

**RANE BRAKE LINING LIMITED**

**Registered Office:** “Maithri”, 132, Cathedral Road, Chennai – 600 086. **Tel.:** (044) 28112472-73 **Fax:** (044) 28112449. **Website:** [www.rane.co.in](http://www.rane.co.in) **Email:** [investorservices@rane.co.in](mailto:investorservices@rane.co.in)

(Incorporated as a Private Limited company on December 17, 2004 under the Companies Act, 1956 as “EMS Logistics (India) Private Limited”. On September 20, 2005 the name of the company was changed to M/s Richfield Logistics Line Private Limited. The name of the company was changed to M/s Rane Brake Products Private Limited w.e.f. September 24, 2007. The status of the company was changed from “Private Limited” to “Public Limited” and the company became a public limited company on September 26, 2007. In terms of the Scheme of Demerger, Merger and Amalgamation for transfer of the manufacturing undertaking of erstwhile Rane Brake Linings Limited, as approved by the Hon’ble High Court of Judicature at Madras vide its order dated December 20, 2007, the name of the Company was changed to Rane Brake Lining Limited w.e.f. 6<sup>th</sup> February, 2008)

**INFORMATION MEMORANDUM FOR LISTING OF 7,214,980 EQUITY SHARES OF RS. 10 EACH FULLY PAID-UP****GENERAL RISKS**

Investment in equity and equity-related securities involve a degree of risk and investors should not invest in the equity shares of Rane Brake Lining Limited unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in the shares of Rane Brake Lining Limited. For taking an investment decision, investors must rely on their own examination of the Company including the risks involved. The securities have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document.

**ABSOLUTE RESPONSIBILITY OF RANE BRAKE LINING LIMITED**

Rane Brake Lining Limited having made all reasonable inquiries, accepts responsibility for, and confirms that this Information Memorandum contains all information with regard to Rane Brake Lining Limited, which is material, that the information contained in this Information Memorandum is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Information Memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

**LISTING**

The Equity Shares of Rane Brake Lining Limited are proposed to be listed on Madras Stock Exchange Limited (MSE), National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited, Mumbai (BSE).

**SHARE TRANSFER AGENT****Integrated Enterprises (India) Ltd.**

2nd Floor, “Kences Towers”, No.1 Ramakrishna Street, North Usman Road, T Nagar, Chennai 600017.

Tel: (044) 28140801 Fax: (044) 28142479

**E-mail:** [sureshababu@iepindia.com](mailto:sureshababu@iepindia.com)

## TABLE OF CONTENTS

<b>SECTION I- GENERAL .....</b>	<b>3</b>
<b>GLOSSARY OF TERMS AND ABBREVIATIONS .....</b>	<b>3</b>
<b>FORWARD LOOKING STATEMENTS .....</b>	<b>5</b>
<b>SECTION II –RISK FACTORS .....</b>	<b>7</b>
<b>RISK FACTORS .....</b>	<b>7</b>
<b>SECTION III- INTRODUCTION .....</b>	<b>11</b>
<b>SUMMARY.....</b>	<b>11</b>
<b>INDUSTRY AND BUSINESS OVERVIEW.....</b>	<b>11</b>
<b>GENERAL INFORMATION.....</b>	<b>12</b>
<b>CAPITAL STRUCTURE: .....</b>	<b>14</b>
<b>OBJECTS OF THE SCHEME.....</b>	<b>20</b>
<b>STATEMENT OF TAX BENEFITS .....</b>	<b>21</b>
<b>SUBJECT: STATEMENT OF POSSIBLE TAX BENEFITS.....</b>	<b>21</b>
<b>SECTION IV- ABOUT THE COMPANY .....</b>	<b>25</b>
<b>OUR BUSINESS.....</b>	<b>25</b>
<b>HISTORY OF THE COMPANY .....</b>	<b>30</b>
<b>OUR MANAGEMENT .....</b>	<b>34</b>
<b>OUR PROMOTER.....</b>	<b>42</b>
<b>CURRENCY OF PRESENTATION .....</b>	<b>45</b>
<b>DIVIDEND POLICY .....</b>	<b>45</b>
<b>SECTION V - FINANCIAL STATEMENTS.....</b>	<b>46</b>
<b>FINANCIAL INFORMATION OF OUR GROUP COMPANIES.....</b>	<b>64</b>
<b>MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENTS.....</b>	<b>68</b>
<b>SECTION VI - LEGAL AND OTHER INFORMATION.....</b>	<b>71</b>
<b>OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS.....</b>	<b>71</b>
<b>GOVERNMENT APPROVALS .....</b>	<b>84</b>
<b>OTHER REGULATORY AND STATUTORY DISCLOSURES.....</b>	<b>85</b>
<b>SECTION VII- MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION .....</b>	<b>91</b>
<b>SECTION VIII .....</b>	<b>100</b>
<b>MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION.....</b>	<b>100</b>
<b>DECLARATION .....</b>	<b>100</b>

## SECTION I- GENERAL

### GLOSSARY OF TERMS AND ABBREVIATIONS

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BSE	The Bombay Stock Exchange Limited, Mumbai
Company / RBL	Rane Brake Lining Limited
CDSL	Central Depository Services (India) Limited
DIP Guidelines	The SEBI (Disclosure and Investor Protection ) Guidelines 2000
DP	Depository Participant
Demerged Company 1	Erstwhile Rane Engine Valves Limited
Demerged Company 2	Erstwhile Rane Brake Linings Limited
FEMA	Foreign Exchange Management Act, 1999
HCV	Heavy Commercial Vehicle
Investor Grievance Committee	The Investor Grievance Committee set up to attend to the grievances of investors.
Issue	The issue of equity shares of RBL in terms of the Scheme of Demerger, Merger and Amalgamation sanction by the Hon'ble High Court of Judicature at Madras vide order dated December 20, 2007.
LCV	Light Commercial Vehicle
MSE	Madras Stock Exchange Limited
MUV	Multi Utility Vehicle
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OEM	Original Equipment Manufacturer
PCV	Passenger Car Vehicles
PACs	Persons Acting in Concert
RIL	Rane Investments Limited
RBL	Rane Brake Linings Limited
RBI	Reserve Bank of India
Registrar / IEP	Integrated Enterprises (India) Ltd.



REVL	Rane Engine Valve Limited (formerly known as Techcons Limited)
RHL	Rane Holdings Limited
RoC	Registrar of Companies, Tamil Nadu, Chennai
SCHEME	Scheme of Demerger, Merger and Amalgamation sanctioned by the High Court of Madras, vide order dated December 20, 2007.
SEBI	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992
SIAM	Society of Indian Automobile Manufacturers
Shares	Fully paid-up equity shares of Rs. 10/- each of RBL
TPM	Total Productivity Management
TQM	Total Quality Management
UV	Utility Vehicle

## FORWARD LOOKING STATEMENTS

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Unless stated otherwise, the financial data in this Information Memorandum is derived from our financial statements prepared in accordance with Indian GAAP. Our current financial year commenced on April 1, 2007 and shall end on March 31, 2008. In this Information Memorandum, any discrepancies in any table between the total and sums of the amounts listed are due to rounding-off.

Unless stated otherwise, industry data used throughout this Information Memorandum has been obtained from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but their accuracy and completeness is not guaranteed and their reliability cannot be assured. Although we believe that industry data used in this Information Memorandum is reliable, it has not been independently verified. The information included in this Information Memorandum about the various other companies is based on their respective Annual Reports and information made available by the respective companies.

Any projections, forecasts and estimates contained herein are forward looking statements that involve risks and uncertainties. Such statements use forward looking terminology like “may”, “believe”, “will”, “expect”, “anticipate”, “estimate”, “plan” or other similar words. The Company’s actual results could differ from those anticipated in these forward looking statements as a result of certain factors including those which are set forth in the “Risk Factors” section.

All forward looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others:

- General economic and business conditions in India and other countries;
- Our ability to successfully implement our strategy, our growth and expansion plans and technological changes;
- Changes in the value of the Indian Rupee and other currency changes;
- Changes in laws and regulations in India;
- Changes in political conditions in India;



- Changes in the foreign exchange control regulations in India.

For further discussion of factors that could cause our actual results to differ, see the section titled “Risk Factors”. By their nature, certain risk disclosures are only estimates and could be materially different from what actually occur in the future. As a result, actual future gains or losses could materially differ from those that have been estimated.

We do not have any obligation to and do not intend to, update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition.

## **SECTION II –RISK FACTORS**

### **RISK FACTORS**

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#### **A. RISK INTERNAL TO THE COMPANY**

##### **Volatility in the Auto Industry:**

As the Company caters exclusively to the automotive industry, the Company's business fortunes depend on the performance of this industry. There have been substantial changes in the Indian automobile industry in the last three to four years leading to consolidation, entry of new players and technological changes. Coupled with the sustained growth in Indian economy, the industry has registered substantial growth in the last few years. However, past experience has shown that the industry is susceptible to cyclical downturns and events that result in decreased demand in the automobile industry which could have an adverse impact on the Company's operations and financial conditions.

##### **Dependence on Original Equipment Manufacturers (OEM)**

Traditionally, we have focused on supply of brake linings, disc pads to OEM's of passenger cars and utility vehicles, commercial vehicles, and farm tractors. This dependence on OEMs may result in downturns and could adversely affect in future the Company's financial conditions.

##### **Increase in input costs**

Our major input costs consist of asbestos, metal fibres, resins, back plate steel, power & fuel. The average prices of these inputs have been fluctuating in the recent past. We may not be able to pass on all increases in the cost of inputs to the customers and this could have adverse impact on financial condition and operations of the Company.

##### **Foreign Exchange rates fluctuations**

The Company's exports is in US Dollar and appreciation in the value of Indian Rupee against USD may adversely impact the profitability of export sales and this situation may continue if the Indian Rupee continues to appreciate against USD. However, the value of exports to total turnover is less than 10%.



### **Dependence on few Customers**

Our export customer base is small. Any cancellation of orders by them could adversely affect our sales volume and profitability.

### **Pricing Pressures**

Due to increased competition and pressure from OEM customers especially in passenger car segment, the company's product prices may be impacted in future which may affect profitability of the company.

### **Supply to Governmental Authorities**

The company also manufactures Railway Brake Blocks complete products range for Indian Railways and is a market leader in this segment. Such dependence on governmental authorities and any cancellation or delay in order of payment of dues could adversely affect our sales volume and profitability.

### **Possibility of greater constraints on Asbestos used products**

There is a possibility of greater constraints being introduced in India on the use of asbestos currently used in your company's products. Whilst your company has plants dedicated to the manufacture of asbestos free brake linings, the replacement trade finds these substitutes expensive. Based on analysis of scientific data available, we believe asbestos is safe under regulated use. . Should any evidence prove the contrary, your company is already equipped to take steps to switch over completely to asbestos free products rapidly.

### **Contingent Liabilities**

In terms of the Scheme of Demerger, Merger and Amalgamation, the accumulated contingent liabilities of erstwhile Rane Brake Linings Ltd. for the period ended December 31, 2007 amounting to Rs.337.24 Lakhs has been transferred to the company.

### **Litigations**

Our company, director and group companies are involved in certain legal proceedings in India. The company may not assure you that the proceedings pending against the company may be decided in its favour. A summary of the legal proceedings initiated against the company is given under the **Section titled "OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS"**.



**B. RISK EXTERNAL TO THE COMPANY****General Economic conditions**

The fortunes of Indian auto-components industry is largely dependent on the performance of Indian automobile industry, which in turn is dependent on the growth of the economy. Following the liberalization of the Indian economy initiated by the Central Government in the early 1990s, the GDP registered an average growth of over 7% during the period 1993-1997. The Indian automobile industry too registered double digit growth rates during this period, largely due to the entry of global manufacturers and the increased customer demand for the products.

When the economic growth started slowing down in 1997, the automobile and the auto components industries also started the cyclical down turn. Our industry could be subjected to such down turns in the future resulting from possible slow down of the Indian economy. This could adversely affect the financial performance of the Company.

**Foreign exchange risk**

Our exports have increased substantially in the last financial year and the export receivables are denominated in US Dollar, while most of the input costs are incurred in Indian Rupees / Japanese Yen. The strengthening of the Indian Rupee with respect to the US Dollar and the cross currency rates could adversely impact our profitability. However, the value of exports is still small at less than 10% of the total turnover.

**Increased competition from low cost destinations**

Along with India, other countries, especially in the South-East Asia and the Asia Pacific regions have become the sources for procurement of auto components by the international automobile manufacturers. Further, countries like China and Taiwan, continue to export low priced products. India is likely to face increased competition from these countries for export of auto components.

**Changes in government policies and regulations.**

Any significant change in India's economic liberalization and deregulation policies could affect business and economic conditions generally and consequently our business also. Further, potential changes in environmental and other regulations by the Central and State Governments could adversely affect our business and financial conditions.

**Follow source of MNC OEM's**

MNC OEM's in passenger car industry prefer their component suppliers situated abroad to supply in India also. This may affect the company's business and future growth prospects.

**Likely entry of MNC's in India**

MNC's from other countries are eyeing the Indian market keenly and are likely to set up manufacturing/distribution facilities in the country, which may affect the market shares of the company in future.

## SECTION III- INTRODUCTION

### SUMMARY

*You should read the following summary together with the risk factors and the more detailed information about us and our financials stated elsewhere in this information memorandum*

(Sources: The information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government and its various ministries and has not been independently prepared and verified by the Company. The information provided is based on present business activities of the Company.)

### INDUSTRY AND BUSINESS OVERVIEW

Indian auto- component industry is relatively small by global standards with some individual global auto component companies having sales far in excess of that of the Indian auto component industry as a whole. The size of the industry has, however, increased in the last decade with the rapid growth in Indian automobile production, triggered largely by the economic liberalization and with global automobile players setting up manufacturing facilities in India. The other driver for expansion of the Indian auto-component industry has been the increasing volume of exports. Major global automobile manufacturers/Tier-1 suppliers are already sourcing auto components from India for their global requirements.

The table below highlights the segmental growth of the Indian automotive industry during the last five years:-

Particulars	2006-2007		2005-2006		2004-2005		2003-2004		2002-2003	
	Sales (Nos)	Growth (%)	Sales (Nos)	Growth (%)	Sales (Nos)	Growth (%)	Sales (Nos)	Growth (%)	Sales (Nos)	Growth (%)
Passenger Cars	1,323,404	19	1,113,598	9	1,023,927	23	830,369	34	621,774	8
Utility vehicles	222,111	13	196,585	7	183,656	24	160,370	24	129,490	4
Light Commercial Vehicles	150,751	7	141,291	23	139,945	28	110,715	34	82,465	28
SCV (one T & below)	74,983	146	30,496	-	-	-	-	-	-	-
Medium and heavy commercial vehicles	294,266	34	219,297	4	210,087	27	161,161	35	119,210	25
Farm Tractors	335,464	15	291,213	15	210,087	30	191,012	4	145,451	-28
Three Wheelers	555,887	28	434,424	17	371,208	5	340,729	23	276,464	
Two Wheelers	8,439,611	11	7,601,340	18	6,454,765	17	5,624,950	10	5,109,419	20



The tractor industry has recovered and registered a positive growth throughout the last four years except for in 2002.

The competitive edge Indian auto-component manufacturers enjoy which could enable them become global players are:

- Cost effective manufacturing technology and a penetrative strategy
- High levels of quality and productivity achieved by embracing Japanese concepts and best practices such as Total Quality management(TQM), Total productivity management (TPM), and Lean Production system etc., by some of the companies including RBL.
- Legal, financial and accounting systems in place in the country.

We supply asbestos and asbestos free brake linings to most of the passenger and commercial vehicles manufactures , disc pads, railway blocks and clutch facings.

## **GENERAL INFORMATION**

(Incorporated as a Private Limited company on December 17, 2004 under the Companies Act, 1956 as “EMS Logistics (India) Private Limited”. On September 20,2005 the name of the company was changed to M/s Richfield Logistics Line Private Limited. The name of the company was changed to M/s Rane Brake Products Private Limited w.e.f. September 24, 2007. The status of the company was changed from “Private Limited” to “ Public Limited” and the company became a public limited company on September 26, 2007. In terms of the Scheme of arrangement of transfer of the manufacturing undertaking of erstwhile Rane Brake Linings Limited, as approved by the Hon’ble High Court of Judicature at Madras vide its order dated December 20, 2007, the name of the Company was changed to Rane Brake Lining Limited w.e.f 6th February, 2008

### **Registered Office**

“Maithri”,  
132, Cathedral Road  
Chennai – 600086

### **Registration Number**

18-054948

### **Corporate Identification Number**

U63011TN2004PTC054948



**Address of the Registrar of Companies:**

Office of the Registrar of Companies  
Shastri Bhawan  
No 16, Haddows Road  
Chennai 600 006

**Board of Directors of the Company**

SL NO	NAME
1.	L Lakshman
2.	L Ganesh
3.	Kunihoro Toda
4.	S A Murali Prasad
5.	D Vijay Mohan
6.	Anil Kumar V Epur
7.	S Sandilya
8.	S C Gupta

For further details on the Board of Directors of the company please refer the section titled “**Management**”.

**Company Secretary and Compliance Officer**

L Venkateswaran  
“Maithri”  
132, Cathedral Road  
Chennai 600 086  
Phone: + 91 44 2811 2472  
Fax: +91 44 2811 2449  
Email: investorservices@rane.co.in

**Bankers to the Company:**

***HDFC Bank Limited***

Mariam Center  
751B, Anna Salai  
Chennai 600002  
Ph: + 91 44 28528312  
Email: archana.vasudevan@hdfcbank.com

***ICICI Bank Limited***

Prakash Presidium  
Santhome High Road

***State Bank of India***

Commercial Branch,  
232 NSC Bose Road  
Chennai 600 001  
Ph: + 91 44 25341316

***Indian Overseas Bank***

C& I Credit Branch,  
98A, Dr. Radhakrishnan Salai,



Chennai 600 002

Ph: + 91 44 42062000

Email: ganthimathi. Sridhar@icicibank.com

**Standard Chartered Bank Limited**

19, Rajaji Salai

Chennai 600001

Ph: + 91 44 25342935

Mylapore

Chennai 600004

**Auditors of the company:**

M/s Price Waterhouse &amp; Co

Chartered Accountants

No.32, Khader Nawaz Khan Road

Nungambakkam

Chennai 600 006

**CAPITAL STRUCTURE:****A. Pre Scheme of Arrangement**

Amount (Rs.)

A. <u>Authorised Capital</u> 100, 000 Equity Shares of Ra.10/- each	1,000,000
<b>Total</b>	<b>1,000,000</b>
B. <u>Issued, Subscribed and paid up capital</u> 50,000 Equity Shares of Rs.10/- each	500,000
<b>Total</b>	<b>500,000</b>
C. Share Premium Account	-

**B. Post Scheme of Arrangement**

Amount (Rs.)

A. <u>Authorised Capital</u> 10,000,000 Equity Shares of Rs.10/- each	100,000,000
<b>Total</b>	<b>100,000,000</b>
B. <u>Issued, Subscribed and Paid-up Capital</u> 7,214,980 Equity Shares of Ra.10/- each fully paid-up	72,149,800
<b>Total</b>	<b>72,149,800</b>
C. Share Premium Account	-

1. The authorized share capital of the company at the time of incorporation was Rs.500,000/- divided into 50,000 equity shares of Rs.10/- each.
2. The authorized share capital was increased from Rs. 500,000 /- to Rs. 1,000,000 /- by the creation of 50,000 equity shares of Rs. 10/- each as approved by the shareholders at their EGM held on August 06,2007.
3. The authorized capital was further increased from Rs. 1,000,000/- to Rs.100,000,000/- divided into 10,000,000 Equity Shares of Ra.10/- each in terms of Clause 20.6 of the Scheme sanctioned by the High Court of Judicature at Madras on January 17, 2008.

#### Notes to Share Capital Structure:

1. Share Capital History of the Company

Sl No	Date of Allotment	Nature of Issue	Consideration	No of shares	Face Value (In Rs)	Issue Price (In Rs.)	Share Premium	Cumulative Paid up Share Capital
1	14.12.2004	Subscribers to Memorandum	Cash	10,000	10	10	-	10,000
2	10.08.2007	Rights	Cash	40,000	10	10	-	50,000
3	22.02.2008	Cancellation pursuant to the scheme		50,000	10	-	-	-
4	28.02.2008	Issuance Pursuant to the scheme	Transfer of the manufacturing undertaking of erstwhile Rane Brake Linings Limited	7,214,980	10	10	-	7,214,980

In terms of the scheme of Demerger, Merger and Amalgamation, the Company has allotted 72,149,800 equity shares of Rs.10/- each fully paid-up to the equity shareholders of RBL, on February 28, 2008.

