Manager - Finance & Secretary

Cash Flow Statement for the year ended 31st March, 2011

Particulars	2010-2011	2009-2010
A Cash flow from operating activities	₹. '000	₹. '000
Net profit before tax and extraordinary items	161,238	70,012
Adjustments for : Depreciation	170,408	157,664
Impairment of Assets	-	525
Unrealised Foreign exchange Loss / (Gain) - net	421	1,118
Dividend income	(153)	(82)
Interest expense	62,535	62,802
(Gain) / Loss on sale of fixed assets - net	(190)	414
Assets Written off / Provision for Retirement of Assets	1,087	149
(Gain) / Loss on sale of Investment	-	-
Provision for bad debts and bad debts written off	398	(3,383)
Assets / Stores Written off	-	-
Advances Written off / Provision for Doubtful Advances	2,076	-
Provision for gratuity and leave salary - (net)	(1,199)	(5,124)
Operating profit before working capital changes	396,621	284,095
Adjustments for: (Increase) / Decrease in trade and other receivables	(31,447)	(70,240)
(Increase) / Decrease in inventories	(14,879)	4,051
Increase / (Decrease) in sundry creditors	60,898	54,205
Cash generated from operations	411,193	272,111
Income taxes paid - net of refund	(48,010)	(12,897)
Net cash from operating activities (A)	363,183	259,214
B Cash flow from investing activities:		
Purchase of fixed assets	(241,719)	(166,348)
Proceeds from sale of fixed assets	5,465	3,639
Dividend received	153	82
Net cash used in investing activities (B)	(236,101)	(162,627)
C Cash flow from financing activities:		
Proceeds from long term borrowings	203,530	50,000
Proceeds from other borrowings	(3,102)	79,094
Repayment of long term borrowings	(176,963)	(153,965)
Repayment of other borrowings	-	-
Repayment of interest free Sales Tax	(4,914)	(2,422)
Interest paid	(58,072)	(61,383)
Dividend paid	(27,210)	(21,030)
Net cash from financing activities (C)	(66,731)	(109,706)
Net increase / (Decrease) in cash equivalents (A) + (B) + (C)	60,351	(13,119)
Cash and cash equivalents - Opening Balance	15,068	28,187
Cash and cash equivalents - Closing Balance	75,419	15,068
	(60,351)	13,119

Note : Cash and cash equivalents include ear-marked accounts amounting to ₹.1,944,593/-

As per our report of even date attached

For and on behalf of the Board

For **BRAHMAYYA & CO.,**
Chartered Accountants
Firm Regn No: 000511S

P.S. KUMAR
Partner
Membership No. 15590

L. LAKSHMAN
Director

L. GANESH
Chairman &
Managing Director

CHENNAI
May 19, 2011

K. SANKARANARAYANAN
General Manager - Finance & Secretary

Rane Engine Valve Limited

HIGHLIGHTS

Summary of Results 2007 to 2011

Fig. in ₹. million

Year	Income	Profit before Tax	Profit after Tax	Reserves & Surplus	Share Capital	Dividend %	E.P.S. ₹.
2006-07	0.05	0.02	0.01	0.07	0.51	0%	0.29
2007-08	1,992.46	41.04	24.20	739.76	51.51	45%	4.70
2008-09	2,211.04	39.12	22.10	746.01	51.51	20%	4.29
2009-10	2,372.27	70.01	42.99	769.60	51.51	30%	8.35
2010-11	2,897.04	161.24	108.03	849.71	51.51	50%	20.97

Balance Sheet Summary

Fig. in ₹. million

	Year ended 31st March	2011	2010	2009	2008	2007
A	Gross Fixed Assets	2,584.34	2,409.56	2,294.57	2,018.78	–
B	Depreciation	1,229.58	1,118.46	990.34	880.23	–
C	Net Fixed Assets (A-B)	1,354.76	1,291.10	1,304.23	1,138.55	–
D	Investments	–	–	–	–	–
E	Current Assets	832.69	717.41	676.57	620.50	0.59
F	Loans & Advances	153.71	171.15	157.81	190.02	–
G	Deferred Revenue Expenditure	–	–	–	2.88	–
H	Total Assets (C to G)	2,341.16	2,179.66	2,138.61	1,951.95	0.59
I	Secured & Unsecured Loans	874.94	854.30	904.77	820.32	–
J	Current Liabilities & Provisions	476.46	412.27	366.15	283.59	0.01
K	Deferred Tax Liability	88.54	91.98	70.17	56.77	–
L	Total Liabilities (I + J + K)	1,439.94	1,358.55	1,341.09	1,160.68	0.01
M	Net Worth (H – L)	901.22	821.11	797.52	791.27	0.58
	Represented by -					
	Equity Capital	51.51	51.51	51.51	51.51	0.51
	Reserves & Surplus	849.71	769.60	746.01	739.76	0.07

Net Worth per Equity Share of ₹. 10 each (₹.)	174.96	159.41	154.83	153.61	11.31
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