2. As per clause 22.5 of the scheme, the entire pre issue share capital stands cancelled on the Record date fixed for the purposes of allotting the shares under the Scheme. Viz., February 06, 2008. Further the pre scheme paid up capital of the company was only to the extent required for incorporation purposes. Hence the shares are not subject to any additional lock in requirements under Clause 8.3.5.1. (viii) (b) of SEBI (Disclosure and Investor Protection) Guidelines, 2000.
3. The list of equity shareholders of the company and the shares held by them is as follows:
  - (A) Details of top ten shareholders after the date of allotment and ten days prior to the date of filing this Information Memorandum are as follows:

Sl no	Name of the shareholder	No of shares	% to the paid up capital
1.	Rane Holdings Limited	2781624	38.55
2.	Nisshinbo Industries Inc	721500	10.00
3.	United India Insurance Company Limited	479030	6.64
4.	Rane Investments Limited	300000	4.16
5.	General Insurance Corporation Of India	291498	4.04
6.	Rajiv Chesetty	143500	1.45
7.	Anvil Finvest Private Limited	90000	1.25
8.	Ketan C Sheth	80000	1.11
9.	Chesetty Nalini Devi	62650	0.89
10.	Menaka Prabhakar	38315	0.53

(B) Details of top ten shareholders two years prior to the date of this information memorandum:

Sl no	Name of the shareholder	No of shares	% to the paid up capital
1.	K Parthiban	9900	99.00
2.	K B Vijeykumar	100	1.00

4. As on the date of this information memorandum, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments into equity shares of the company.
5. Mr. L Lakshman and Mr. L Ganesh are common directors on the Board of the Company and the Promoter company. None of our directors or key management personnel of the company hold shares in the company except as stated below:

Sl no	Name of the Director	No of shares	% to the paid up capital
1.	L Lakshman	50	0.00
2.	L Ganesh	50	0.00



6. The shareholding pattern of the company before and after the scheme is as follows:

Category code	Category of shareholder	Pre Scheme		Post scheme	
		No of Shares	% to Paid up Equity capital	No of Shares	% to paid up equity capital
<b>(A)</b>	<b>Shareholding of Promoter and Promoter Group[2]</b>				
<b>1</b>	<b>Indian</b>				
(a)	Individuals/ Hindu Undivided Family	-	-	450	0.01
(b)	Central Government/ State Government(s)	-	-	-	-
(c)	Bodies Corporate	50,000	100.00	3,081,624	42.71
(d)	Financial Institutions/ Banks	-	-	-	-
(e)	Any Other (specify)	-	-	-	-
	<b>Sub-Total (A)(1)</b>	50,000	100.00	3,082,174	42.72
<b>-2</b>	<b>Foreign</b>				
(a)	Individuals (Non-Resident Individuals/ Foreign Individuals)	-	-	19,400	0.27
(b)	Bodies Corporate	-	-	-	-
(c)	Institutions	-	-	-	-
(d)	Any Other (specify)	-	-	-	-
	<b>Sub-Total (A)(2)</b>	-	-	-	-
	<b>Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)</b>	<b>50,000</b>	<b>100.00</b>	<b>3,101,474</b>	<b>42.99</b>
<b>(B)</b>	<b>Public shareholding[3]</b>				
<b>1</b>	<b>Institutions</b>				
(a)	Mutual Funds/ UTI			200	0.00
(b)	Financial Institutions/ Banks			1,740	0.02

Category code	Category of shareholder	Pre Scheme		Post scheme	
		No of Shares	% to Paid up Equity capital	No of Shares	% to paid up equity capital
(c)	Central Government/ State Government(s)	-	-	-	-
(d)	Venture Capital Funds	-	-	-	-
(e)	Insurance Companies			770,828	10.68
(f)	Foreign Institutional Investors	-	-	-	-
(g)	Foreign Venture Capital Investors	-	-	-	-
(h)	Any Other (specify)	-	-	-	-
	<b>Sub-Total (B)(1)</b>	-	-	<b>772,768</b>	<b>10.70</b>
<b>2</b>	<b>Non-institutions</b>				
(a)	Bodies Corporate	-	-	257,708	3.57
	Individuals -	-	-		
(b)	i. Individual shareholders holding nominal share capital up to Rs. 1 lakh.	-	-	1,536,596	21.30
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	-	-	821,483	11.39
(c)	Any Other -	-	-		
	i. Clearing Member	-	-	3451	0.05
	i. Foreign Collaborator	-	-	721,500	10.00
	<b>Sub-Total (B)(2)</b>	-	-	<b>3,340,738</b>	<b>46.31</b>
	<b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>	-	-	<b>4,113,506</b>	<b>57.01</b>
	<b>TOTAL (A)+(B)</b>	<b>50,000</b>	<b>100.00</b>	<b>7,214,980</b>	<b>100.00</b>
(C)	Shares held by Custodians and against which receipts have been issued	-	-	-	-
	<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>50,000</b>	<b>100.00</b>	<b>7,214,980</b>	<b>100.00</b>

## 7. Aggregate Shareholding of Promoter and Promoter Group

Promoter	No.of Shares	% to paid-up Capital
Rane Holdings Limited	2,781,624	38.55
Rane Investments Limited	300,000	4.16
L Lakshman	50	0.00
L Ganesh	50	0.00
Pushpa Lakshman	50	0.00
Harish Lakshman	50	0.00
Vinay Lakshman	50	0.00
Malavika Lakshman	50	0.00
Meenakshi Ganesh	50	0.00
Aparna Ganesh	50	0.00
Aditya Ganesh	50	0.00
<b>Total</b>	<b>3,082,174</b>	<b>42.72</b>

Promoter Group	No.of Shares	% to paid-up Capital
Rekha Sundar	19,400	0.27
<b>Total</b>	<b>19,400</b>	<b>0.27</b>

8. There has been no change in the aggregate shareholding of the Promoter Group during a period of six months preceding the date of this Information memorandum except through the scheme.
9. There will be no further issue of capital whether by way of issue of bonus shares, Preferential allotment, rights issue or in any other manner during the period commencing from the date of approval of the Scheme by the High Courts till listing of the Equity Shares allotted as per the Scheme.
10. The Company presently does not have any intention or proposal to alter its capital structure for a period of six months from the date of listing the shares, by way of split/consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise.
11. There shall be only one denomination for the Equity Shares of the Company, subject to applicable regulations and the company shall comply with such disclosure and accounting norms specified by SEBI, from time to time.

12. The Company has 6046 members as on the date of filing this Information Memorandum

### **OBJECTS OF THE SCHEME**

The Scheme of Arrangement resulted in complete elimination of cross holdings among Rane Group Companies with the consolidation of group company investments held by erstwhile Rane Brake Linings Limited and erstwhile Rane Engine Valves Limited into Rane Holdings Limited (RHL).

The present restructuring scheme is aimed at elimination of residual cross holdings, for consolidation of Rane Group's investments through Rane Holdings Ltd. (RHL) with the following resultant benefits :

- (a) Enhancing the shareholders value by unlocking the hidden value through elimination of cross holdings.
- (b) Consolidation of group's results in RHL.
- (c) Minimizing the cascading effect of the dividend tax.

### **The Main Features Of The Scheme**

The present restructuring scheme is aimed at elimination of residual cross holdings, for consolidation of Rane Group's investments through Rane Holdings Ltd. (RHL). The steps involved in this composite scheme of demerger, merger and amalgamation were :

- ✓ De-merger of the manufacturing undertaking of Demerged Company 1 into a new company – Rane Engine Valve Limited (“REVL”) (Formerly known as Techcons Ltd) (Resulting Company 1)
- ✓ De-merger of the manufacturing undertaking of Demerged Company 2 into another new company –Rane Brake Lining Limited (“RBL”) (Formerly known as Rane Brake Products Ltd) (Resulting Company 2)
- ✓ Merger of the residual non-manufacturing businesses of Demerged Company 1 and Demerged Company 2, consisting of mainly investments in Rane Companies, into RHL.
- ✓ The “Appointed Date” for the above is 1st April 2007.
- ✓ The present shareholders of Demerged Company 1 and Demerged Company 2 have been allotted shares on February 28, 2008 in the resulting companies, viz., REVL and RBL at 1:1 ratio respectively.
- ✓ In addition, for the merger of the non manufacturing businesses of Demerged Company 1 & Demerged Company 2, RHL has allotted on February 28, 2008 shares in the following ratio:
  - 
  - 56 shares in RHL for every 100 shares held in Demerged Company 1
  - 75 shares in RHL for every 100 shares held in Demerged Company 2



## STATEMENT OF TAX BENEFITS

The Board of Directors  
Rane Brake Lining Limited  
MAITHRI,  
132, Cathedral Road,  
Chennai – 600 086

Dear Sirs,

### SUBJECT: STATEMENT OF POSSIBLE TAX BENEFITS

We hereby certify that the enclosed annexure, initialed by us for identification, states the possible tax benefits available to Rane Brake Lining Limited (the “Company”) and to the Shareholders of the Company under the provisions of the Income Tax Act, 1961 (IT Act) and other direct tax laws presently in force in India. Several of these tax benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the company or its shareholders to derive tax benefits is dependent upon fulfilling of such conditions, which is based on business imperatives, in the case of the company and on the specific circumstances, in the case of the shareholders.

The benefits discussed below are not exhaustive. The statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for a professional tax advice. Each investor is advised to consult his or her or their own tax consultant with respect to the specific tax implications.

#### **We do not express any opinion or provide any assurance as to whether:**

- The Company or its shareholders will continue to obtain these benefits in future; or
- The conditions prescribed for availing the benefits have been/would be met with.

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

This report is intended solely for your information and for the inclusion in the Information Memorandum to be submitted to the stock exchanges in connection with listing of the shares of Rane Brake Lining Limited Offer Document in connection with the proposed Rights Issue of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**March 17, 2008**  
**Chennai**

**S Datta**  
*Partner*  
Membership No : F14128  
For and on Behalf of  
**Price Waterhouse & Co**

*Chartered Accountants*

**BENEFITS AVAILABLE UNDER THE INCOME TAX ACT, 1961 (“THE IT ACT”):*****Benefits available to the Company***

The Company will be entitled to deduction under the sections mentioned hereunder from its total income chargeable to Income Tax.

1. By virtue of section 10(34) and 10(35) of the IT Act, dividend income from domestic company and units of specified mutual fund are exempt from tax in the hands of the Company.
2. Subject to fulfillment of conditions, the Company will be eligible, *inter alia*, for the following specified deductions in computing its business income:-
  - (a) Section 35(1)(i) and (iv) of the IT Act, 1961 in respect of any revenue or capital expenditure incurred, other than expenditure on the acquisition of any land, on scientific research related to the business of the Company.
  - (b) Section 35(2AB) of the IT Act, 1961, in respect of any revenue or capital expenditure, other than expenditure in the nature of cost of any land or building, on in-house research and development facility as approved by the prescribed authority, a deduction of 150% of such expenditure.
  - (c) Subject to compliance with certain conditions laid down in Section 32 to the IT Act, 1961 the company will be entitled to deduction for depreciation:
    - i. In respect of tangible assets and intangible assets in the nature of know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired on or after 1<sup>st</sup> day of April, 1998 at the rates prescribed under the Income Tax Rules;
    - ii. In respect of new machinery or plant which has been acquired and installed after 31st March 2005 for manufacturing facilities a further sum of 20% of the actual cost of such machinery or plant as additional depreciation in the year in which the new plant and machinery is first put to use.
3. As per the provisions of section 35DDA of the I T act, any expenditure incurred in any previous year by way of payment of any sum to an employee in connection with his voluntary retirement, in accordance with any scheme or schemes of voluntary retirement, 1/5<sup>th</sup> of the amount so paid shall be deducted in computing the profits and gains of the business for that previous year, and the balance shall be deducted in equal installments for each of the four immediately succeeding previous year.

**Benefits available to resident shareholders**

1. Under section 10(34) of the IT Act, income by way of dividends referred to in Section 115-O received on the shares of the Company is exempt from income tax in the hands of shareholders.
2. (a) The long-term Capital Gains accruing to the members of the Company on sale of the Company's shares in a transaction entered into in a recognized stock exchange in India, and where such transaction is chargeable to Securities Transaction Tax, shall be exempt from tax as per provisions of section 10(38).  
  
(b) The short-term Capital Gains accruing to the members of the Company on sale of the Company's shares in a transaction entered into in a recognized stock exchange in India, and where such transaction is chargeable to Securities Transaction Tax, tax will be chargeable @ 10% plus applicable surcharge and education cess] as per provisions of section 111A. It is proposed by the Finance Bill, 2008 the above rate of 10% will be increased to 15% from April 1, 2008.

(c) As per the provisions of section 74 of the IT act, any short-term capital losses suffered by the Company on transfer of shares can be set off against the short term/long term capital gain earned in that year or can be carried forward for eight assessment years from the year in which the loss was incurred, subject to the fulfillment of conditions specified in those sections.

(d) As per the provisions of Section 112 of the Act, long term gains accruing to the members of the Company from the transfer of shares of the Company, otherwise than as mentioned in point 2(a) above, shall be charged to tax - @ 20% (plus applicable surcharge and education cess) after deducting from the sale proceeds the indexed cost of acquisition or – 10% (plus applicable surcharge and education cess) after deducting from the sale proceeds the cost of acquisition without indexation.

(e) The members are entitled to claim exemption in respect of tax on long term capital gains under section 54EC of the IT Act, if the amount of capital gains is invested in certain specified bonds / securities subject to the fulfillment of the conditions specified in those sections.

(f) Individuals or HUF members can avail exemption under section 54F by utilization of the sales consideration for purchase / construction of a residential house within the specified time period and subject to the fulfillment of the conditions specified therein.

3. Section 88E provides that where the total income of a person includes income chargeable under the head “Profits and gains of business or profession” arising from purchase or sale of an equity share in a company entered into in a recognised stock exchange, i.e., from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax. It is proposed in the Finance Bill, 2008, the above scheme of tax rebate will be replaced by the scheme of deduction as business expenditure against income under the head Profits and Gains of Business arising on the business of purchase and sale of securities.

#### **Benefits available to Non-Resident shareholders**

1. Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.
2. Under the provisions of section 90(2) of the IT Act, if the provisions of the Double Taxation Avoidance Agreement (DTAA) between India and the country of residence of the non- resident are more beneficial, then the provisions of the DTAA shall be applicable.
  - a. Non Resident Indians (as defined in section 115C (e) of the IT Act), being shareholders of an Indian Company, have the option of being governed by the provisions of Chapter XII-A of the IT Act, which inter alia entitles them to the following benefits in respect of income from shares of an Indian Company acquired, purchased or subscribed to in convertible foreign exchange. As per the provisions of section 115 E of the IT Act, and subject to the conditions specified therein, long-term capital gains arising on the transfer of Company’s shares will be charged to income Tax @ 10% (plus applicable surcharge and education cess). However, long-term Capital Gains accruing to the members of the Company on sale of the Company’s shares in a transaction entered into in a recognized stock exchange in India, and where such transaction is chargeable to Securities Transaction Tax, shall be exempt from tax as per provisions of section 10(38).
3.
  - As per the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their only source of income is eligible investment income or long term capital gains, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
  - Under Section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to

apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until transfer or conversion of such assets into money.

- As per the provisions of Section 115-I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

- As per the provisions of section 115F of the IT Act and subject to the fulfillment of the conditions specified therein, the Long Term Capital Gains arising on the transfer of Company's shares shall be exempted from income tax entirely / proportionately if all or a portion of the net consideration is invested within 6 months of the date of transfer in specified asset as defined in section 115C (f) or any savings certificates referred to in section 10(4B) of the IT Act. The amount so exempted shall, however, be chargeable to tax as long term capital gains under the provisions of section 115F (2) if the specified assets are transferred or converted in to money within 3 years from the date of acquisition as specified in the said section.

#### **Benefits available under the Wealth-tax Act, 1957**

Shares of company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957. Hence no Wealth Tax will be payable on the market value of shares of the Company held by the shareholder of the company.

#### ***Benefits available under The Gift Tax Act***

**Gift tax is not leviable in respect of any gifts made on or after 1 October, 1998. Therefore, any gift of shares of the Company will not attract Gift tax.**

#### ***Notes:***

- *The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares;*
- *The above Statement of Possible Direct Tax Benefits sets out the possible tax benefits available to the Company and to the shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws;*
- *This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for a professional tax advice. In view of the individual nature of tax consequences, the changing tax laws, each investor is advised to consult his or her or their own tax consultant with respect to the specific tax implications arising out of their participation in the issue;*
- *In respect of non-residents, the tax rates and the consequent taxation, mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile; and*
- *The stated benefits will be available only to the sole/first named holder in case the shares are held by joint shareholders.*



## SECTION IV- ABOUT THE COMPANY

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### OUR BUSINESS

The company is engaged in the manufacture of brake linings, disc pads for automotive industry and railway brake blocks and parts out of asbestos and asbestos free-based friction materials.

The products of RBL are:

- a) Brake linings
- b) Disc Pads
- c) Clutch facings
- d) Railway brake blocks

The complete spectrum of products from RBL is manufactured in 4 plants located at Chennai, Hyderabad Pondicherry and Trichy. The plant at Pondicherry is an exclusive Asbestos Free Facility.

Plant Locations	Products
Chennai plant	Automotive products: Asbestos & Asbestos free brake linings, disc pads and clutch facings. Railway products: Asbestos & Non asbestos Railway brake blocks.
Hyderabad plant	Automotive products: Asbestos & Asbestos free brake linings & clutch facings. Railway products: Asbestos & Asbestos free railway brake blocks.
Pondicherry plant	Automotive products: Asbestos free brake linings, disc pads & cord woven clutch facings. Railway products: Asbestos free railway brake blocks.
Trichy Plant	A new plant is being set up at Trichy with state of art technology for manufacturing Disc pads.

### Employee strength

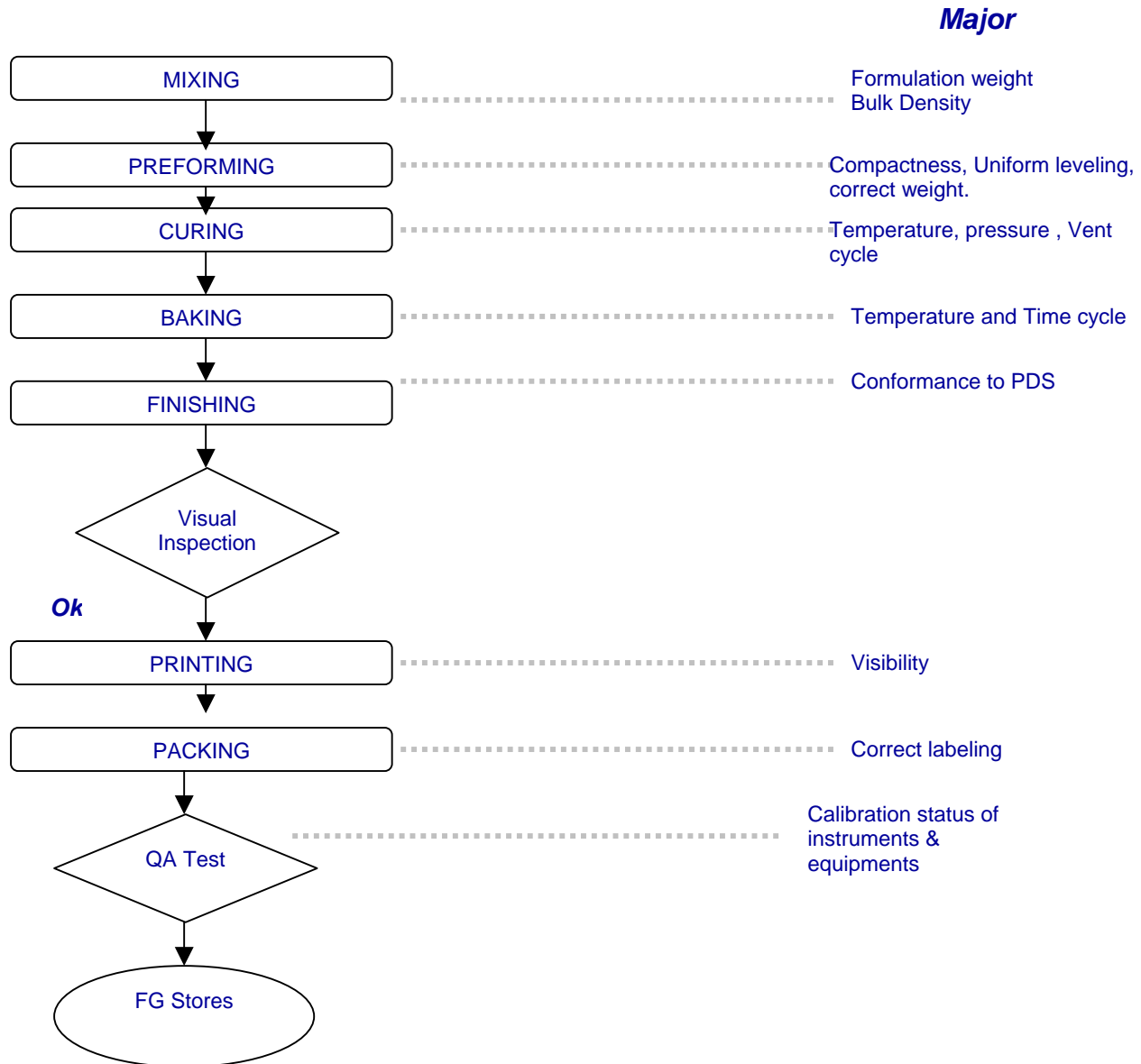
Category	Number
Managerial & Supervisory	295
Workers	550

### Manufacturing process

The process involved in the manufacture of Brake linings, Disc pads, Clutch facings, Railway blocks are one and the same except for a variation at the finishing stage of the respective product. Depending on the nature of the products, the raw material consumed and the time taken to manufacture the product varies.

The general process involved in the production of the Brake linings, Disc pads, Clutch facings, Railway blocks is depicted below in the form of a diagram

### FLOW CHART – MANUFACTURING PROCESS



#### (i) Mixing

This process involves the mixing of raw materials viz., resins and fibers in the proportion already determined for the each product.

(ii) **Preforming**

Preforming is a process to level the mixture obtained from the “Mixing” process thereby giving compactness to the product.

The Input derived from the mixing process is verified for its weightage and is treated in the preforming machine. This process actually gives shape to the product.

(iii) **Curing**

The Input from the Preforming process is treated in the curing machine at a very high pressure and temperature to make the product intact.

In this process, the curing machine hardens the product received from performing process in the same shape. The hardening process is done with proper time gaps as per the Vent Cycle. After curing process, the output is transferred to the Baking process

(iv) **Baking**

In this process, the cured material is baked before passing on to the finishing stage of the product.

(v) **Finishing**

The baked product is bifurcated into the required pieces. Further, the product is sent for grinding, grooving, riveting etc. Once these processes are complete, the finished product is sent for visual inspection.

After visual inspection, the product name is printed on the product and sent for packing process. Simultaneously the sample is also sent for Quality assurance analysis and after certification by the Quality department, the product is moved to the FG stores.

**Plant & machinery**

Plant & Machinery used in the various manufacturing process are as follows:

- 1) Mixing- Tumbler, Lodigie, Sigma mixer, sieving machine, Preblending machine etc.
- 2) Preforming -Preforming press – 200 tons, 110 tons, 75 tons
- 3) Curing - Curing press – Single day light press, Double day light press, Triple day light press with tons ranging from 45 tons to 600 tons
- 4) Baking -Ovens – Hot air ovens, Thermic fluid oven
- 5) Finishing- Grinding machine, Grooving machine, Chamfering machine, Multi Spindle Drilling machine, Drilling machine, Adhesive coating for Back plates in Discpad and Railway Brake Blocks, Wear marking machine, Shrink rapping machine
- 6) Printing -Roller printer, Vidio jet - Ink jet printer, Domino printing machine
- 7) Packing- Strapping machine, Shrink wrapping
- 8) R&D-Dynamometer, Gansons vibrating sieve, lodigie mixing machine, Salt spray testing machine with compressor, Drilling machine, Universal testing machine (10 tons), Tumbler, Oven, Sigma mixing machine, Hardness tester, Soxlet apparatus, Furnace

9) Quality Assurance- Oven, Furnace, Scientific balance, Hardness testing machine, Measuring instruments, Bursting strength tester, melting point apparatus, salt spray testing machine, Friction co-efficient test rig, Sieve shaker.

10) Maintenance and Tool room-Generators (High power), Compressors, welding machines, bench grinder, Electro static liquid cleaner.

11) General- Dust collectors, Trolleys, Fork lift, Weighing machine etc

### **Market Share of RBL**

The market for friction material is highly fractured with innumerable manufacturers of friction material in organized & unorganized sectors. In OEM markets, the technology upgradation is driven by New Product Launches of OEM's. With global product launches, the technology / quality edge is key to competitiveness.

In aftermarket the lack of regulatory standards has made easier for unorganized players to create regional niche. In the case of rail business, in view of the slow technology upgradation and lack of entry barriers, the market is witnessing a higher participation from new players in a limited growth market. This has resulted in price drop.

In exports, the company's strategic focus has resulted in acquiring key international customers. Currently the company has 3 major competitors in OEM business & Aftermarket Business, 5 major competitors in Rail business. There are more than 12 exporters from the country.

The industry has been riding on liberalization policies and has witnessed high growth trends in the past. The industry including friction material companies have been investing continuously in capacities in view of high growth market forecast.

The company is a major supplier to PC/UV, M&HCV markets. The passenger car business has a forecasted CAGR of 14% over next five years, 15% for UV and 6% for M&HCV markets.

In view of the high growth market forecast, the company is increasing capacities for PC/UV & M&HCV products. The capacity is being planned for increase in brake linings / disc pads for PC/UV category and brake linings for M&HCV. The company is also working towards acquiring major customers in international markets for M&HCV brake linings & CV disc pads. Capacities are increased in line with the same.

As per internal assessment, the company currently enjoys a market share of 38% in OEM markets, 32% in Rail Business and 15% in Replacement markets. The company is a leader in the above respective market segments.

OEM Business:

The company is a market leader in this business segment. The company works with almost all major OEM's in passenger car & commercial vehicle industry.

The market is likely to witness increased competition in view of the entry of Federal Mogul (world no.1) in 2009. Also Sangshin Korea is likely to set up manufacturing facility over next 2/3 years based on unconfirmed reports, mainly to meet the Hyundai friction material requirements.

In passenger car business the industry is witnessing entry of European vehicle manufacturers and Europe based brake system manufacturers. This brings in new technology requirements to meet European quality requirements.

The company aims to sustain leadership through major technology upgradation and leveraging Nisshinbo partnership.

Replacement Business:

The market is highly fractured with around 45% of the sales from unorganized players according to market study. There are no regulatory standards prevailing and there are no timelines for introducing one in the market. The market structure has very aggressive entry of vehicle manufacturers in business.

The company enjoys market leadership through dominant sales in M&HCV product segment. The company has a strategic focus in Passenger Car segment and has product development plans to support the strategy.

Railway business:

The railway business has a declining scope in view of oligopolistic competitive structure. The lack of entry barriers and price being the criteria of supplier selection, there has been a proliferation of new suppliers in this business.

With the conversion of cast iron brakes to composite brake blocks completed by Indian Railways, the demand for brake blocks has been witnessing very low organic growth.

The company is working to manage costs and strategic alternatives to this segment of business.

Exports business:

The company is planning major growth in this business segment through new product development. The company focusses on international aftermarket for business.



The company has been allocating strategic resources to improve exports. Development of international product range and certification for international market standards has been the priority.

Apart from expanding the customer base for truck brake linings, the company has also made entry into Commercial Vehicle Disc Pad markets with key accounts in Europe.

## **HISTORY OF THE COMPANY**

The company was incorporated as a Private Limited company on December 12, 2004 under the Companies Act, 1956 in the name of “EMS Logistics (India) Private Limited” with the object of carrying on transport and logistics business. The registered office of the company is situated at “Maithri”, 132, Cathedral Road, Chennai – 600 086, Telephone 044 28112472, Fax: 044 28112449.

On September 20, 2005 the name of the company was changed to M/s Richfield Logistics Line Private Limited. On September 24, 2007 the name was changed to Rane Brake Products Private Limited. The status of the company was changed from “Private Limited” to “Public Limited” and the company became a public limited company on September 26, 2007.

Pursuant to the Order dated December 20, 2007 of the Hon. High Court of Madras sanctioning the Scheme of Demerger, Merger and Amalgamation, the company took over the manufacturing undertaking of erstwhile Rane Brake Linings Limited (Demerged Company 2) with effect from April 1, 2007 (Appointed Date). To bring in line the objects of the company with the business carried on by that of the Demerged Company 2, the shareholders of the company at their meeting held during August 2007 amended the Objects clause of the Memorandum of Association.

The main business of the company is manufacturing and marketing of auto components viz. brake linings, clutch facings, and disc pads for automotive industries and railway brakes and parts out of asbestos and asbestos free friction materials.

In terms of the Scheme, the name of the company was changed from “Rane Brake Products Limited” to “Rane Brake Lining Limited” with effect from February 6, 2008.

### **a. Main Objects of the company**

The main objects of the company as contained in the Memorandum of Association is as follows;

1. To establish and carry on the business of manufacturers and dealers in all types of (Moulded) Brake Linings and Clutch Facings, Friction materials, Springs, machinery, component parts, accessories, spares and fittings of all kinds for motor vehicles, railways, aeroplanes and other conveyances of all types and

descriptions and all articles and things used in or capable of being used in connection with the manufacture, maintenance and working thereof.

2. To carry on the business of manufacturers of, dealers in, hirers, repairers, cleaners, and storers of motor cars, motor cycles, scooters, bicycles and carriages, launches, vans, aeroplanes, hydroplanes and other conveyances of all descriptions, whether propelled or assisted by petrol, oil, spirit, steam, gas, electrical, animal, manual or other power and of all component parts of and other things used in connection therewith.
3. To carry on the business of Forge Masters and Drop Stampers and to manufacture every type of Forgings and Drop Stampings for all trades and Industry.
4. To carry on the business or businesses of manufacturers, importers and exporters of all kinds of brake Linings, clutch facings, friction materials and dealers in ferrous and non-ferrous castings of all kinds including chilled and malleable castings, special alloy castings, steel castings, gun metal, copper, brass and aluminium castings and foundry work of all kinds.
5. To conduct and carry on the business of Iron Masters, Metallurgists, Smelters, Steel Makers, Converters, General Metal Founders, Metal Workers, Metal Spraying, Mill Wrights, Spinners, Rollers and Workers of Metals and their alloys, Electrical, Mechanical, Mining and Civil Engineers, Metal and Mineral Merchants, Miners, Carriers and Contractors.
6. To carry on the business of Toolmakers and to establish Tool Room for this purpose.
7. To carry on the business of designing, manufacturing, developing, improving, hiring, repairing, buying, selling and dealing in valves for any type of Heat Engines and Internal Combustion Engines operated by any type of fuel and/or gases whatsoever.
8. To carry on the business of iron-founders, engineers, machinists, manufacturers, dealers, importers and exporters of all kinds of implements, tools, gas generators, engines, tyres, rubber goods, tubes, bodies, chassis, carburetors, magnets, silencers, radiators, sparking plugs, paraffin vaporisers, speedometers, self-starters, gears, wheels, parts and accessories of all kinds which may be useful for, or conducive to the carrying on of the business of the Company.
9. To carry on the business of manufacture and selling of ceramic, metallic, plastic and polymer goods, metal, ceramic, plastic and polymer insulations, chemicals, resins, adhesives and precipitates.

10. To carry on in India or in any part of the world all kinds of business relating to instruments control and instruments, equipment and systems, micro-processor and computer based industrial equipment and systems, and in particular the business of designing, developing, manufacturing building, system integrating, engineering, storing, packing, marketing, distributing, transporting, converting repairing, installing, maintaining, providing consultancy and trading in all kinds of control and instrumentation equipment and systems and microprocessor / computer based industrial control and monitoring equipment and systems including precision instruments of all types, indicators, recorders, controllers, regulators, transmitters, sensors of all types, display instruments, acquisition systems and data scanners, analysers and accessories.
11. To carry on the business of consultant on engineering and industrial matters, to do research, designing, fabricating, building, setting up of plants, supervising and selling process know-how, selling rights and acquiring any such rights and patterns and to carry on the business of rendering the services and assistance of all kinds to industrial concerns of all types ; to undertake and to carry on scientific, industrial, commercial, statistical and technical surveys of all kinds what-so-ever and to draw and prepare feasibility reports, project reports and all other reports, specifications, drawings, designs, certificates, opinions and all other documents what-so-ever for the purpose of providing the same to industries and industrial concerns and establishments ; to device, workout, prepare and provide ways, means plans and to obtain, purchase, sell and make available or provide technical assistance and know-how and information of all kinds to industries and industrial concerns and establishments.

**b. Changes to Memorandum of the company:**

Date	Particulars
September 20, 2005	Name of the company changed to Richfield Logistics Line Private Limited
August 06, 2007	Authorised share capital of the company was increased from Rs.50,000/- to Rs. 1,000,000 /- by the creation of 50,000 equity shares of Rs. 10/- each
August 06, 2007	The then existing objects clause was substituted with the present objects clause of the company
September 24, 2007	Name of the company changed to Rane Brake Products Private Limited
September 26, 2007	The status of the company was converted from a “Private Limited” company to “Public Limited” company
January 17, 2008	Authorised share capital of the company was increased from Rs.1,000,000/- to Rs. 100,000,000/- by the creation of 99,00,000/- equity shares of Rs.10/- each.
February 06, 2008	In terms of the Scheme, the name of the company was changed to “Rane Brake Lining Limited”



**c. Shareholders agreements:**

The company has not entered into any agreement with any of its shareholders except an agreement with Nisshinbo Industries Inc., Japan (NII) holding 10% shares in the company.

**d. Other agreements:**

RBL has obtained technical assistance regarding the design and manufacture for the products as detailed below from different collaborators

Products	Collaborators
Disc Pads	Nisshinbo Industries Inc
Brake Linings	Nisshinbo Industries Inc
Clutch Facings	Nisshinbo Industries Inc

**e . Financial Partners:**

The company has a financial collaboration with Nisshinbo Industries Incorporation, Japan for manufacturing Asbestos Free Brake Linings, Disc Pads and Clutch Facings. Nisshinbo Industries Inc. is one of the leading manufacturers of friction materials for automotive brakes and brake assemblies, anti-lock brake system with 2006-07 sales of 312 billion yens (USD 2.70 billion). The company is also involved in the business of manufacturing fibres and textiles, chemicals, paper products and precision instruments. Nisshinbo currently holds 721, 500 equity shares (10% of the capital) in the company.

**MILESTONES AND EVENTS**

**Certain key events in the history of Manufacturing undertaking of erstwhile Rane Brake Linings Limited now forms part of the milestones of RBL. They are as follows:-**

Year	Event
1964	Rane Brake Linings Limited was established in collaboration with Small & Parkes
1985	Established a collaboration with Nisshinbo Industries Inc, Japan for manufacture of brake Linings, clutch facings and disc pads
1991	Commencement of operations at Hyderabad Plant
1997	Operations at Pondicherry plant for manufacture of RBL products commissioned
2003	Rane Brake Linings won the prestigious Deming Prize

The entire group is steering towards Total Quality Management. (TQM)

Some of the certifications received by the company:

- ISO 9001 - 2000
- ISO 14001 - 2000
- TS16949 certification
- OHSAS 18001

**OUR MANAGEMENT**

The composition of the Board is given below:

Promoter Group:

Mr. L Lakshman, Chairman & Managing Director

Mr. L Ganesh Vice Chairman (non-executive director)

Independent Directors (non- executive directors):

Mr. Anil Kumar V Epur

Mr S A Murali Prasad

Mr D Vijay Mohan

Mr S Sandilya

Mr S C Gupta

Non-Independent and Non Executive Director

Mr. Kunihiro Toda

- Nomination by M/s Nisshinbo Industries Inc, Japan

a. The following table sets forth details regarding the Board of Directors of the Company.

<b>Name, fathers' name, address, designation, Occupation</b>	<b>Nationality</b>	<b>Age</b>	<b>Details of other directorships</b>
L Lakshman S/o Mr L L Narayan 17, Crescent Street, Arch Bishop Mathias Avenue Chennai 600028  Chairman & Managing Director Service	<b>Indian</b>	<b>61</b>	Rane Holdings Limited Rane (Madras) Limited Rane TRW Steering Systems Limited - Rane NSK Steering Systems Limited Rane Investments Limited Techcons Limited Premier Instruments & Controls Limited JMA Rane Marketing Limited Kar Mobiles Limited Pricol Limited Force Motors Limited

<b>Name, fathers' name, address, designation, Occupation</b>	<b>Nationality</b>	<b>Age</b>	<b>Details of other directorships</b>
L Ganesh S/o Mr L L Narayan Door No 5A, Valliamma Achi Road Kotturpuram Chennai 600085  Vice- Chairman Service	<b>Indian</b>	<b>53</b>	Rane Holdings Limited Rane (Madras) Limited Rane TRW Steering Systems Limited - Rane NSK Steering Systems Limited Rane Investments Limited Techcons Limited Rane Diecast Limited JMA Rane Marketing Limited Kar Mobiles Limited
Anil Kumar V Epur S/o E V Ram Reddi No.97, Avenue No. 1 (New), Banjara Hills, Hyderabad 500 034  Independent Director Service	<b>Indian</b>	<b>58</b>	VST Distribution Storage & Leasing Co. Ltd Rane Diecast Limited B2B Software Technologies Limited
S A Murali Prasad S/o S A Venkatarama Iyer 54 (New) P S Sivasamy Road, Chennai – 600 004  Independent Director Service	<b>Indian</b>	<b>66</b>	Sakthi Finance Limited Kovai Medical Center & Hospital Limited Sam Consultancy Services Private Limited
D Vijay Mohan S/o N Damotharan 1087 A, Avanashi Road, Coimbatore – 641 037  Independent Director Service	<b>Indian</b>	<b>60</b>	Pricol Limited English Tools & Castings Limited Precot Mills Limited Meridian Industries Limited Pricol Finance Limited Pricol Packaging Limited Xenes Technologies Limited Synoro Technologies Limited Pricol Property Development Limited Pricol Technologies Limited Priana Enterprise India Limited Bhavani Infin Services India Private Limited

Name, fathers' name, address, designation, Occupation	Nationality	Age	Details of other directorships
S Sandilya S/o Srinivasan R-49, Greater Kailash - Part I, New Delhi 110 048.  Independent Director Service	Indian	59	Eicher Motors Limited Eicher Limited ECS Limited GMR Industries Limited Royal Enfield Motorcycles Limited Tube Investments Limited
Kunihoro Toda Nisshinbo Industries Inc.. No.2- 31-11, Ningyo-Oho, Mihonbashi, Chuo-Ku, Tokyo, Japan  Non-Independent Non- executive Director Service	Japanese	64	Nisshinbo Industries Inc. Saeron Autmotive Corporation Nisshinbo Vrakes Sales Co.Ltd. Nisshinbo Automotive Corporation Nisshinbo Automotive manufacturing Inc. Nisshinbo Samboon Automotive Co. Ltd.
S C Gupta S/o Prem Narain B-80, First Floor, Sarvodaya Enclave New Delhi 110017  Independent Director Service	Indian	63	Nil

#### b. Profile of the directors

**Mr. L Lakshman**, aged 61 years, graduated as a Mechanical Engineer joined as a Management Trainee in RBL in 1970 and held various operational and planning positions in the group. From 1992 as Chairman of Rane Group till October 2006. Mr. Lakshman has been spearheading the business of the different companies in Rane group and has more than 38 years of. industrial experience. Mr. L Lakshman retired as Chairman and Managing Director of Rane Brake Lining Limited on 31st March 2008.

**Mr. L Ganesh**, graduated from the Madras University and is an Associated Member of Institute of Chartered Accountants of India. He obtained a Masters Degree in Business Administration from the Pennsylvania State University (USA) Joined as Management Trainee in REVL in 1978, he held various key positions like Commercial Manager, General Manager, Joint Managing Director and in 1990 he become Managing Director of

REVL. From October 2006, as Chairman of Rane Group he is also closely involved in management of other companies in Rane Group and has 30 years of industrial experience.

**Mr Anil Kumar V Epur**, graduated from Cornell University, Newyork and also has a masters in engineering and business management from Cornell University. He has over 32 years of industrial experience.

**Mr. S A Murali Prasad**, is post graduate in commerce. He is an Associated Member of Institute of Chartered Accountants of India and Institute of Cost and Works Accountants of India. Mr. Prasad joined erstwhile Rane Brake Linings Limited in 2003 and has been closely involved in the activities of the company and contributes his expertise to efficient functioning of the company. Mr Prasad has over 36 years of experience.

**Mr D Vijay Mohan**, graduated in engineering. Mr. Vijay Mohan has a long association with company and the Group. Mr. Vijay Mohan was appointed as director of Demerged Company 2 in the year 1986. Mr. Mohan provides technical advice and support to the company and has over 35 years of industrial experience.

**Mr S Sandilya**, is a graduate in commerce and also has a masters in Business Administration from Indian Institute of Management, Ahmedabad. Mr Sandilya contributes his expertise in the policy and decision making of the company. Mr Sandilya has over 38 years of industrial experience.

**Mr. Kunihiro Toda**, aged 65 years is a nominee of Nisshinbo Industries Inc, Japan, financial collaborator of the company. Mr. Toda provides technical advice and support to the company. He has over 35 years of Industrial experience.

**Mr S C Gupta**, aged 63 years, holds a bachelor degree in Technology from Birla Institute of Science, Pilani. Mr Gupta was associated with the Indian Railways and has held various positions in it. He was over 40 years of industrial experience.

#### **c. Compensation of Managing Director/ Directors**

Pursuant to the Scheme, the service rendered by the Managing Director of the Demerged Company 2 has been transferred to the company. The terms of remuneration are as approved by the shareholders of the Demerged Company 2.

The elements of remuneration payable to Managing Director include basic salary, allowances, perquisites and retirement benefit (all fixed) and commission not exceeding 24 months salary subject to limits as prescribed under the Companies Act, 1956. No sitting fess would be paid to Managing Director. The employment of the Managing Director is contractual. There is no severance fee payable to him. There is no Stock Option Scheme prevailing in the company.

The details of remuneration paid to the managing director is given in “Point no 14 of Schedule T” under the Section titled Financial Statements.

#### **d. Corporate Governance**

The provisions of the Listing agreement will become applicable to the company upon listing of its equity shares in MSE, NSE and BSE.

The company is compliant with the provisions of Clause 49 of the listing agreement. The Board of Directors of the company at their meeting held on February 06, 2008 constituted the Audit Committee and Investors Service Committee.

The cornerstone of the philosophy of Governance adopted by the Board has at all times been based on integrity, transparency and fairness in all its dealings. The company will continue to seek enhancement to shareholder value within the framework of business ethics, regulatory compliances and contribution to society. The Rane Group has a clearly defined policy document titled “Ethical Standards of Behaviour” that defines obligations of each of its employees to the company expectations of value driven behaviour.

The constitution of the various committees is given below:

##### **A) Audit Committee:**

1. Mr S Sandilya	-	Member (Independent Director)
2. Mr. D Vijaymohan	-	Member (Independent Director)
3. Mr. S A Murali Prasad	-	Member (Independent Director)
4. Mr. L Ganesh	-	Member (Non Executive Director)

Mr L Venkateswaran, Secretary would act as the Secretary of the Audit Committee.

##### **B) Investor Services Committee:**

1. Mr L Ganesh	-	Member (Non Executive Director)
2. Mr L Lakshman	-	Member(Executive Director)

Mr L Venkateswaran, Secretary would act as the Compliance officer of the company.

The role, powers and functions of the Audit Committee and Investor Services Committee are as per Clause 49 of the listing agreement, the applicable provisions of the Companies Act, 1956 and Code of Conduct formulated by the Board of Directors of the company.

#### e. Shareholding of Directors

None of the director holds any shares in the company except as stated below:

Sl no	Name of the Director	No of shares	% to the paid up capital
1.	L Lakshman	50	0.00
2.	L Ganesh	50	0.00

#### f. Interest of the Directors

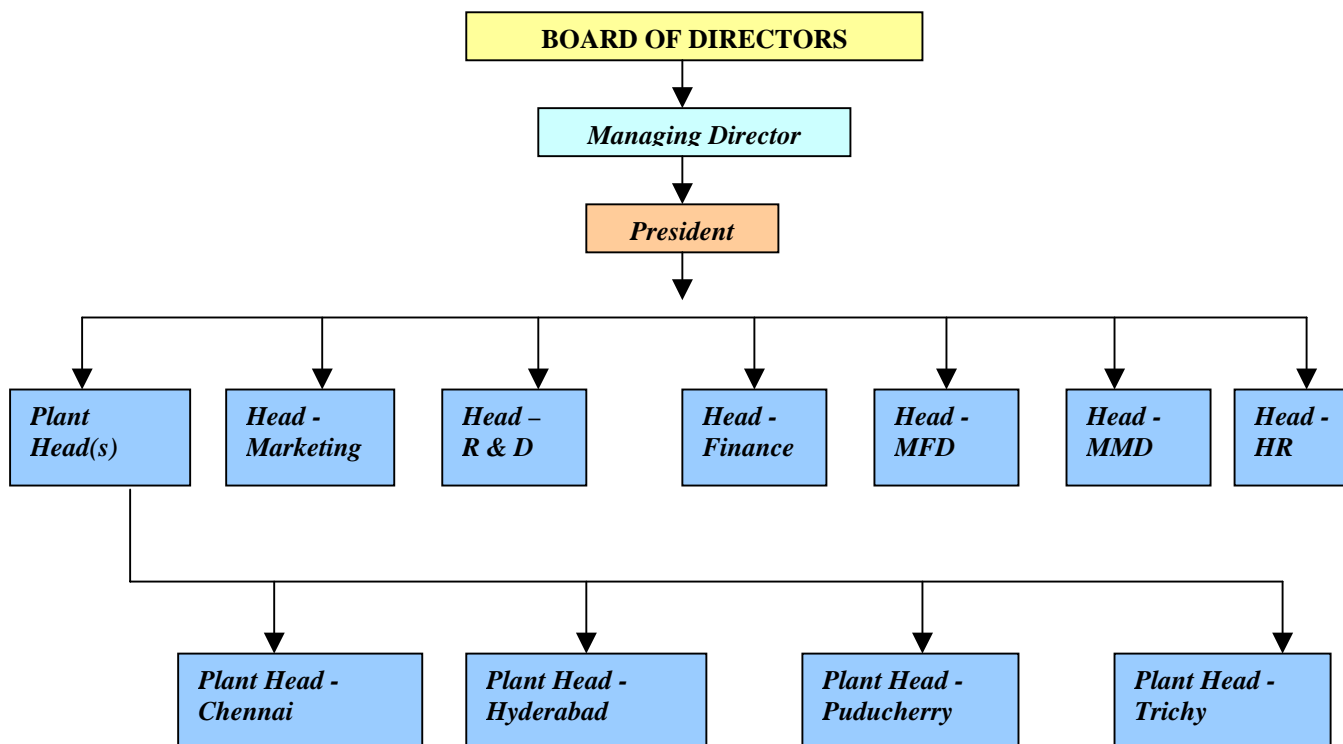
Other than their respective shareholding in the Company or that of the institutions nominating them, the directors do not have any interest in the company except and to the extent of re-imburement of expenses incurred and normal remuneration/sitting fee received from the Company as stated above. ,

#### g. Changes in the Board during the last three years

Name of the Director	Date of Appointment	Date of Change	Reasons
K B Vijeykumar	08.08.2005	18.06.2007	Resignation
K Manoharan	12.12.2004	08.08.2005	Resignation
L Ganesh	18.06.2007		Appointed as additional director
L Lakshman	18.06.2007		Appointed as additional director
R Srinivasan	18.06.2007	06.02.2008	Resignation
Anil Kumar V Epur	06.02.2008		Appointed as additional director
S A Murali Prasad	06.02.2008		Appointed as additional director
D Vijay Mohan	06.02.2008		Appointed as additional director
S Sandilya	06.02.2008		Appointed as additional director
Kunihoro Toda	06.02.2008		Appointed as additional director
S C Gupta	24.03.2008		Appointed as additional director

## h. Management Organisation Structure

### *Organisation Structure – Rane Brake Lining Limited*



## i. Key Managerial Personnel and Managerial Competence

The overall management is vested in the Board of Directors, comprised of qualified and experienced persons. The day-to-day affairs of the Company are looked after by a team of qualified professionals in various disciplines.

As per the Scheme of Amalgamation, all the employees of the Demerged Company 2 who were in its employment on the effective date of the scheme shall as from such date, become the employees of the Company on the basis that their services have not been interrupted by the vesting of the undertaking of the Demerged Company 2.

Accordingly details of Key Managerial Personnel being transferred from the transferor company are as follows:

### **Mr P S Rao**

Mr. P S Rao, 55, President is a Master in Technology. He has over 33 years of Industrial experience. Prior to joining the company as President, he was acting as the Vice President (Operations) of Rane (Madras) Limited.



**Mr. L Venkateswaran**

Mr L Venkateswaran, 50, General Manager Finance & Company Secretary, is an Associate member of The Institute of Chartered Accountants of India, The Institute of Company Secretaries of India and The Institute of Cost and Works Accountants of India. He has earlier worked in various capacities with Indo Matsushita Appliances Co. Ltd, TVS Electronics Ltd, and Saint-Gobain Glass India Limited.

**Mr. A Rajasekaran, GM Marketing**

Mr A Rajasekaran, 38, General Manager- Marketing is a Master in Business Administration and basically a graduate in engineering from Coimbatore. Mr Rajasekaran has eleven years of industrial experience. He started his career in Rane Group as Deputy General Manager and is associated with the company since 2001.

**Mr. S Badrinarayanan, GM R & D**

Mr. S Badrinarayanan, 53, General Manager- R & D is a graduate in engineering. He started his career in the company as Management Trainee in the R & D department and held various positions in the organization. He carries with him 29 years of rich industrial experience.

**Mr. B Palaniappan, GM HR**

Mr B Palaniappan, 50, General Manager- Human Resources joined the company in the year 2006. He has an overall work experience of 10 years in the industry. Prior to joining the company, he was acting as Deputy General Manager- Human Resources for Rane (Madras) Limited. He holds a master degree in Engineering Management.

**j. Interest of Promoters, Directors and Key Managerial Personnel**

Except as stated in “Related Party Transactions” and to the extent of shareholding in the Company, the Promoters do not have any other interest in our business.

Except to the extent of their compensation and their shareholding or shareholding of companies they represent, the Directors, other than Promoter Directors, do not have any other interest in the Company.

The key managerial personnel of the Company do not have any interest in the Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of the equity shares held by them in the Company, if any.

**k. Details of Borrowing Powers**

Subject to the provisions of the Act, the Board of Directors of the company exercise their borrowing powers in accordance with the Articles of Association of the company.

Pursuant to the resolution passed by the shareholders at their extra ordinary general meeting held on January 17, 2008 , the Board has been authorized to borrow any sum not exceeding Rs.800Million (apart from money borrowed as term loans and in the ordinary course of business) upon such terms and conditions as the Board may deem fit.

### OUR PROMOTER

The details of promoters of the company are as follows: -

S. No	Name	Address	Qualifications	Occupation/ Experience
1	Rane Holdings Limited	“Maithri”, 132, Cathedral Road, Chennai – 600 086	-	Making and Holding investments in other group companies
2	Rane Investments Limited	“Maithri”, 132, Cathedral Road, Chennai – 600 086	-	Making and Holding investments in other group companies
3	L Lakshman	No.17, Crescent Street, Off Arch Bishop Mathias Avenue, Abhiramapuram, Chennai – 600 028	B.E, Executive MBA from London Business School	Company Director with over 35 years of experience
4	L Ganesh	Door No. 5A, Valliammai Achi Road, Kotturpuram, Chennai – 600 085	CA, MBA from Pennsylvania State University, USA	Company Director with over 30 years of experience
5	Harish Lakshman	G-B, #11, Prithvi Avenue, II Street, Teynampet, Chennai – 600018	BE, MSM from Purdue University	Company Director, 8 years of experience
6	Pushpa Lakshman	No.17, Crescent Street, Off Arch Bishop Mathias Avenue, Abhiramapuram, Chennai – 600 028		Housewife

S. No	Name	Address	Qualifications	Occupation/ Experience
7	Meenakshi Ganesh	Door No. 5A, Valliammai Achi Road, Kotturpuram, Chennai – 600 085		Housewife
8	Vinay Lakshman	No.17, Crescent Street, Off Arch Bishop Mathias Avenue, Abhiramapuram, Chennai – 600 028	CA and has a degree in management	Company Executive
9	Aditya Ganesh	Door No. 5A, Valliammai Achi Road, Kotturpuram, Chennai – 600 085		Student
10	Aparna Ganesh	Door No. 5A, Valliammai Achi Road, Kotturpuram, Chennai – 600 085		Student

### **RANE HOLDINGS LIMITED**

Rane Holdings Limited was incorporated on March 03, 1936 as Rane (Madras) Limited and has its registered office at “Maithri”, 132, Cathedral Road, Chennai 600086.

RHL was originally engaged in the manufacture and sale of automobile components. In addition the company was holding investments in various Rane Group Companies. The manufacturing business of the company was demerged into a new company under a scheme of arrangement approved by the High Court of Madras with effect from 1<sup>st</sup> July 2004. The surviving company, which retained the investments in the group companies and the intellectual property rights in “Rane” trademark, was renamed as Rane Holdings Limited.

RHL is a listed entity with equity stakes held directly or indirectly in the various Rane group companies and its directors are Mr. L Lakshman, Mr. L Ganesh, Mr. Harish Lakshman, Mr. V Narayanan, Mr. Krishnan S Waran, Mr. P N Vencatesan and Mr. Shujaat Khan.

The authorized share capital of the company is divided into 15,000,000 equity shares of Rs.10/- each and 5,000,000 13.5% Cumulative Redeemable Preference Shares of Rs.10/- each.

### Financial Information

(Rs. '000)

Particulars	March 31, 2007	March 31, 2006	March 31, 2005
Income	322,588	110,120	660,185
Profit after Tax	168,733	87,181	71,263
Paid up Equity Capital	97,813	81,313	81,313
Reserves (excluding revaluation reserves)	978,130	609,376	567,741
Earnings Per Share(EPS)	20.19	10.25	10.50
Net Asset Value (Per Share)	110.00	84.94	79.82

### Listing

RHL shares are listed in NSE, BSE and MSE. The monthly high & low closing price of RHL shares during the preceding six months is given below:

Month	High (Rs.)	Low (Rs.)
September 07	174.00	150.00
October 07	174.00	152.90
November 07	179.85	160.10
December 07	232.80	168.25
January 08	209.90	144.00
February 08	173.80	131.10

### Shareholding Pattern of the company

Category	No.of Shares Held	% of shareholding
Promoters	6,072,330	42.53
Public	8,205,479	57.47

### **RANE INVESTMENTS LIMITED**

Rane Investments Limited a wholly owned , subsidiary of RHL Rane Investments Limited (RIL) was incorporated as Glendale Investments Limited on December 15, 1982. The name of the company was subsequently changed to RIL on May 20, 2002.



The company's principal business is directed towards investments in the Group companies. RIL holds 50% in the joint venture Rane TRW Steering Systems Limited and over 44% in another Joint Venture. Rane NSK Steering Systems Limited.

The authorized share capital of the company is divided into 1,00,000 equity shares of Rs.10 each. The shares of the company are not listed on any stock exchange.

The Board of Directors of RIL comprises of Mr. L Lakshman, Mr L Ganesh, Mr. Harish Lakshman, Mr. Krishnan S Waran and Mr R Srinivasan.

#### *Financial Information*

(Rs. '000)

Particulars	March 31, 2007	March 31, 2006	March 31, 2005
Income	245,235	134,380	124,755
Profit after Tax	237,557	119,355	112,149
Paid up Equity Capital	8,450	8,450	8,450
Reserves (excluding revaluation reserves)	327,351	272,861	219,767
Earnings Per Share(EPS)	281.13	141.25	132.72
Net Asset Value (Per Share)	397.40	332.91	260.08

#### *Shareholding Pattern of the company*

Category	No.of Shares Held	% of shareholding
Promoters	845,000	100%
Public	-	-

#### **CURRENCY OF PRESENTATION**

In this Information Memorandum all references to "Rupees" or "Rs." are to Indian Rupees, the legal currency of Republic of India, all references to "US \$" or "\$" or USD are to the legal currency of United States of America.

#### **DIVIDEND POLICY**

The declaration and payment of dividends will be recommended by our Board of Directors and our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, capital expenditure requirements and overall financial condition.

**SECTION V - FINANCIAL STATEMENTS**

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**FINANCIAL STATEMENTS OF THE COMPANY****Auditors' Report to the Board of Directors of Rane Brake Products Limited on the financial statements for the nine months ended December 31, 2007**

1. We have audited the attached Balance Sheet of **Rane Brake Products Limited** as at December 31, 2007 and the related Profit & Loss Account and Cash Flow Statement for the period ended on that date, which we have signed under reference to this report. 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 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. We report that:
  - (a) 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.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report have been prepared, in all material respects, in compliance with the applicable accounting standards issued by the Institute of Chartered Accountants of India.
  - (e) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2007
    - (ii) In the case of the Profit and Loss Account, of the profit for the period ended on that date; and
    - (iii) In the case of the Cash Flow Statement, of the cash flows for the period ended on that date.
4. This report is intended solely for your information and for inclusion in the Information Memorandum to be filed with the Stock exchanges and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**S Datta Partner**  
**(Membership No . F14128)**  
**For and on behalf of**  
**Price Waterhouse & Co**  
Chartered Accountants

Chennai  
March 17, 2008

**PART A**
**Financial information of RBL**
**Statement of Assets and Liabilities**
**(In Rs. '000)**

Description		31.12.07	31.03.07	31.12.05
A	Fixed Assets		-	-
	Gross Block	1,414,322		
	Less: Accumulated Depreciation	777,943		
	Net Block	636,379		
	Less: Impairment of Assets			
	Capital Work-in-Progress	150,993		
	Total	787,372	-	-
B	Investments	11	-	-
C	Deferred Tax Assets			
D	Current Assets, Loans & Advances			
	Inventories	178,251		
	Sundry Debtors	443,836		
	Cash and Bank Balances	9,026	82	82
	Other Current Assets	1,055		
	Loans and Advances	76,062		
	Total	708,230	82	82
E	Liabilities and Provision			
	Loan Funds			
	Secured	318,016		
	Unsecured	160,130		
	Total	478,146	-	-
F	Deferred Tax Liability	81,056	-	-
G	Current Liabilities and Provisions			
	Current Liabilities	279,995	9	5
	Provisions	23,518		
	Total	303,513	9	5
H	<b>Net Worth((A+B+C+D-(E+F+G))</b>	<b>632,898</b>	<b>73</b>	<b>77</b>
I	Represented by:			
	Shareholder's Funds			
	1.Share Capital	72,150	100	100
	2.Reserves	577,877	-	-
	Less:			
	3.Miscellaneous Expenditure	17,129	11	15
	(Preliminary preoperative to the extent not written off or adjusted)			
	4.Balance in Profit and Loss Account		16	8
	<b>Net Worth(1+2-{3+4})</b>	<b>632,898</b>	<b>73</b>	<b>77</b>

### Statement of Profits and Losses

(In Rs.'000)

Description	31.12.07 (9 months)	31.03.07	31.12.05
Income		-	-
Sales		-	-
Of Products Traded by the Company		-	-
Of Products Manufactured by the Company	1,478,420-	-	-
Less: Excise duty recovered	211,352-	-	-
Net Sales	1,267,068-	-	-
Total Sales	1,267,068	-	-
Other Operating Income	3,770	-	-
Other Income	16,161	-	-
Increase / (Decrease) in Inventory	(9,466)	-	-
Total Income	1,277,533	-	-
Expenditure		-	-
Raw Materials & Components Consumed	551498-	-	-
Staff Costs	212909-	-	-
Other Manufacturing Expenses	-	-	-
Administration Expenses	355,467	8	8
Selling & Distribution Expenses	-	-	-
Interest	23,913	-	-
Depreciation	66,259	-	-
Preliminary expenses w/o			
Total Expenditure	1,210,046	8	8
Net Profit before tax & Exceptional items	67,487	(8)	(8)
Provision for Taxation	18,750	-	-
Net Profit after tax & before Exceptional items	48,737	(8)	(8)
Extra Ordinary Item of Expenditure	-	-	-
Exceptional Items	-	-	-
Net Profit after tax & Exceptional items	48,737	(8)	(8)
Prior year adjustments			
Surplus Brought Forward	(16)	(8)	-
Profit available for appropriation	48,721	(16)	(8)
Appropriations:		-	-
General Reserve		-	-
Contingency Reserve		-	-
Dividend on Equity Shares		-	-
Tax on above Dividend		-	-
Proposed Dividend		-	-
Tax on Proposed Dividend		-	-
Balance carried to Balance Sheet	48,721	(16)	(8)

### Statement of cash flow:

Amount in Rs.'000's

Particulars		31.12.2007 (9 Months)
A	<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>	
	Net Profit Before Tax and extraordinary items	67487
	Adjustment For:	
	Depreciation	66,259
	Interest charges	23,913
	Miscellaneous Expenditure amortised	7,703
	Profit on Fixed Assets sold/scrapped	(191)
	Dividend Received	(274)
	Interest income from deposits	(2389)



Particulars	31.12.2007 (9 Months)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL ADJUSTMENTS</b>	162,508
Adjustment for (Increase)/ Decrease in:	
Inventories	15,541
Sundry debtors	81,478
Loans and Advances	(7,628)
Trade and other payables	(55,218)
<b>Cash generated from Operations</b>	<b>196,681</b>
Direct taxes paid	(17,566)
<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>	<b>179,115</b>
<b>B CASH FLOW FROM INVESTMENT ACTIVITIES:</b>	
Purchase of fixed assets	(205,688)
Sale proceeds of fixed assets	210
Proceeds from sale of investments	80,000
Purchase of investments	(80,000)
Acquisition of 10,000 equity shares in the company by Rane Brake Linings Limited which were cancelled on demerger referred to in Note 2 on Schedule T	(100)
Interest received	2,501
Dividend received	274
Net increase in fixed deposits with maturity period beyond three months	1,224
<b>NET CASH USED IN INVESTING ACTIVITIES (B)</b>	<b>(201,559)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES:</b>	
Repayment of long term borrowings	(31,250)
Proceeds from AP Govt sales tax deferral Scheme	2,345
Proceeds from fixed deposits	1,572
Proceeds from short term loans	100,000
Net Cash used in Financing Activities ( C )	
Net Decrease in cash credit and packing credit	(33,006)
Interest paid	(24,565)
<b>Net cash from financing activities (C)</b>	<b>15,096</b>
Net Increase in cash and cash equivalents (A+B+C)	(7348)
Cash and cash equivalents transferred on demerger	14,466
Cash and cash equivalents (Opening Balance)	82
Cash and cash equivalents (Closing Balance)	7,200

Note:

Cash and Cash equivalents at the end of the year

As per Balance Sheet	9,026
Less: Deposits with maturity period beyond three months	1,826
	<b>7,200</b>
Cash and cash equivalents transferred on demerger	
As per Balance Sheet	17,536
Less: Deposits with maturity period beyond three months	3,070
	<b>14,466</b>

**Schedules forming part of accounts**

	As at December 31, 2007 (Rs. '000)	As at March 31, 2007 (Rs. '000)
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**SCHEDULE A  
CAPITAL**
**Authorised**

100,000 (Previous year 50,000) Equity Shares of Rs.10 each

1,000	500
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**Issued and Subscribed (Note 2 on Schedule T)**

Nil (Previous year - 10,000) Equity Shares of Rs.10 each  
fully paid-up

-	100
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Note:

Authorised Capital has been subsequently increased to 10,000,000 equity shares of Rs.10 each amounting to Rs.100,000,000.

**SCHEDULE B  
RESERVES AND SURPLUS**

Description	As at 31 March 2007 (Rs. '000)	Transfer on demerger (Note 2 on Schedule T) (Rs. '000)	Additions (Rs. '000)	As at December 31, 2007 (Rs. '000)
General Reserve	-	471,156	-	471,156
Profit and Loss Account Balance	-	58,000	48,721	106,721
	-	529,156	48,721	577,877

**SCHEDULE C  
SECURED LOANS**

	As at December 31, 2007 (Rs. '000)	As at March 31, 2007 (Rs. '000)
From Banks		
Term Loans	268,750	-
Interest accrued and due	1,757	-
Cash Credit and Packing Credit	47,509	-
	<b>318,016</b>	-

**SCHEDULE D**
**UNSECURED LOANS**

As at December 31, 2007 (Rs. '000)      As at March 31, 2007 (Rs. '000)

Fixed Deposits (Notes below)	26,717	-
Interest free loan from A.P.Government under Sales Tax Deferral Scheme (Note 5 on Schedule T)	33,413	-
Short-Term Loan from a bank	100,000	-
	<b>160,130</b>	<b>-</b>

Notes:

1 Fixed Deposits held by Directors	<b>1,880</b>
2 Fixed Deposits repayable within one year	<b>14,815</b>

**SCHEDULE E  
FIXED ASSETS**

Description	Amount in Rs.000										
	Gross Block					Depreciation / Amortisation					Net Block
	Cost as at 31 March 2007	Transfer on Demerger (Note 2 on Schedule T)	Additions	Deletions	Cost as at 31 December 2007	Upto Cost as at 31 March 2007	Transfer on Demerger (Note 2 on Schedule T)	For the year	On Deletions	Upto 31 December 2007	As at 31 December 2007
<b>Tangible Assets</b>											
Land - Freehold	-	21,495	-	-	21,495	-	-	-	-	-	21,495
Buildings	-	154,773	10,588	-	165,361	-	34,504	4,166	-	38,670	126,691
Plant and Machinery	-	1,095,528	59,820	-	1,155,348	-	620,135	58,130	-	678,265	477,083
Furniture and Fittings	-	11,716	1,604	25	13,295	-	9,145	757	5	9,897	3,398
Office Equipment	-	9,910	1,519	-	11,429	-	9,244	480	-	9,724	1,705
Vehicles	-	9,427	666	1,117	8,976	-	6,410	1,097	1,117	6,390	2,586
<b>Intangible Assets</b>											
Goodwill	-	16,225	-	-	16,225	-	16,225	-	-	16,225	-
Licence	-	21,980	213	-	22,193	-	17,143	1,629	-	18,772	3,421
	-	<b>1,341,054</b>	<b>74,410</b>	<b>1,142</b>	<b>1,414,322</b>	-	<b>712,806</b>	<b>66,259</b>	<b>1,122</b>	<b>777,943</b>	<b>636,379</b>
Previous year	-	-	-	-	-	-	-	-	-	-	-
Capital Work-in-progress [including Capital Advances Rs. 37,141 Thousands]											150,993
											<b>787,372</b>

**SCHEDULE F**
**INVESTMENTS**

As at December 31, 2007 (Rs. '000)      As at March 31, 2007 (Rs. '000)

Long Term - Non Trade -Unquoted at Cost

**In Government Securities**

11 -

National Savings Certificates

**11 -**

Note :

Investments in mutual fund Purchased and sold during the year	Units	Rs.'000
HDFC Cash Management Savings Plan (Daily Dividend)	<b>7,521,342</b>	<b>80,000</b>
<b>SCHEDULE G</b>	As at December 31, 2007	As at March 31, 2007
<b>INVENTORIES</b>	(Rs. '000)	(Rs. '000)
Stores and Spares	8,848	-
Raw Materials and Components	96,249	-
Goods-in-transit	3,117	-
Work-in-progress	33,060	-
Finished Goods	36,977	-
	<b>178,251</b>	<b>-</b>
<b>SCHEDULE H</b>	As at December 31, 2007	As at March 31, 2007
<b>SUNDRY DEBTORS</b>	(Rs. '000)	(Rs. '000)
<b>Unsecured</b>		
Debts outstanding for a period exceeding six months		
Considered Good	9,530	-
Considered Doubtful	2,385	-
	<b>11,915</b>	<b>-</b>
Other Debts	434,306	
Considered Good	446,221	
Less : Provision for Doubtful Debts	2,385	
	<b>443,836</b>	<b>-</b>
<b>SCHEDULE I</b>	As at December 31, 2007	As at March 31, 2007
<b>CASH AND BANK BALANCES</b>	(Rs. '000)	(Rs. '000)
Cash on hand	783	82
Balances with Scheduled Banks on		
Current Accounts	6,417	-
Deposit Accounts	1,826	-
	<b>9,026</b>	<b>82</b>
<b>SCHEDULE J</b>	As at December 31, 2007	As at March 31, 2007
<b>OTHER CURRENT ASSETS</b>	(Rs. '000)	(Rs. '000)
<b>Unsecured - considered good</b>		
Interest accrued on Deposits etc	1,055	-
	<b>1,055</b>	<b>-</b>

**SCHEDULE K**
**LOANS AND ADVANCES**
**Unsecured - considered good**

Advances recoverable in cash or in kind or for value to be received

Deposits

Balances with Customs and Excise etc.

As at December 31, 2007  
(Rs. '000)

As at March 31, 2007  
(Rs. '000)

35,297	-
21,551	-
19,214	-
<b>76,062</b>	<b>-</b>

**SCHEDULE L**
**LIABILITIES**

Sundry Creditors (Note 7 on Schedule T)

Other Liabilities

Unclaimed Dividends

Unclaimed matured Fixed Deposits

Fixed deposit interest paid but not encashed

Interest accrued but not due on Loans / Fixed Deposits

As at December 31, 2007  
(Rs. '000)

As at March 31, 2007  
(Rs. '000)

250,807	-
26,388	9
1,238	-
360	-
232	-
970	-
<b>279,995</b>	<b>9</b>

There are no amounts due to Investor education and Protection Fund.

**SCHEDULE M**
**PROVISIONS**

Provision for Current Tax

Less : Advance payment of Tax and Tax

Deducted at Source

Provision for Fringe Benefits Tax

Less : Advance Fringe Benefits Tax

Leave Encashment

As at December 31, 2007  
(Rs. '000)

As at March 31, 2007  
(Rs. '000)

402,694	-
389,697	-
12,997	-
9,755	-
9,688	-
67	-
10,454	-
<b>23,518</b>	<b>-</b>

**SCHEDULE N**
**SALES AND OPERATING REVENUE**

Sales

Less : Excise Duty

Net Sales

Sale of Scrap

Less : Excise Duty

Net Scrap Sales

Nine Months ended  
December 31, 2007  
(Rs.'000)

Fifteen Months ended  
March 31, 2007  
(Rs. '000)

1,478,420	-
211,352	-
1,267,068	-
3,860	-
90	-
<b>1,270,838</b>	<b>-</b>

**SCHEDULE O**
**OTHER INCOME**

	Nine Months ended December 31, 2007 (Rs.'000)	Fifteen Months ended March 31, 2007 (Rs. '000)
Dividend income from investments	274	-
Interest on Customer overdues, Deposits etc	2,389	-
Profit on Sale of Assets (net)	191	-
Liabilities no longer required written back	10,274	-
Others	3,033	-
	<b>16,161</b>	<b>-</b>

**SCHEDULE P**
**COST OF GOODS SOLD**

	Nine Months ended December 31, 2007 (Rs.'000)	Fifteen Months ended March 31, 2007 (Rs. '000)
Opening Stock :	-	-
Transfer on demerger (Note 2 on Schedule T)	125,009	-
Raw Materials and Components	18,288	-
Work-in-progress	32,455	-
Finished Goods	175,752	-
Purchase of Raw materials, Components and Trading goods	529,435	-
Freight Inward	14,115	-
Sub Contract Charges	8,931	-
Less : Closing Stock	96,249	-
Raw Materials and Components	33,060	-
Work-in-progress	36,977	-
Finished Goods	166,286	-
Excise Duty on Closing Stock of Finished Goods	4,506	-
Less : Excise Duty on Finished Goods transferred on demerger	5,489	-
	<b>560,964</b>	<b>-</b>

**SCHEDULE Q**
**EMPLOYEE COSTS**

	Nine Months ended December 31, 2007 (Rs.'000)	Fifteen Months ended March 31, 2007 (Rs. '000)
Salaries, Wages and Bonus (Note Below)	162,871	-
Contribution to Provident and Other Funds	20,059	-
Staff Welfare Expenses	29,979	-
	<b>212,909</b>	<b>-</b>

Note :Includes amortisation of termination benefits under Voluntary Retirement Scheme

**7,703**

**SCHEDULE R**
**OTHER MANUFACTURING, ADMINISTRATION  
AND SELLING EXPENSES**

	Nine Months ended December 31, 2007 (Rs.'000)	Fifteen Months ended March 31, 2007 (Rs. '000)
Stores, Spares and Tools consumed	24,333	-
Power and Fuel	69,165	-
Repairs and Maintenance:		-
Buildings	1,424	-
Plant and Machinery	23,870	-
Others	11,878	-
Service Contractor's charges	17,231	-
Rent	2,349	-
Insurance	6,130	-
Rates and Taxes	2,897	-
Travelling and Conveyance	13,661	-
Professional Charges	26,315	-
Royalty and Technical Fees	17,209	-
Packing and Forwarding	58,177	-
Advertisement and Sales Promotion	9,496	-
Discount and Incentive	37,803	-
Sales Commission	19,889	-
Directors' Sitting Fees	655	-
Miscellaneous Expenses	16,641	8
	<b>359,123</b>	<b>8</b>
Less : Expenses recovered	(3656)	-
	<b>355,467</b>	<b>8</b>

**SCHEDULE S**
**INTEREST AND FINANCE CHARGES**

	Nine Months ended December 31, 2007 (Rs.'000)	Fifteen Months ended March 31, 2007 (Rs. '000)
Interest :		
Term Loans	20,448	-
Fixed Deposits (Note below)	704	-
Cash Credit and Others	2,761	-
	<b>23,913</b>	<b>-</b>

Note:

Include Interest paid to Chairman and Managing Director **135**
**SCHEDULE T**
**NOTES ON ACCOUNTS**
**1 Significant Accounting Policies**
**1.1 Basis of preparation of Financial Statements**

The Financial Statements are prepared under historical cost convention in accordance with the generally accepted accounting principles in India.

The preparation of the financial statements in conformity with accounting principles generally accepted in India requires the management to make estimates and assumptions that affect the reported amount of assets

and liabilities as of the Balance Sheet date, reported amount of revenues and expenses for the year and disclosure of contingent liabilities as of the Balance Sheet date. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results could differ from these estimates.

## 1.2 Fixed Assets

Fixed Assets are stated at cost of acquisition or construction, net of cenvat credit and depreciation. Cost includes direct cost and financing costs related to borrowing attributable to acquisition that are capitalized until the assets are ready for use. Capital work-in-progress includes cost of assets not ready for their intended use and includes advances paid to acquire fixed assets.

## 1.3 Depreciation

Depreciation on fixed assets is calculated on straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956 except for the following assets, which are depreciated over their estimated useful lives.

Assets	Estimated useful life (years)
Vehicles	5
Furniture and Fittings	5
Office Equipments	3
Laboratory Equipments	3

Depreciation charge on additions / deletions is restricted to the period of use.

Assets individually costing Rs. 5,000 or less are fully depreciated in the year of addition.

Goodwill is amortised over a period of ten years. Software licence fee is amortized over a period of three years

## 1.4 Inventories

Stores and spares, raw materials and components are valued at cost of purchase (net of cenvat and applicable VAT credits) ascertained on moving weighted average basis.

Work in progress and finished goods are valued at lower of cost and net realisable value. Cost includes customs duty, excise duty and conversion costs and other expenses incurred for bringing the inventories to their present condition and location.

## 1.5 Foreign Currency Transactions

Foreign currency transactions are recorded at the exchange rate prevailing on the date of transaction.

At the year end all monetary assets and liabilities denominated in foreign currency are restated at contracted / closing exchange rates as applicable. Exchange differences on settlement / restatement are adjusted to Profit and loss account.

In respect of forward contracts, the exchange difference is dealt with in the Profit and Loss Account over the period of the contracts.

## 1.6 Research and Development

Revenue expenditure on Research and Development is charged off as and when incurred.

## 1.7 Retirement Benefits

Liabilities in respect of Gratuity and Superannuation are determined in accordance with the Schemes



formulated by the Company and contributions as per the rules of the said Schemes are made to the respective funds administered by Life Insurance Corporation of India. All contributions are charged to Profit and Loss Account as they become due. The year-end Gratuity liability is determined on the basis of actuarial valuation and the difference, if any, between the actuarial liability and the funded amount is provided for.

Liability in respect of leave encashment benefit payable on retirement is determined on the basis of actuarial valuation for all eligible employees.

## 1.8 Revenue Recognition

Revenue from sales is recognised on despatch of goods to customers. Sales include excise duty but are net of sales returns and trade discounts and exclude sales tax.

## 1.9 Taxation

Provision for current tax and fringe benefits tax is made based on the liability computed in accordance with the relevant tax rates and tax laws. Deferred tax is accounted for by computing the tax effect of the timing differences, which arise during the year and reverse out in the subsequent periods. Deferred tax is calculated at the tax rates enacted or substantively enacted on the Balance Sheet date. Deferred tax assets are recognized only if there is a virtual certainty that they will be realized in the foreseeable future and are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date.

2. Pursuant to the scheme of Demerger, Merger and Amalgamation between the Companies, Rane Engine Valves Limited, Rane Brake Linings Limited, Techons Limited, and Rane Holdings Limited and their respective shareholders as approved by the shareholders of the Company at their meeting held on November 28, 2007 and as sanctioned by the Honourable High Court of Judicature at Madras vide its order dated December 20, 2007 the manufacturing undertaking of Rane Brake Linings Limited stood transferred to and vested in the Company on and from April 1, 2007 at the book values as set out below

Particulars	Rs. '000	Rs. '000
<b>Fixed Assets</b>		
Gross Block	1,341,054	
Less :Accumulated Depreciation	7,12,806	
Net Block	628,248	
Capital Work-in-Progress	19,715	
	<b>A</b>	647,963
<b>Investments</b>	<b>B</b>	11
<b>Current Assets, Loans &amp; Advances</b>		
Inventories	193,792	
Sundry Debtors	525,314	
Cash and Bank Balances	17,536	
Other Current Assets	1,167	
Loans and Advances	68,434	
	806,243	
<b>Less Current Liabilities and Provisions</b>		
Liabilities	335,386	
Provisions	30,512	
	365,898	
<b>Net Current Assets</b>	<b>C</b>	440,345
<b>Miscellaneous Expenditure to the extent not written off or adjusted</b>	<b>D</b>	24,821
<b>TOTAL ASSETS (A+B+C+D)</b>		<b>1,113,140</b>
<b>Less:</b>		
Secured Loans		

### Secured Loans

Term Loans	300,000
Cash Credit and Packing Credit	80,515
<b>E</b>	<b>3,80,515</b>

### Unsecured Loans

Fixed Deposits	25,145
Interest free Sales tax loan from Government of Andhra Pradesh	31,068
<b>F</b>	<b>56,213</b>

### Deferred Tax Liability

<b>G</b>	<b>75,106</b>
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### TOTAL LIABILITIES (E+F+G)

**511,834**

### Net Assets

**601,306**

### Represented by

7,214,980 equity shares of Rs.10/each to be allotted to the shareholders of Rane Brake Linings Limited, which pending allotment is shown under Share Capital Suspense

72,150

General Reserve

471,156

Profit and Loss Account

58,000

**601,306**

3. The name of the Company was subsequently changed to Rane Brake Lining Limited effective February 6, 2008.

### 4. Secured Loans

4.1 Term loans are secured on pari passu basis by way of hypothecation of all the movable plant and machinery of the Company.

4.2 Cash credit and packing credit facilities are secured on a pari passu basis by a first charge by way of hypothecation of inventories and book debts.

### 5. Unsecured Loans

Government of Andhra Pradesh, Commissionerate of Industries had issued to the Company Eligibility Certificate No.20/2/8/1551 dated 27<sup>th</sup> January 1999 for deferral of sales tax beyond the base sales turnover of Rs.21 crores for a period of 14 years i.e. from 1.7.1998 to 30.6.2012, which would be treated as interest free loan subject to execution of agreement and other documents with the Commercial Taxes Department as per terms and conditions stipulated by the Department.

The Company had accordingly executed an agreement on 23<sup>rd</sup> November 1999 with the Government of Andhra Pradesh Commercial Taxes Department. However, pending creation of a charge / mortgage on all immovable properties situated at Pregnapur Village, Hyderabad, the sales tax deferred for the period from 1<sup>st</sup> January 1999 to 31<sup>st</sup> December 2007 aggregating Rs.33,413 thousands has been classified under Unsecured Loan.

### 6. Cash and Bank Balances

Current Accounts include Interest Warrant Account Rs.258 thousands and Unpaid Dividend Account Rs.11,040 thousands.

### 7. Sundry Creditors

There are no amounts due including interest at the period end to small, micro and medium Enterprises as defined in the Small Micro and Medium Enterprises Development Act, 2006, based on the information

available with the Company.

#### 8. Deferred Tax Liability

31 December 2007  
(Rs.'000)

The net deferred tax liability is on account of

##### Liability:

Difference between book and tax written down Value  
of Fixed Assets  
Others

88,541

-

**88,541**

##### Assets:

Voluntary Retirement Scheme  
Provision for expenses allowable on payment basis  
Others

372

6,904

209

**7,485**

Net Deferred Tax Liability

**81,056**

Net deferred tax liability includes Rs. 75,106 thousands transferred on demerger referred to in Note 2 above.

#### 9. Miscellaneous Expenditure

Miscellaneous expenditure to the extent not written off or adjusted represents unamortised balance of termination benefits under Voluntary Retirement Scheme, which will be amortised over the next fifteen months.

#### 10. Capital Commitment

Estimated amount of contracts remaining to be  
executed on capital account and not provided for  
(net of advance)

50,821

#### 11. Contingent Liabilities

11.1 Claims against the Company not acknowledged as debts

33,724

11.2 Finance Guarantee Outstanding

8,333

31 December 2007  
(Rs.'000)

#### 12. Other Financial Information

Outstanding Bank Guarantees

7,061

Net exchange difference debited to Profit and Loss  
Account

7,498

#### 13. Researches and Development Cost

Capital expenditure  
Revenue expenditure

24,584

15,855

#### 14. Managerial Remuneration

##### Remuneration to Chairman & Managing Director

Salaries and Allowances

2,235

Contribution to Provident and Other Funds	583
Perquisites	640
	<b>3,458</b>

# 15. Segment Reporting

The Company is engaged in the business of manufacture of “Components for Transportation Industry” which is considered to be the only reportable business segment as per Accounting Standard 17 issued by the Institute of Chartered Accountants of India. 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.

**31 December 2007**  
(Rs.’000)

# 16. Earnings Per Share - Diluted

Profit after tax	A	48,737
Number of potential equity shares	B	7,214,980
Diluted Earnings per share – in Rupees (A / B)		6.75

# 17. Related Party Disclosures

## (a) List of Related Parties where control exists

<i>Significant Influence</i>	Rane Holdings Limited (RHL)
<i>Associate Company</i>	Rane Investments Limited (RIL)

## (b) Key Management Personnel

Mr. L Lakshman, Chairman & Managing Director

## (c) Relatives of Key Management Personnel

Mr. L Ganesh, Mrs. Pushpa Lakshman, Mr. Harish Lakshman, Mrs. T G Saraswathy, Mrs. Hema C Kumar, Mrs. Vanaja Aghoram and Mrs. Shanthi Narayan

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

(e) Particulars of transactions during the year and balances as at December 31, 2007

Description	Significant Influence	Associate Company	Key Management Personnel	Relatives of Key Management Personnel	Total
<b>Transactions during the year</b>					
Trade Mark Fee	5,786	-	-	-	5,786
Professional Charges	24,873	-	-	-	24,873
Remuneration	-	-	3,458	-	3,458
Fixed Deposits Accepted	-	-	730	2,350	3,080
Fixed deposits	-	-	1,160	2,350	3,510

repaid					
Interest on fixed deposits	-	-	135	160	295
Sitting fees paid	-	-	-	153	153
<b>Balances as at year end</b>					
Fixed deposits	-	-	1,880	2,550	4,430
Guarantee provided	8,333	-	-	-	8,333

18. The Company did not have operations in the previous period and hence the current period figures are not comparable.

#### Changes In Accounting Policies

There has been no change in the accounting policies followed by the company.

#### Tax Statement:

	December 31, 2007 (Rs.'000)
<b>Liability:</b>	
Difference between book and tax written down Value of Fixed Assets	88,541
Others	-
	<b>88,541</b>
<b>Assets:</b>	
Voluntary Retirement Scheme	372
Provision for expenses allowable on payment basis	6,904
Others	209
	<b>7,485</b>
Net Deferred Tax Liability	<b>81,056</b>

#### Rates of Dividend:

The company has not declared any dividend since its incorporation in 2004.

#### Age wise Analysis of Sundry Debtors and details of Loans and Advances as at 30.9.2007

Particulars	31.12.2007 Rs. '000
Sundry Debtors (Unsecured)	
Considered good	
Over six months old	9,530
Others	434,306
Considered Doubtful	

Particulars	31.12.2007 Rs. '000
Over six months old	2,385
Less: Provision for doubtful debts	2,385
<b>TOTAL</b>	<b>443,836</b>
Loans and Advances (Unsecured, considered good):	
Advances recoverable in cash or in kind or for value to be received	35,297
Advance Payment of Income-tax (net of provision)	
Balances with Customs, Central Excise Departments and Other authorities	19,214
Deposits	21,551
<b>TOTAL</b>	<b>76,062</b>

### Capitalisation Statement

Particulars	Pre issue 31.12.2007
Borrowings:	
Short term debt	160,130
Long term debt	318,016
Shareholders' Funds:	
Equity Share Capital	72,150
Reserves and Surplus	577,877
Total Shareholders' Funds	650,027
Long term Debt/Equity Ratio	0.74

### Details of Reserves and Surplus

Particulars	31.12.2007
1. Capital Reserves	
Capital subsidy	
Investment Allowance (Utilised) Reserve	
Other Reserves:	
Capital Subsidy	
Share premium	
Capital Reserve	
Investment Allowance (utilized)	
Reserve	
Export incentive Reserve	
General Reserve	471,156
Surplus in Profit and Loss A/c	106,721
<b>Total</b>	<b>577,877</b>

### Details / Analysis of Outstanding Unsecured Loans taken by the Company

SN	Name of the Lender	Facility	Sanctioned Amount	Balance 31.12.2007	INR	Repayment Schedule
1	Fixed deposit			26,717		
2	AP State govt.	ST deferral	140,000	33,413		After 12 yrs from borrowing
3	HDFC BANK LTD	SHORT TERM LOAN	30,000	30,000		90 Days
4	HDFC BANK LTD	-- DO --	20,000	20,000		90 Days
5	HDFC BANK LTD	-- DO --	20,000	20,000		90 Days
6	HDFC BANK LTD	-- DO --	30,000	30,000		90 Days

### Principal terms of loans and assets charged as security

1. Term loans are secured on pari passu basis by way of hypothecation of all the movable plant and machinery of the company.
2. Cash credit and Packing credit facilities are secured on a pari passu basis by a first charge by way pf hypothecation of inventories and book debts.

### Related Party Transaction

Particulars of transactions during the year and balances as at December 31, 2007

Description	Significant Influence	Associate Company	Key Management Personnel	Relatives of Key Management Personnel	Total
<b>Transactions during the year</b>					
Trade Mark Fee	5,786	-	-	-	5,786
Professional Charges	24,873	-	-	-	24,873
Remuneration	-	-	3,458	-	3,458
Fixed Deposits Accepted	-	-	730	2,350	3,080
Fixed deposits repaid	-	-	1,160	2,350	3,510
Interest on fixed deposits	-	-	135	160	295
Sitting fees paid	-	-	-	153	153
<b>Balances as at year end</b>					
Fixed deposits	-	-	1,880	2,550	4,430
Guarantee provided	8,333	-	-	-	8,333

### Accounting Ratios

Ratios		31.12.07 (6 Months)	31.03.07	31.12.05
Earnings per share (EPS):			-	-
Profit After Tax (PAT)	A	48,737		
Number of equity shares (‘ 000)	B	7,215	-	-
Earnings per share	A/B	6.75	-	-
Return on Net worth:				
Net Profit after Tax	A	48,737	-	-
Net Worth	B	650,027	-	-
Return on Net worth	A/B	7.5%	-	-
Net Asset value per equity share:				
Equity Net Worth	A	650,027	-	-
Number of equity shares (‘ 000)	B	7215	-	-
Net Asset value per equity share	A/B	90.09	-	-

### PART B

Subsidiary NIL

### **FINANCIAL INFORMATION OF OUR GROUP COMPANIES**

#### *Rane (Madras) Ltd.*

a) Date of Incorporation : 31-03-2004

b) Nature of activities : Manufacturing and marketing of auto components viz., steering gears assembly, steering linkage products and suspension joints.

c) Financial Information

(Rs. ‘000)

	2006-07	2005-06	2004-05
Income	3,329,805	2,805,136	2,001,700
Profit after Tax	136,166	86,402	42,307
Equity Capital	101,641	101,641	101,641
Reserves (excluding Revaluation Reserves)	338,134	251,511	204,793
Earnings Per Share (Rs.)	13.08	8.02	5.4
Net Asset Value(Rs.)	38.50	30.46	30.15



Note: As per the Scheme of arrangement approved by the High Court of Judicature at Madras, the manufacturing undertaking of Rane Holdings Limited was demerged and transferred into the Company, with effect from July 01, 2004, vide High Court Order sanctioned on April 25, 2005. The name of the company was changed from RMML to Rane (Madras) Limited on February 22, 2005.

- e) The shares of the company are listed and traded on MSE, NSE and BSE with effect from August 30, 2005. The details of the highest and lowest price during the last six months is as follows:

Month	High (Rs.)	Low (Rs.)
September 07	105.00	85.10
October 07	109.40	75.15
November 07	93.10	73.10
December 07	98.90	81.00
January 08	109.80	63.75
February 08	81.80	63.50

- f) Information on public or rights issue of shares during the last three years

No change in the share capital of the company was made by way of public or rights issue. In terms of the scheme sanctioned by the High Court of Madras on April 25, 2005 the erstwhile Rane (Madras) Limited Demerged and transferred the manufacturing undertaking into the company w.e.f July 01,2004. In consideration of the demerger of the manufacturing undertaking, the company issued and allotted 8,131,316 fully paid up equity shares of Rs.10 each, aggregating Rs.81 Million to the shareholders of the Demerged company.

### ***Rane Engine Valve Limited***

***(Previously known as Techcons Limited)***

- a) Date of Incorporation: 09.03.1972
- b) Nature of activities: The company was providing advisory services to the group companies relating to the areas of setting up of projects and business development, financial services, secretarial services, information technology (IT) services, human resource services including training to employees of the group companies. With effect from April 1, 2006, the entire undertaking was transferred to Rane Holdings Limited on a going concern basis. During the financial year 2006-07, the company did not carry on any business activity. In terms of the Scheme, the company is presently engaged in the manufacturing of engine valves and valve guides for IC engines and related automobile components.

- c) Financial Information

(Rs. '000)

	2006-07	2005-06	2004-05
Income	51	18,886	16,344
Profit after Tax	14	85	340

Equity Capital	510	510	510
Reserves (excluding Revaluation Reserves)	67	53	2513
Earnings Per Share (Rs.)	0.28	1.67	6.68
Net Asset Value (Rs.)	11.32	11.03	49.27

- d) Consequent to the approval of the Scheme, by the High Court of Madras, the manufacturing undertaking of erstwhile Rane Engine Valves Limited has been transferred to the company. Upon allotment of shares, the shares of the company are proposed to be listed on MSE, NSE and BSE.
- e) During the last three years there has been no change in the share capital of the company except as mentioned above in point (d).

#### ***Rane Diecast Limited***

a) Date of Incorporation: 23.08.1996

b) Nature of activities: Manufacture of machined aluminium diecast products.

c) Financial Information

(Rs. '000)

	2006-07	2005-06	2004-05
Income	88,374	54,816	76,160
Profit after Tax	(31,132)	(2520)	81
Equity Capital	83,111	44,000	44,000
Reserves (excluding Revaluation Reserves)	42,871	2,000	2,000
Earnings Per Share (Rs.)	(3.75)	(0.57)	0.02
Net Asset Value (Rs.)	12.02	5.36	4.63

d) The shares of the company are not listed on any stock exchange.

e) Details of Public or Rights Issue during the last three years:

During the year 2006-07, the company issued 3,911,111 equity shares of Rs.10/- each at a premium of Rs.10.45 per share on rights basis to the holding company erstwhile Rane Brake Linings Limited. Further, 1,466,989 equity shares was allotted by way of a preferential issue to M/s. Rane Holdings Limited during the year 2007-08. The company has become a subsidiary of Rane Holdings Limited upon the Scheme coming into effect on February 6, 2008.

***Rane NSK Steering Systems Limited (RNSSL)***

a) Date of Incorporation: 22.03.1995

b) Nature of activities: Manufacturing of solid and energy absorbing steering columns, intermediate shafts and universal joint assemblies.

c) Financial Information

(Rs. '000)

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
Income	412,955	367,525	389,970
Profit after Tax	14,281	53,840	21,030
Equity Capital	160,000	160,000	160,000
Reserves (excluding Revaluation Reserves)	-	-	-
Earnings Per Share (Rs.)	0.89	3.37	1.31
Net Asset Value (Rs.)	6.38	5.49	10.08

d) RNSSL is a joint venture promoted by Rane Investments Limited with NSK Limited, Japan and is an unlisted entity

e) Consequent to the approval of the shareholders at their Extra ordinary meeting held on July 09, 2007 the Board of directors of the company at their meeting held on October 18,2007 allotted 1,900,000 shares on a rights basis in the ratio of 19 equity shares for every 160 equity shares held in the company.

***Rane TRW Steering Systems Limited (RTSSL)***

a) Date of Incorporation: 03.07.1987

b) Nature of activities: Manufacturing of Hydraulic Power Steering Gears and Seat Belts.

c) Financial Information

(Rs. '000)

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
Income	4,101,691	3,484,424	3,364,750
Profit after Tax	708,449	565,807	575,046
Equity Capital	87,382	87,382	87,382
Reserves (excluding Revaluation Reserves)	1,354,532	1,194,091	927,199

Earnings Per Share (Rs.)	81.07	64.75	65.81
Net Asset Value (Rs.)	146.65	116.11	81.76

- d) RTSSL is an unlisted entity
- e) During the last three years no changes have been made to the share capital of the company.

## MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENTS

### 1. FINANCIAL AND OPERATIONAL PERFORMANCE

The company has achieved sales of Rs.1267 Million and a profit before tax of Rs.67 Million despite competitive pressures to reduce selling prices while the input costs like raw materials, steel, have gone up steeply during the year under review.

### 2. INDUSTRY STRUCTURE AND DEVELOPMENTS

The year under review has seen continued buoyancy in all segments of automobile industry. Sustained spending on infrastructure, increasing availability of consumer credit together with the expectation of strong growth resuming in the agricultural sector are beneficial factors that would support growth in the current year. There are, however signs of difficulty in reigning in inflation spurred by rising commodity prices, increased interest rates and government policy on export. If these persist and interest rates go up, decline in growth rates may be unavoidable. A brief corrective phase is very likely before growth resumes.

The table below highlights the segmental growth (volume) of the Indian automotive industry

	2006-07	2005-06
Passenger Cars	19%	9%
Utility Vehicles	13%	7%
Light Commercial Vehicles	7%	23%
SCV (One T & Below)	146%	-
Medium and Heavy Commercial Vehicles	34%	4%
Farm Tractors	15%	15%
Three Wheelers	28%	17%
Two Wheelers	11%	18%

Source: Society of Indian Automobile Manufacturers & Tractors Manufacturers Association.

### 3. OUTLOOK

Competitive pressures are building up in the domestic industry. However, RBL is expecting increased sales and building up production capacities accordingly.. Export and new product opportunities would be focus areas and the company is expected to meet growing demand arising from these focus areas.

### 4. OPPORTUNITIES, THREATS AND RISKS

The continued attraction of the Indian auto component industry as an outsourcing destination presents immense opportunities for growth. Main threats arise out of:

- Volatility in commodity prices- Steel and other inputs

- Low priced products import from China and Taiwan
- The strengthening rupee
- Apprehended temporary slow down of the economy
- Entry of MNCs in the country

Besides these, there is also a possibility of greater constraints being introduced in India on the use of asbestos materials for the manufacture of brake Linings. Should there be any restriction on the use of asbestos materials, the company is already equipped to take steps to switch over completely to asbestos free products rapidly.

The continued emphasis on the practice of TQM enables continuous productivity gains and equips RBL to exploit new opportunities despite these adverse factors.

## 5. INTERNAL CONTROL SYSTEMS

RBL has engaged the services of an independent agency to carry out internal audit in all the Company locations. The Audit Committee of the Board has been empowered to review the reports and countermeasures proposed by the operating management through interaction with the management personnel as well as the Internal and Statutory Auditors. This process seeks not only to ensure the reliability of control systems and compliance with laws and regulations but also covers resources utilization and system efficiency.

## 6. HUMAN RESOURCES

Your company attaches considerable importance to Human Resource Development (HRD) and harmonious industrial relations.

The management is continuously working on the development of human capital, vital in an ever changing business environment towards achieving the goals and realizing the Vision of the company. "Rane Institute for Employee Development" is a group resource that imparts training towards continuous enhancement of technical and managerial skills. On an average, 4.70 mandays of training per employee was imparted during the year across employee segments and divisions.

Total Employee Involvement is a key element of Total Quality Management (TQM) that enables continuous improvement to all business processes. The company conducts regular Employee Opinion Surveys, the outcome of which is deliberated and acted upon.

As at the end of 31st December 2007, the total number of employees stood at 845.

## 7. DISCLAIMER

The information and opinion expressed in this Report may contain certain forward-looking statements, which the management believes are true to the best of its knowledge at the time of its preparation. The management shall not be liable for any loss, which may arise as a result of any action taken on the basis of the information contained herein. Prior written permission of the Company should be obtained for furnishing this information to any person.

### Comparison of fiscal 2006 with fiscal 2005

- The company was incorporated in December 2004. The company would commence its operations by carrying on the business transferred to it under the Scheme. Hence there are no comparable figures indicating the growth of the company.
- The sectoral growth (volume) of the Indian automobile industry during the year was:  
(Source: ACMA and SIAM).

Sectors	Growth in 2006-07
Passenger Cars	19%
Utility Vehicles	13%
Light Commercial Vehicles	7%
SCV (One T & Below)	146%
Medium and Heavy Commercial Vehicles	34%
Farm Tractors	15%
Three wheelers	28%
Two Wheelers	11%

**Segment performance review and analysis**

The entire operations of the company would relate to one segment.viz., “Components for Transport Industry’.

**Factors affecting Business Performance**

Pricing pressures from domestic OEM's, steep increase in steel prices impacting raw material costs, increase in other input costs like employee compensation and exchange fluctuations arising out of depreciation of dollar on exports are some of the factors affecting business performance.

## SECTION VI - LEGAL AND OTHER INFORMATION

### OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigations, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company and our Directors, Promoter and Promoter Group Companies, and there are no defaults, nonpayment of statutory dues, over-dues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues payable to holders of any debenture, bonds and fixed deposits and arrears of preference shares issued by our Company, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of our Company and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, Promoter or Directors

#### Against the Company

Brief Particulars	Claim Amount (Rs. in '000)	Court / Forum / Case Number	Current Status
<b>Income Tax</b>			
Rane Brake Lining Limited v/s <b>Dy. Commissioner of Income Tax</b> An appeal against the order of the Dy. Commissioner of Income Tax. - Lump sum fee (Pune Lease hold land) charged off for IT-kept as DRE in books. - Interest claim by Dept.  A.Y. 1994-95 A.Y. 1995-96	1040/- 1717/-	Income Tax Appellate Tribunal.	The matter is still pending for hearing.
Rane Brake Lining Limited v/s <b>Dy. Commissioner of Income Tax.</b> A.Y. 1995-96 Disallowance of marketing arrangement fees to JMA.	1840/-	Income Tax Appellate Tribunal.	The matter is still pending for hearing.
<b>The Joint Commissioner of Income Tax.</b> v/s Rane Brake Lining Limited <b>AY 1996-97</b> Dispute over replacement value of machinery Turnover definition for 80HHC Deductions under 80HHC	2738/-	Income Tax Appellate Tribunal.	Appeal of Revenue partly allowed. Cross objection of assessee partly allowed.

Brief Particulars	Claim Amount (Rs. in '000)	Court / Forum / Case Number	Current Status
Rane Brake Lining Limited v/s <b>The Joint Commissioner of Income Tax.</b> <b>AY 1997-98, 1998-99, 2000-01</b> Depreciation effect on sale of Hosur undertaking:- -only book value of assets was credited to the block of assets.	7963/-	Income Tax Appellate Tribunal.	Hearing is pending.
Rane Brake Lining Limited v/s <b>The Joint Commissioner of Income Tax.</b> <b>AY 1998-99, 2000-01</b> Depreciation effect on fire accident claim received for fixed assets to be reduced from Gross block.	529/-	Income Tax Appellate Tribunal Appeal No.	Appeal is partly allowed.
Rane Brake Lining Limited v/s <b>Dy. Commissioner of Income Tax.</b> <b>AY 2000-01</b> Mumbai property – depreciation disallowance Dept's contention asset not put to use.	156/-	Income Tax Appellate Tribunal. Appeal No.	Appeal is partly allowed.
Rane Brake Lining Limited v/s Income Tax Officer Interest disallowed with reference to investments made by the company <b>AY 2000-01</b> <b>AY 2001-02</b>	9661/- 3451/-	1) Commissioner Appeals 2) Income Tax Appellate Tribunal.	The matter is pending.
Rane Brake Lining Limited v/s <b>Income Tax Officer.</b> <b>AY 2003-04</b> -Dispute over interest disallowance with reference to investments made by the company -Limited export relief due to dispute over exclusions -Dispute over exclusion of 80IB while computing 80HHC benefit -Dispute over common expenses for deduction under 80IB	7707/-	Commissioner Appeals	Matter is pending hearing.



Brief Particulars	Claim Amount (Rs. in '000)	Court / Forum / Case Number	Current Status
Rane Brake Lining Ltd., V/s <b>Asst.Comm of Income Tax.</b> An appeal against the order of the Asst.com.of Income Tax. <b>A.Y: 2002-03</b>  - Dispute while computing Deduction Under Sec 80HHC,  Sec 80IA Deduction to be excluded. <b>A.Y.2002-03</b> Notice Under Sec 274 to Impose penalty (For concealment of Income)	3046/-	Income Tax (Appeals)	Appeal filled against the order on 24.01.2008. Based on the appeal, letter given to drop the penalty proceedings until disposal of the order. Letter given on 29.01.2008.  The Matter is Pending for Hearing.
<b>Central Excise Cases</b>			
Dispute over provisional and actual Post Manufacturing Expenses for the period 1996-97	261/-	Asst Commissioner of Central Excise; SCN No.142/2001 dated 25.5.2001 Appeal No. E/235,236,237/2001	Pending before CESTAT on an appeal by the Department
Dispute relating to classification of un-mounted brake linings.	78/-	Appeal filed against the Order in appeal 117/2000(M-II) dated: 20.10.2000 on 12.03.2001 Appeal No. E/290/2001	Pending before CESTAT
Rane Brake Lining Limited v/s Commissioner of Central Excise Dispute relating to classification of friction dust. The company has filed an appeal before the CESTAT	7557/-	CESTAT	Appeal dismissed by CESTAT and company paid Rs. 3016.99 as per its calculation. The matter is pending for the differential amount.
Interest on Supplementary Invoice raised Jan-Feb'07	67/-	O-I-O passed by Additional Commissioner of CE, Chennai II Commissionerate	An appeal has been preferred before the Tribunal against the orders of the Additional Commissioner.
Dispute relating to abatement of Post Manufacturing Expenses period from 01.03.1982- 30.11.1983.	894/-	Asst Commissioner of Central Excise; SCN No.139/2001 dated 31.5.2001	Pending
Dispute relating to the assessable value of sales made to wholesale dealers and the treatment of post manufacturing expenses. The department claims differential duty.	990/-	Deputy Commissioner of Central Excise; SCN No.142/2001 dated 25.5.2001	Pending

Brief Particulars	Claim Amount (Rs. in '000)	Court / Forum / Case Number	Current Status
Dispute relating to assessable value and availment of credit by both the company and the customer on a bought out component.	99/-	Deputy Commissioner	Pending
Dispute relating to non-inclusion of Finance Charges in the assessable value. The case was decided in favour of the company.		CESTAT	Appeal preferred by the Department against Commissioner (Appeals) Order
<b>Service Tax Cases</b>			
Rane Brake Lining Limited v/s Dy. Commissioner of Central Excise (STC) Service Tax demanded on royalty paid to foreign collaborator.	1296/-	Dy. Commissioner of Central Excise (STC)	Hearing awaited.
Service Tax not paid under IPR and BAS Period: 10.09.2004 to 30.09.2006	1333/-	Joint commissioner of Service Tax Commissionerate passed SCN No. 151/2007 dated: 27.08.07	Pending
Ineligible credit (Credit availed on Job work charges) wrongly availed and utilized  Period April 2005 to July 2007	131/-	Deputy Commissioner of Central Excise passed SCN No. 22/2007 dated: 30.08.07  O-I-O passed by DC on 15.11.07	Appeal filed before the Commission of Appeals before Commissioner of appeals
<b>Labour Cases</b> <b>G.Jayapalan</b> v/s Rane Brake Lining Limited Against all directors seeking prosecution under Sec.29 of ID Act		Assistant Commissioner of Labour A/1469/06 (New.No.770/07)	The locus standi of G Jayapalan questioned by Union. Matter pending.
<b>A V Parthasarathy</b> v/s Rane Brake Lining Limited Claiming Employee Benevolent Fund amount	200/-	Labour Court I C.P.No.698 to 702/02	Preferred an appeal in the High Court
<b>G. Jayapalan</b> v/s Rane Brake Lining Limited A. Writ petition filed 1. seeking direction to dispose the complaint lodged with a) Secretary, (L&E) Tamilnadu b) Chief Inspector of Factories 2. Direction to management to negotiate on charter of demands		High Court  WP.38965/06 WP.40371/06 WP.40375/06	Matter is pending

Brief Particulars	Claim Amount (Rs. in '000)	Court / Forum / Case Number	Current Status
3. Seeking ad interim injunction against the wage settlement dated 18.05.2007 B. Defamation case against Management C. Case against Internal Transfer and wage cut		W.P.30300/07  District Munciff Court Ambattur Cal.Case.No. 429/06  Assisstant Commissioner of Labour A.470/07	
D. Disputes referred for adjudication by state government based on failure report of A.C.L on charter of demands filed by GJayapalan.		Industrial Labour Court I.D.10/2008	
Rane Brake Lining Limited v/s <b>Workmen</b> Seeking permanent injunction to restrain them from performing dharna etc., within a radius of 300 metres from factory gate		Labour Court O.S.403/07 in I.A.No.1433/07	Matter is pending disposal
<b>District Munsiff Court</b>  v/s  Rane Brake Lining Limited		Madras High Court C.R.P.3177/07 & 3178/07	Interim stay vacated. High court ordered disposal of case within 4 weeks Matter is pending before District Munsiff Court
Rane Brake Lining Limited v/s <b>Workmen</b> Violation court's order by demonstrating in front of factory gate on 17.12.07		High Court	The case is yet to be listed
<b>Sales Tax Cases</b>			
<b>Under Tamilnadu General Sales Tax Act</b> AY 2001-02 Tax on Export Sales, Tax against Form XVII Sales & Penalty AY 2002-03 Tax on resale of Assets, Addl.Sales Tax Penalty AY 2003-04 Tax on sales of Semi- finished goods, non- submission of Form XVII, Tax on Exports XVII & Tax on Exports	50/-  79/-  176/- 471/-  693/- 14/-	Appellate Asst.Commissioner (CT)- VI Kuralagam Annexe, Chennai- 600 108	Case pending disposal

Brief Particulars	Claim Amount (Rs. in '000)	Court / Forum / Case Number	Current Status
<b>Central Sales Tax Act, 1956</b> AY 2003-04 Tax on non submission of "C" & "D" Forms for interstate sales	1233/-	Appellate Asst.Commissioner (CT)-VI Kuralagam Annexe Chennai-600 108	Case pending disposal
<b>Kerala General Sales Tax Act</b> AY 2003-04 Tax on stock transfers intercepted at checkpost	102/-	Deputy (Appeals)Commercial Commissioner Taxes, Ernakulam	Security bond deposited for Rs.1,02,368/-
<b>West Bengal General Sales Tax Act</b> AY 2003-04 Local Sales @ 4% wrongly considered as interstate sales		Commercial Tax Officer Howrah Charge, Howrah	Pending refund of tax
<b>Andhra Pradesh General Sales Tax Act</b> AY 2003-04 Non submission of "C", "D" & "F" Forms	4141/-	Commercial Tax Officer, BowenpallyCircle,	Case pending disposal
<b>Uttar Pradesh Trade Tax Act</b> AY 2007-08 Diff tax	92/-	Joint Commisioner Appeal – 2 UP Trade Tax, Kanpur	Case pending

#### Our Group Companies:

##### Rane Holdings Limited

Brief Particulars	CLAIM AMOUNT (RS. IN '000)	Court / Forum / Case Number	Current Status
<b>Others</b>			
Dispute related lease rental for lease land 1990-2003 demanded by Tahsildhar, Mylapore.	5400/-	Collector of Chennai	Appeal filed with Collector of Chennai

##### Rane Engine Valve Limited

Brief Particulars	Claim Amount (Rs. in '000)	Court / Forum / Case Number	Current Status
<b>Labour Cases</b>			
K Chandrakumar & Ors v/s Rane Engine Valves Limited  Writ petition seeking interim stay against the order of the labor court to reinstate employees with continuity of service and back wages.	4,928/-	High Court, Madras W.P. No. 38577 of 2005	Matter is pending
R. Dhandapani v/s The Management of Rane Engine Valves Limited  Termination of service and reinstatement with back wages	-	Labour Court, Chennai ID No. 614 of 2004	Matter is pending

Brief Particulars	Claim Amount (Rs. in '000)	Court / Forum / Case Number	Current Status
Rane Engine Valve Limited v/s The Govt. of Tamil Nadu  Writ petition for an interim stay regarding payment of interest and damages on ESI contributions	3,223/-	High Court, Madras  WP 22415 to 22417 of 2005 and 24428 of 2005	Matter is pending. As per High Court order the company has paid 50% of the amount set out in the notice.
Rane Engine Valve Limited v/s The Employee State Insurance Corporation  Non-deduction of ESI contribution of sub-contractors	599/-	<b>Labour Court, Chennai</b> CP No. 21 of 2005	Matter is pending
Engine Valve Limited Mazdoor Sangh v/s Rane Engine Valve Limited  Writ petition for termination of services of some of the workmen	-	High Court, Andhra Pradesh at Hyderabad WP No. 7088 of 1995	Matter is pending
N Krishna v/s The Management of Rane Engine Valves Limited  Dismissal from service. Writ petition against the order of the Tribunal.	24/-	High Court, Andhra Pradesh at Hyderabad WP No. 20276 of 2005	Matter is pending Rs. 6104/- per month is paid to the petitioner
V. Ravi Sankar v/s The Vice President - Operations Rane Engine Valves Limited & Ors  Dismissal from service. Writ petition against the order of the Tribunal.	-	High Court, Andhra Pradesh at Hyderabad WP No. 20570 of 2001	Matter is pending.
Rane Engine Valves Limited v/s B Siddiramulu  Memorandum of settlement is filed in the High Court	325/-	High Court, Andhra Pradesh at Hyderabad WP No. 9872 of 1998 and WP No. 12004 of 1998 <sup>1</sup>	Matter is pending.
Rane Engine Valves Limited v/s The Industrial Tribunal & Ors.  A writ petition was filed against the order of the Tribunal to pay differential amount on the minimum wages revised by the Government.	543/-	<b>High Court of Andhra Pradesh</b> WP No. 2881 of 1999	Matter is pending

Brief Particulars	Claim Amount (Rs. in '000)	Court / Forum / Case Number	Current Status
Y Venkat Reddy vs Rane Engine Valves Limited  Petition before Labour Court against termination of service.		Labour Court, Hyderabad ID No. 20 of 2005	Matter is pending.
Collective dispute on wage settlement.		I.D.No.246 of 2007 Labour Court, Chennai	Filed counter statement on 12.11.2007
N. Ponnen, S. Jayapal, T.Arunachalam, D.Suresh, V.Arul, R.Murugan V/s Rane Engine Valve Limited  Petition before Labour Court against dismissal from service		Labour Court, Chennai I.D.No.577-582 of 2006	Matter is pending.
G. Mahendar & Ors V/s Rane Engine Valve Limited  The petitioner approached the Deputy Commissioner of Labour against removal from service. Company has responded to the notice.		Deputy Commissioner of Labour	Matter is pending
<b>Central Excise</b>			
Rane Engine Valve Limited vs. Commissioner of Central Excise (Hyderabad)  SCN dated January 24, 1997 was issued regarding disallowance of MODVAT credit on grinding wheels etc.	56/-	CESAT Appeal no. E/761/2001	The matter is pending before CEGAT, Bangalore
Assistant Commissioner of Central Excise vs. Rane Engine Valve Limited  SCN was issued regarding disallowance of MODVAT credit on arm cables, etc.	110/-	<b>Assistant Commissioner of Central Excise</b> SCN No. 08/96-97	The company has replied to SCN & matter is pending.
Superintendent of Central Excise vs. Rane Engine Valves Limited SCN was issued regarding disallowance of MODVAT credit.	127/-	<b>Superintendent of Central Excise</b> SCN no. 02/1997	The company has replied to the SCN. Matter is pending.
<b>Service Tax</b>			
A SCN was issued on appropriation of service tax and interest paid on payment to foreign service providers to government account and imposition of penalty under Section 76,77 & 78 of Finance Act, 1994	Tax due Rs. 6526/- and Interest Rs. 3874/-	Central Excise (Appeals), Chennai	The company has preferred an appeal against the order of Commissioner of Service tax.

Brief Particulars	Claim Amount (Rs.)	Court / Forum / Case Number	Current Status
<b>Sales Tax Cases</b>			
Kerala State Govt. has issued Notice of Demand for payment of sales tax on stock, which is shown as shortage. Assessment Year 2003-2004.	1003/-		Appeal filed against this order.
Due to decrease in sales 1 <sup>st</sup> quarter of 2007-08 in comparison to 1 <sup>st</sup> quarter of 2006-07 the Deputy Commissioner of Trade Tax – 3 has levied a tax (penalty) of Rs.50, 500/-.	50/-	Joint Commissioner Trade Tax 3– Kanpur	Filed an appeal against the notice
<b>Land Cases</b>			
Engine Valves Limited (Rane Engine Valves Limited) vs. Mandal Revenue Officer & Ors.  MRO claims that the land is assigned Government land. The company has filed an appeal and contented that it is a clear patta land.		<b>Court of District Collector, RR District, Hyderabad.</b> Appeal No. 1910 of 1999.	Matter is pending.
<b>Others</b>			
Rane Engine Valve Limited vs. State Of Andhra Pradesh & Ors.  A writ petition against levy of electricity duty @ Re. 0.25 per unit on self generated power		High Court, Andhra Pradesh. Writ Petition No. 6095 of 2004.	Matter is pending.
In Re: The A.P. Pollution Control Board & Ors.  Suo motto writ petition against the SCN received from A P Pollution control Board		High Court, Andhra Pradesh. Suo Motto Writ Petition No. 3367 of 2006.	The Matter is pending.
<b>Income Tax Cases</b>			
<b>AY 1991-92</b> Disallowance of agricultural income and demand of tax	5/-	Income Tax Appellate Tribunal	Matter is pending.
Rane Engine Valve Limited vs. Dy. Commissioner of Income Tax <b>AY 1992-93</b> 80HHC computation, unabsorbed depreciation and CIT's revision order for entertainment allowance.	1,044/-	Income Tax Appellate Tribunal. Income Tax Appeal No. 882 and 883(Mds)/96.	Matter is pending.

Brief Particulars	Claim Amount (Rs. in '000)	Court / Forum / Case Number	Current Status
Dy. Commissioner of Income Tax vs. Rane Engine Valve Limited  <b>AY 1998-99</b> Disallowance of expenditure	5,755/-	<b>Income Tax Appellate Tribunal.</b> Appeal No. 1041/MDS/2002	Matter is pending.
Rane Engine Valve Limited vs. Income Tax Officer AY 2003-04 a. Dispute relating to Computation under section 80 HHC. b. Interest income has been considered as "income from other sources" as against business income. c. Levy of interest under section 234D.	5,925/-	Commissioner of Income Tax (Appeals).	Matter is pending.
Rane Engine Valve Limited vs. Income Tax Officer  AY 2004-05 a. Dispute relating to Computation under section 80 HHC. b. Interest income has been considered as "income from other sources" as against business income.		Commissioner of Income Tax (Appeals).	The matter is pending.

**Rane (Madras) Limited**

Brief Particulars	Claim Amount (Rs. in '000)	Court / Forum / Case Number	Current Status
<b>Income Tax</b>			
Deputy Commissioner of Income Tax v/s Rane Madras Ltd. Erroneous claim of depreciation on machines made by Income Tax authorities: AY1996-97 - Rs.16,33,064/-. AY 1997-98- Rs. 65,00,475/-	740 /- 2795/-	High Court of Madras, Tax Case Appeal No.1129 against ITA No.246/04 Appeal No.1130 against ITA No.717/04	The case was admitted by the High Court and Ordered Notice to the department to appear in the matter.



Brief Particulars	Claim Amount (Rs. in '000)	Court / Forum / Case Number	Current Status
Commissioner of Income Tax v/s Rane (Madras) Limited  Disallowance of claim made u/s 43B towards Payment of Bonus & Leave Salary for AY 2005-06	9204/-	Commissioner of Income Tax Appeals	Appeal filed with CIT(Appeals) Stay order being obtained
<b>Service Tax - Velachery</b>			
Demanded Service tax on Royalty paid to Collaborators classifying it as Consulting Engineering Services	896/-	Joint Commissioner of Service Tax, Chennai 35 SCN No.63/2007 dated 12.04.07	The matter is pending before JC, Service Tax..
Demanded Service tax on fees paid to Foreign Service Providers towards Commission, Warehousing and Penalty for non payment	2010/-	Commissioner of Service Tax Chennai 35 SCN No.165/2007 dated 11.09.07	Appeal against levy of penalty has been made. The matter is pending.
<b>Labour Cases</b>			
Four workmen v/s Rane (Madras) Limited, The matter relates to the dismissal of four workmen.	7623/-	The Principal Labour Court, Chennai  Industrial Dispute No. 560 of 1990	The matter is pending.
Mr. Devajeeva Aasir v/s Management of Rane (Madras) Ltd., Chennai. The matter relates to a claim for continuity of service and back wages.	88/-	The Labour Officer – Conciliation  M.M.No. Aa/417/05 dated September 26, 2005	The Labour Officer -Conciliation sent a failure report to the Government.
Mr. Kendagannaswamy v/s The management of Rane Madras Limited Termination of services of an operator for continuous absenteeism.	23/-	Labour Court, Mysore  IID 88/05	The matter is pending.
<b>Central Excise-Mysore</b>			
Cenvat credit availed in 2004 on Extra / Xerox copies of the suppliers invoice	129/-	SCN No.V/87/15/13/04 dt 19.07.2004 OIO No.97 dt 10.01.2005 and OIA No.132 dated 06.06.2005	Tribunal remanded the case to the Range for verification and pass suitable Order. Order No.1145/07 dated 05.10.07
SCN from Deputy Commissioner of Central Excise, Pondicherry for misstatement on clearance of capital goods as scrap goods.	262/-	Deputy Commissioner of Central Excise, Pondicherry SCN No.: IV/16/41/2006-UCD dated April 6, 2006 Order-in-Original No. 12/2006	The Tribunal Ordered stay of recovery of the amount and referred the matter to Larger Bench on 03.01.08

Brief Particulars	Claim Amount (Rs. in '000)	Court / Forum / Case Number	Current Status
<b>EDLI</b>			
Rane Madras Limited v/s 1. The Central Provident Fund Commissioner. 2. The Regional Provident Fund Commissioner. The retrospective cancellation of exemption of EDLI for omission to include trainees in the master policy of LIC.	179/-	High Court, Madras  WP No.18985 of 2006 and MP Nos. 1&2 of 2006	The matter is pending.

#### Rane TRW Steering Systems Limited

Brief Particulars	Claim amount (Rs. '000)	Court/Forum/ Case number	Current Status
Rane TRW Steering Systems Limited v/s Assistant Commissioner of Central Excise SCN to pay service tax on technical know how fees and royalty paid to Joint Venture partner.	1678 /-	CESTAT, Chennai. Appeal No. [86/2003]	The matter is pending for orders.
Rane TRW Steering Systems Limited v/s Assistant Commissioner of Central Excise SCN as to why interest payable on differential duty reversed by the company should not be recovered.	262/-	CESTAT, Chennai. Appeal No. [755/2006]	The matter is pending before the Tribunal.
Commercial Tax Officer, Puddukottai v/s Rane TRW Steering Systems Limited Rejection of sales return claimed. AY 1999-00 AY 2000-01	344/- 277/-	Sales Tax Appellate Tribunal, Chennai (1&2/2008)	The matter is pending before the tribunal
Rane TRW Steering Systems Limited v/s The Regional Provident Fund Commissioner SCN alleging non-payment of provident fund on leave salary.	107/-	Provident Fund Tribunal, New Delhi  (WP No 6418/04)	Deposit has been paid. The matter is yet to be heard by the Tribunal.

**Rane NSK Steering Systems Limited**

Brief Particulars	Claim Amount (Rs in '000)	Court/Forum/ Case number	Current Status
<b>Central Excise Cases</b> Rane NSK Steering Systems Ltd v/s Superintendent of Central Excise Excise duty claimed on cash discount on the invoice Sep 2002-March 2006 April 2006 - December 2006 January 2007 - June 2007	1529/- 419/- 371/-	Superintendent of Central Excise 1.C.NO:V/15/87/57/2005 CX 2.C.NO.V/15/87/06/07-ADJ 3.C.No.V/15/87/67/2007 -Adj	Awaiting Orders
Rane NSK Steering Systems Ltd v/s Superintendent of Central Excise Interest on supplementary invoice		Superintendent of Central Excise 1.C.NO:V/15/87/57/2006-ADJ 2.C.NO:V/15/87/55/2005 - ADJ	The company has filed a reply. The matter is pending
<b>Service Tax Cases</b> Rane NSK Steering Systems Ltd v/s Superintendent of Central Excise Disallowance of Service Tax credit availed on freight outward	390/-	Superintendent of Central Excise C.NO.V/15/39/2006	The company has filed a reply. The matter is pending
Rane NSK Steering Systems Ltd v/s Superintendent of Central Excise Disallowance of general abatement of 75% claimed on transport bills	397/-	Superintendent of Central Excise	The company has filed a reply. The matter is pending
<b>Excise Preventive Case</b> Rane NSK Steering Systems Limited v/s Commissioner of Central Excise (Appeals), Chennai Disallowance of: (a) Cenvat credit availed on inputs used for destructive testing (b) Cenvat credit availed on tools lying at sub-contractors end (c) Demand for interest and penalty equivalent to 25%ED involved	719/- 496/- 611/-	CESTAT, Chennai	The matter is pending

**GOVERNMENT APPROVALS**

The Company has received the necessary permissions and approvals from the Government and various Government agencies for the existing activities as detailed hereunder:

1. Registration under Income Tax Act, 1961 with Permanent Account Number AADCR7688H
2. Registration under Rule 9 of The Central Excise Rules, 2002, granted by The Deputy Commissioner – Central Excise in respect of our plants located as follows:
  - a) Chennai : AADCR7688HXM001 and AADCR7688HXM003
  - b) Hyderabad : AADCR7688HXM004
  - c) Puducherry : AADCR7688HXM002
3. Registration under Rule 4 of The Service Tax Rules, 1994, granted by The Superintendent – Service Tax in respect of our plants located as follows:
  - a) Chennai : AADCR7688HST002
  - b) Hyderabad : AADCR7688LST003
  - c) Puducherry : AADCR7688LST001
4. The following Value Added Tax / Central Sales Tax were issued to the company:
  - a) VAT Registration No. VAT TIN: 33061324933 issued by the Commercial Tax Officer, Ambattur Assessment Circle, Chennai.
  - b) VAT Registration No. (VAT TIN: 28387821712) issued by the Commercial Tax Officer, Bowenpally Circle, Secunderabad.
  - c) VAT Registration No. (VAT TIN: 34440010794) issued by the Commercial Tax Officer, IAC, Puducherry, valid from February 6, 2008.
  - d) VAT Registration No. (VAT TIN: 29610081496) issued by the Registering Authority, Local VAT Office, Bangalore.
  - e) VAT Registration No. (VAT TIN: 32070281005) issued by the Registering Authority, Special Circle 1, Enrakulam.
  - f) VAT Registration No. (VAT TIN: 07250338719) issued by the Registering Authority, Bikrikar Bhavan, Delhi.
  - g) VAT Registration No. (VAT TIN: 03202041987) issued by the Registering Authority, Value added Tax, Jalandhar.
  - h) VAT Registration No. (VAT TIN: 23281403159) issued by the Registering Authority, Value added Tax, Indore.
  - i) VAT Registration No. (VAT TIN: 08231612469) issued by the Commercial Tax Officer, Value added Tax, Jaipur, valid from January 17, 2008.
  - j) VAT Registration No. (VAT TIN: 27520642966V) issued by the Registering Authority, Value added Tax, Pune, valid from February 11, 2008.
  - k) VAT Registration No. (VAT TIN: 24074500765) issued by the Registering Authority, Value added Tax, Ahmedabad.
  - l) VAT Registration No. (VAT TIN: 19603651016) issued by the Commercial Tax Officer, Behala Division, Value added Tax, Kolkata.

- m) CST Registration No. (CST NO.: 897345) issued by the Commercial Tax Officer, Ambattur Assessment Circle, Chennai, valid from February 1, 2008.
- n) CST Registration No. (CST No.: 28387821712) issued by the Commercial Tax Officer, Bowenpally Circle, Secunderabad.
- o) CST Registration No. (CST No.: 34440010794) issued by the Commercial Tax Officer, IAC, Puducherry, valid from February 6, 2008.
- p) CST Registration No. (CST No.: 0020968-8) issued by the Registering Authority, Local VAT Office, Bangalore, valid from 8<sup>th</sup> October, 1990.
- q) CST Registration No. (CST No.: 32070281005 C) issued by the Registering Authority, Special Circle 1, Enrakulam.
- r) CST Registration No. (CST No.: 07250338719) issued by the Registering Authority, Bikrikar Bhavan, Delhi.
- s) CST Registration No. (CST No.: 03202041987) issued by the Registering Authority, Value added Tax, Jalandhar.
- t) CST Registration No. (CST No.: 23281403159) issued by the Registering Authority, Value added Tax, Indore.
- u) CST Registration No. (CST No.: 08231612469) issued by the Commercial Tax Officer, Value added Tax, Jaipur, valid from February 16, 2008.
- v) CST Registration No. (CST No.: 27520642966C) issued by the Registering Authority, Value added Tax, Pune, valid from February 11, 2008.
- w) CST Registration No. (CST No.: 24074500765) issued by the Registering Authority, Value added Tax, Ahmedabad.
- x) CST Registration No. (CST No.: 19603651210) issued by the Commercial Tax Officer, Behala Division, Value added Tax, Kolkata.

No further approvals from any Government authority/Reserve Bank of India (RBI) are required by the Company to undertake the existing activities, save and except those approvals, which may be required to be taken in the normal course of business from time to time.

The Central Government / RBI accepts no responsibility for the financial soundness or correctness of the statements made in this Information Memorandum.

## **OTHER REGULATORY AND STATUTORY DISCLOSURES**

### **Authority For Listing**

The Honorable High Court of Madras, vide its Order dated December 17, 2007 has approved the Composite Scheme of Demerger, Merger and Amalgamation between Rane Brake Lining Limited (RBL ) (formerly Rane Brake Products Limited) and erstwhile Rane Brake Linings Limited (Demerged Company 2 ) whereby the

entire manufacturing undertaking of Demerged Company 2 has been transferred to and vested with RBL w.e.f. April 01, 2007 (i.e. the Appointed Date under the Scheme) under Sections 391 and 394 of the Companies Act, 1956. In accordance with the said Scheme, the Equity Shares of RBL issued pursuant to the Scheme as well as its existing shares issued for the purpose of incorporation shall, subject to applicable regulations, be listed and admitted to trading on Madras Stock Exchange Limited (MSE) National Stock Exchange (“NSE”) and The Stock Exchange, Mumbai (“BSE”). Such listing and admission for trading is not automatic and will be subject to fulfillment by the Company of listing criteria of MSE, NSE and BSE for such issues and also subject to such other terms and conditions as may be prescribed by MSE, NSE and BSE at the time of the application by the Company seeking listing.

The aforesaid Order of the Honorable High Court of Madras was filed by Demerged Company 2 and by RBL with the Registrar of Companies (“RoC”), Tamil Nadu, Chennai, on February 06, 2008 and the Scheme became effective from the appointed date i.e. April 01, 2007.

### **Eligibility Criterion**

There being no Initial Public Offering or Rights Issue, the eligibility criteria in terms of Clause 2.2.1 of SEBI (DIP) Guidelines, 2000 does not become applicable. However, the company has made application to NSE to recommend to SEBI for relaxation from the applicability of provisions of Regulation 19(2)(b) of Securities Contract (Regulations) Rules, 1957 under Clause 8.3.5 of SEBI (DIP) Guidelines, 2000. The Company has submitted its Information Memorandum, containing information about itself, making disclosures in line with the disclosure requirement for public issues, as applicable, to MSE, NSE and BSE for making the said Information Memorandum available to public through their websites viz. [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com).

The Company has made the said Information Memorandum available on its website viz. [www.rane.co.in](http://www.rane.co.in)

The Company will publish an advertisement in the newspapers containing its details in line with the details required as per clause 8.3.5.4 of SEBI (DIP) Guidelines. The advertisement will draw a specific reference to the availability of aforesaid Information Memorandum on its website.

### **Prohibition by SEBI**

The Company, its directors, its promoters, other companies promoted by the promoters and companies with which the Company’s directors are associated as directors have not been prohibited from accessing the capital markets under any order or direction passed by SEBI.

### **Caution**

The Company accepts no responsibility for statements made otherwise than in the Information Memorandum or in the advertisements to be published in terms of Clause 8.3.5.4 of SEBI (DIP) Guidelines, 2000 or any other

material issued by or at the instance of the Company and anyone placing reliance on any other source of information would be doing so at his or her own risk. All information shall be made available by the Company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner

**Disclaimer Clause of the MSE**

As required, a copy of this Information Memorandum has been submitted to MSE. MSE has vide its letter no MSE/SO/LD/738/580/07 dated October 24, 2007, approved the scheme of arrangement under clause 24(f) of the Listing agreement and by virtue of that approval MSE's name in this Information Memorandum as one of the stock exchanges on which this Company's securities are proposed to be listed. It is to be distinctly understood that the aforesaid permission given by MSE should not in any way be deemed or construed to mean that this Information Memorandum has been cleared or approved by MSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Information Memorandum; nor does it warrant that this Company's securities will be listed or will continue to be listed on the MSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company. Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the MSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

**Disclaimer Clause of the NSE**

As required, a copy of this Information Memorandum has been submitted to NSE. NSE has vide its letter ref. NSE/LIST/58143-R dated October 12, 2007 approved the scheme of arrangement under clause 24(f) of the Listing agreement and by virtue of that approval NSE's name in this Information Memorandum as one of the stock exchanges on which this Company's securities are proposed to be listed. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that this Information Memorandum has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Information Memorandum; nor does it warrant that this Company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company. Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

**Disclaimer Clause of BSE**

As required, a copy of this Information Memorandum has been submitted to BSE. The BSE has vide its letter ref. DCS / AMAL / AKS / 24(f) / 1593 / 2007-08 dated October 17, 2007 has approved the scheme of arrangement under clause 24(f) of the Listing Agreement and by virtue of that approval the BSE's name in this information Memorandum as one of the Stock Exchanges on which the Company's securities are proposed to be listed.

The BSE does not in any manner:

- warrant, certify or endorse the correctness or completeness of any of the contents
- of this Information Memorandum; or
- warrant that this Company's securities will be listed or will continue to be listed
- on the BSE; or
- take any responsibility for the financial or other soundness of this Company, its
- promoters, its management or any scheme or project of this Company; and
- it should not for any reason be deemed or construed to mean that this Information
- Memorandum has been cleared or approved by the BSE.

Every person who desires to apply for or otherwise acquire any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

**Filing**

Copies of this Information Memorandum have been filed with MSE, NSE and BSE in due compliance.

**Listing**

Applications have been made to MSE, NSE and BSE for permission to deal in and for an official quotation of the Equity Shares of the Company. The Company has nominated NSE as the Designated Stock Exchange for the aforesaid listing of the shares. The Company has already taken steps for the completion of necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above.

**Demat Credit**

The Company has executed Agreements with NSDL and CDSL for admitting its securities in demat form.

**Particulars Regarding Previous Public or Rights Issues During the Last Five Years**

The company was incorporated in December 2004. The company has not made any previous public or rights issue since its incorporation other than the issue mentioned under the head "Notes to Capital Structure".



**Particulars regarding previous issue of shares for consideration otherwise than for cash**

There is no issue of shares otherwise than for cash

**Companies under the Same Management**

There are no listed companies under the same management within the meaning of Section 370(1B) of the Companies Act, 1956, which made any public/rights issue other than the means mentioned under the “Financial Information of Group Companies”

There is no group company of having a negative net worth or under winding up or a sick company or under BIFR. Further, the Company has not disassociated from any company. Further, none of group companies have applied for striking off their name from the RoC.

**Outstanding debentures, bonds and redeemable preference shares and other instruments**

There are no outstanding debentures, bonds and redeemable preference shares.

**Stock Market Data for Equity Shares of the company**

Equity Shares of the company are not listed on any stock exchanges. The company is seeking approval for listing of its shares through this Information Memorandum.

**Mechanism evolved for redressal of Investor Grievances**

The Investors service committee was constituted to look into all types of grievances from shareholders and redress them expeditiously in a fit and proper manner. The committee is comprised of the following directors:

- |                  |   |                                   |
|------------------|---|-----------------------------------|
| 1. Mr. L Ganesh  | - | Chairman (Non Executive Director) |
| 2.Mr. L Lakshman | - | Member (Executive Director)       |

The company has appointed Mr. L Venkateswaran, Company Secretary as Compliance officer. He can be contacted at the following address:

Mr. L Venkateswaran

‘Maithri’,

132, Cathedral Road

Chennai 600 086

Ph : + 91 44 28112472

Fax : + 91 44 28112449

Email : investorservices@rane.co.in

**Change in auditors of the company during the last three years and reasons thereof**

There has been change in the auditors of the company during the last three years except as mentioned below.

Upon resignation of the auditors M/s Sidharth Mehta & Co, the shareholders of the company at the Extraordinary general meeting, appointed M/s Price Waterhouse & Co., Chartered Accountants as statutory auditors of the company to hold office with effect from January 17, 2008..

**Revaluation of Assets**

There has been no revaluation of assets of the Company.

## SECTION VII- MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

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### Issue of Share Certificates

15. The certificates of title to shares and duplicates thereof when necessary shall be issued under the seal of the Company and signed in accordance with the Companies (Issue of Share Certificates) Rules 1960 or any modification thereof.
16. Every member shall be entitled to one certificate for all the shares registered in his name, or if the members so require, to such number of certificates as may be required and when such certificates are so issued no charge will be made either for sub-division or for consolidation of certificates. Every certificate of shares shall specify the names of the person in whose favour the certificate is issued, the number and distinctive numbers of the shares in respect of which it is issued and the amount paid up there on.
17. If any certificate is torn, old, decrepit, worn-out or defaced or where the pages in the reverse for recording transfers have been duly utilised then, upon production and surrender thereof to the Directors they may order the same to be cancelled, and may issue a new certificate in lieu or exchange thereof and if any certificate be lost or destroyed then, upon proof thereof to the satisfaction of the Directors and on such indemnity as the Board of Directors may deem fit and the payment of such out of pocket expenses incurred by the Company in investigating the evidence a new certificate in lieu thereof shall be given to the registered holder of the shares to which such lost or destroyed certificate shall relate.
18. “The Company will issue Transfer Receipts, Split Receipt, and Consolidation Receipts as and when required by the Stock Exchange”
19. The Certificates of shares registered in the names of two or more persons shall be delivered to the person first named on the Register.

### Calls on Shares

20. The Directors may, from time to time, subject to the terms on which any shares may have been issued, make such calls as they think fit upon the members in respect of all moneys unpaid on the shares held by them and not by the conditions of allotment thereof made payable at fixed times, and each member shall pay the amount of every call so made on him to the persons and at the time and places appointed by the Directors. A call may be made payable by instalments. A call or any instalments of a call may be revoked or postponed by the Directors.
21. A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed.
22. No call shall be made payable within one month after the last preceding call was payable.
23. Not less than fourteen days’ notice of any call shall be given specifying the time and place of payment and to whom such call shall be paid.
24. If the sum payable in respect of any call or instalment be not paid on or before the day appointed for payment thereof, the holder for the time being of the share in respect of which the call shall have been made or the instalment shall be due shall pay interest for the same at the rate of 12 percent per annum or such other rate as the Directors may determine from the day appointed for the payment thereof to the time of the actual payment.

25. If by the terms of issue of any share or otherwise any amount is made payable at any fixed time or by instalments at fixed times, whether on account of the amount of the share or by way of premium, every such amount or instalment shall be payable as if it were a call duly made by the Directors and of which due notice had been given, and all the provisions herein contained in respect of calls shall relate to such amount or instalment accordingly.
26. On the trial or hearing of any action or suit brought by the Company against any shareholder or his representatives to recover any debt or money claimed to be due to the Company in respect of his shares, it shall be sufficient to prove that the name of the defendant is, or was, when the claim arose, on the register of shareholders of the Company as a holder or one of the holders of the number of shares, in respect of which such claim is made, and that the amount claimed is not entered as paid in the books of the Company, and it shall not be necessary to prove the appointment of the Directors who made any call, nor that a quorum of Directors was present at the Board Meeting at which any call was made nor that the meeting at which any call was made was duly convened or constituted nor any other matter whatsoever ; but the proof of the matters aforesaid shall be conclusive evidence of the debt.
27. The Directors may, if they think fit, receive from any member willing to advance the same, all or any part of the money due upon the shares held by him beyond the sums actually called for, and upon the moneys so paid in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate not exceeding 7 percent per annum as the member paying such an advance and the Directors agree upon. Money so paid in excess of the amount of call shall not rank for dividends. The Directors may at any time repay the amount so advanced upon giving to such member three months' notice in writing.

#### **Forfeiture and Lien on Shares**

28. If any member fails to pay any call or instalment on or before the day appointed for the payment of the same, the Directors may at any time thereafter during such time as the call or instalment remains unpaid, serve a notice on such member requiring him to pay the same, together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.
29. The notice shall name a day (not being less than fourteen days from the date of notice) and a place or places on and at which such call or instalment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time, and at the place appointed, the shares in respect of which such call was made or instalment is payable will be liable to be forfeited.
30. If the requisitions of any such notice as aforesaid be not complied with any shares in respect of which such notice has been given may at any time thereafter before payment of all calls or instalments, interest and expenses due in respect thereof be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.
31. When any share shall have been so forfeited, notice of the resolution shall be given to the member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture with the date thereof shall forthwith be made in the Register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.
32. Any share so forfeited shall be deemed to be the property of the Company, and the Directors may sell, re-allot or otherwise dispose of the same in such manner as they think fit.
33. The Directors may, at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as they think fit.
34. Any member whose shares have been forfeited shall notwithstanding be liable to pay and shall forthwith pay to the Company all calls, instalments, interest and expenses, owing upon or in respect of such shares at the time of the forfeiture, together with interest thereon, from the time of forfeiture, until payment at 12

percent per annum, and the Directors may enforce the payment thereof, without any deduction or allowance for the value of the shares at the time of forfeiture, but shall not be under any obligation to do so.

35. The forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the Company in respect of the share and all other rights incident to the share, except only such of those rights as by these Articles are expressly saved.
36. A duly verified declaration in writing that the declarant is a Director of the Company, and that certain shares in the Company have been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares and such declaration and the receipt by the Company of the consideration, if any, given for the shares on the sale or disposition thereof shall constitute a good title to such shares ; and the person to whom the shares are sold shall be registered as the holder of such shares and he shall not be bound to see to the application of the purchase money nor shall his title to such shares be affected by any irregularity or invalidity in the proceedings in reference to such forfeiture, sale or disposition.
37. The Company shall have a first and paramount lien upon all the shares, not being fully paid up, registered in the name of each member (whether solely or jointly with others), and upon the proceeds of sale thereof for moneys called or payable at a fixed time in respect of such shares solely or jointly with any other person to or with the Company whether the period for the payment thereof shall have actually arrived or not. Any such lien shall extend to all dividends from time to time declared in respect of such shares.
38. For the purpose of enforcing such lien the Directors may sell the shares subject thereto in such manner as they think fit, but no sale shall be made until such period as aforesaid shall have arrived, and until notice in writing of the intention to sell shall have been served on such member, his executors or administrators, or his committee, curator bonis or other legal curator and default shall have been made by him or them in the payment of moneys called in respect of such shares for seven days after such notice.
39. The nett proceeds of any such sale shall be applied in or towards satisfaction of the moneys called in respect of such shares of such member, and the residue (if any) paid to such member, his executors, administrators, committee, curator or other representatives.
40. Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the Directors may appoint some person to execute an instrument of transfer of the shares sold and cause the purchasers' name to be entered in the Register in respect of the shares sold, and the purchaser shall not be bound to see to the regularity of the proceedings, nor to the application of the purchase money, and after his name has been entered in the Register in respect of such shares the validity of the sale shall not be impeached by any person.
41. Where any shares under the powers in that behalf herein contained are sold by the Directors and the Certificate thereof has not been delivered up to the Company by the former holder of the said shares, the Directors may issue a new certificate for such shares distinguishing it in such manner as they may think fit for the certificate not so delivered up.

#### **Transfer and Transmission of Shares**

42. Subject to the provisions of Section 108 of the Act, no transfer of shares shall be registered unless a proper instrument of transfer duly stamped and executed by or on behalf of transferor and by or on behalf of the transferee has been delivered to the Company together with the Certificate or Certificates relating to the shares. The instrument of transfer of any share shall contain the name and address and occupation both of the transferor and transferee, and the transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register in respect thereof. Each signature to such transfer shall be duly attested by the signature of one creditable witness who shall add his address and occupation.
43. Application for the registration of the transfer of share may be made either by the transferor or by the transferee, provided that, where such application is made by the transferor, no registration shall in the case

of partly paid shares be effected unless the Company gives notice of the application to the transferee in the manner prescribed by Section 110(2) of the Act, and subject to the provisions of Articles and the Company shall, unless objection is made by the transferee within two weeks of the transferee in the same manner and subject to the same conditions as if the application for registration was made by the transferee.

44. The instrument of transfer of share shall be in writing in an approved form or in the following form, or as near thereto as circumstances will admit :-

I, AB, of \_\_\_\_\_, in consideration of the sum of Rs. \_\_\_\_\_ paid to me by CD, of \_\_\_\_\_ hereinafter called the said transferee, do hereby transfer to the said transferee \_\_\_\_\_ share (or shares) numbered \_\_\_\_\_ in the undertaking called RANE BRAKE PRODUCTS LIMITED hold unto the said transferee, his executors, administrators and assigns, subject to the several conditions on which I held the same immediately before the execution hereof, and I, the said transferee, do hereby agree to take the said share (or shares) subject to the conditions aforesaid.

As Witness our hands the \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_ . Witness to the signature of, etc.

45. The Board may, subject to the right of appeal conferred by Section 111 of the Act decline to register :-

- a. a transfer of a share not being fully paid share to a person of whom they do not approve.
- b. any transfer of share on which the Company has a lien.

“Provided that the registration of a transfer shall not be refused on the grounds that the transferor is, either alone or jointly with any other person or persons, indebted to the Company on any account whatsoever”.

46. Every instrument of transfer shall be left at the office for registration, accompanied by the certificate of the shares or debentures to be transferred, and such other evidence as the Directors may require to prove the title of the transferor or his right to transfer the shares. The transferee shall (subject to Directors’ right to decline to register hereinbefore mentioned) be registered as a member in respect of such shares.
47. All instruments of transfer which shall be registered shall be retained by the Company, but any instrument of transfer which the Directors may decline to register shall be returned to the person depositing the same.
48. If the Directors refuse to register the transfer of any shares, the Company shall, within two months from the date on which the instrument of transfer was lodged with the Company, send to the transferee and the transferor notice of the refusal.
49. No fee will be charged for registration of (1) Transfer or transmission of Shares, and (2) Power of Attorney, Probate, Letter of Administration or other similar documents.
50. On giving not less than seven days’ previous notice by some newspaper circulating in the district in which the office is situate, the Transfer Books and Register of Members may be closed during such time as the Directors think fit, not exceeding in the whole forty-five days in each year, but not exceeding thirty days at a time.
51. The executors, legal representatives or administrators of a deceased member (not being one of several joint-holders) shall be the only persons recognised by the Company as having any title to the shares registered in the name of such member, and in case of the death of any one or more of the joint-holders of any registered shares, the survivors shall be the only persons recognised by the Company as having any title to or interest in such shares, but nothing herein contained shall be taken to release the estate of a deceased joint-holder from any liability on shares held by him jointly with any other person. Before recognising any executor or administrator the Directors may require him to obtain a Grant of Probate, Letters of Administration, Succession Certificate, or other legal representation as the case may be, from some competent Court in India having effect in the State in which the Company’s office is situated, provided, nevertheless that in any

case, where the Board in their absolute discretion think fit, it shall be lawful for the Directors to dispense with the production of Probate, Letters of Administration, Succession Certificate or such other legal representation upon such terms as to indemnity or otherwise as the Directors, in their absolute discretion, may consider necessary.

52. Any committee or guardian of a lunatic or infant member or any person becoming entitled to transfer shares as a consequence of the death or bankruptcy or insolvency of any member upon producing such evidence that he sustains the character in respect of which he proposes to act under the Article, or of his title as the Directors think sufficient, may, with the consent of the Directors (which they shall not be under any obligation to give) be registered as a member in respect of such shares, or may subject to the regulations as to transfer hereinbefore contained, transfer such shares.

### **Increase and Reduction of Capital**

53. The Company in General Meeting may from time to time increase the capital by the creation of new shares of such amount as may be deemed expedient.
54. (1) Subject to any special rights or privileges for the time being attached to any issued shares the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the resolution creating the same shall direct, and if no direction be given, as the Directors shall determine and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a special or without any right of voting, subject always to Section 87 of the Act.
- (2) Subject to the provisions of Section 80 of the Act, the Company shall have power to issue Preference Shares which are or at the option of the Company are to be liable to be redeemed.
55. Before the issue of any new shares, the Company in General Meeting may make provisions as to the allotment and issue of the new shares and in particular may determine that the same shall be offered in the first instance either at par or at a premium or, subject to the provisions of Section 79 of the Act, at a discount ; in default of any such provision, or so far as the same shall not extend, the new shares may be dealt with as if they formed part of the shares in the Original Capital, and the provisions of Article 5 shall then apply.
56. Except in so far as is otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares shall be considered part of the Original Capital and shall be subject to the provisions herein contained with reference to the payment of calls and instalments, transfer and transmission, forfeiture, lien and otherwise.
57. If, owing to any inequality in the number of new shares to be issued and the number of shares held by members entitled to the offer of such new shares, any difficulty shall arise in the apportionment of such new shares or any of them amongst the members, such difficulty shall, in the absence of any direction in the resolution creating the shares or by the Company, in General Meeting, be determined by the Directors.
58. The Company, may (subject to the provisions of the Act) from time to time by Special Resolution cancel shares, which at the date of resolution in that behalf, have not been taken or agreed to be taken by any person or reduce its capital by paying off capital or cancelling capital which has been lost or is unrepresented by available assets or reducing the liability on the shares or otherwise as may seem expedient and capital may be paid off upon the footing that it may be called up again or otherwise.

### **Subdivision and Consolidation of Share**

59. The Company may by Ordinary Resolution subdivide or consolidate its shares or any of them as provided for under Section 94 of the Act.



**Modification of rights**

60. Whenever the capital (by reason of the issue of Preference shares or otherwise) is divided into different classes of shares, all or any of the rights and privileges attached to each class may subject to the provisions of Section 106 of the Act, be modified, commuted, affected, abrogated or otherwise varied subject to (a) the consent in writing by the holders of at least three-fourths in nominal value of the issued shares of the class concerned, or (b) the sanction of a Special Resolution passed at a separate General Meeting of the holders of shares of that class, and all the provisions hereinafter contained as to General Meetings, shall mutatis mutandis, apply representing by proxy one-fifth of the nominal amount of the issued shares of the class. This Article is not by implication to curtail the power of modification which the Company would have if this Article were omitted.

**Votes of members**

90. Subject to any special rights or restrictions as to voting upon which any shares may be held, on a show of hands, every member present in person and being a holder of Equity Shares shall have one vote, and upon a poll, every member present in person or by proxy shall have one vote for every equity Share held by him, provided that no body corporate shall vote by proxy so long as a resolution of its Directors under the provisions of Section 187 of the Act, is in force. Preference shares shall not (save as provided by Section 87 of the Act) confer on the holders the right to attend or vote at any General Meeting.
91. A body corporate (whether a Company within the meaning of the Act or not) which is a member of the Company may by resolution of its Board of Directors or other governing body authorise any person (whether a member of the Company or not) to act as its representative at any meeting of the Company, or at any meeting of any class of members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the body corporate which he represents as if he were an individual member of the Company, including the power to appoint a proxy and any such authority may be either general, unless or until revoked, or special for a particular meeting. The production at the meeting of a copy of such resolution duly signed by one Director of such body corporate and certified by him as being a true copy of the resolution shall on production at the meeting be accepted by the Company as sufficient evidence of the validity of his appointment.
92. Any person entitled under the Transmission Article to transfer any shares may vote at any General Meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that not less than forty-seven hours before the time of holding the meeting or adjourned meeting as the case may be at which he proposes to vote he shall satisfy the Directors of his right to transfer such shares, or the Directors shall have previously admitted his right to vote at such meeting in respect thereof. If any member be a lunatic, idiot or non-composmentis, he may vote whether by a show of hands or at a poll by his committee, curator bonis or other legal curator, provided that such evidence as the Director may require of the authorities of the person claiming to vote shall have been deposited at the office not less than forty-seven hours before the time of holding the meeting at which he proposes to vote.
93. Where there are joint registered holders of any share any one of such persons may vote at any meeting either personally or by proxy in respect of such share as if he were solely entitled thereto, and if more than one of such joint-holders be present at any meeting either personally or by proxy, that one of the said persons so present whose name stands first on the Register in respect of such shares shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for the purpose of this Article be deemed joint-holders thereof.
94. On a poll votes may be given either personally or by proxy, or, in the case of a body corporate by a representative duly authorised as aforesaid, and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.
95. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his Attorney duly authorised in writing or if such appointer is a corporation under its common seal signed by an officer or an attorney duly authorised by it. A proxy who is appointed for a specified meeting only shall be called a Special Proxy. Any other proxy, shall be called a General Proxy. A person appointed under a Power of



Attorney giving authority to attend at and to vote, or authority only to vote at any meeting or meetings shall be deemed to be a proxy and such power of Attorney shall be deemed to be an instrument appointing a proxy. A person appointed as a proxy, who need not be a member of the Company shall not be entitled to vote except on a poll, and as such proxy shall not have any power to speak at the meeting.

96. The instrument appointing a proxy and the power of Attorney or other authority (if any), under which it is signed or a notarially certified copy of the power or authority, shall be deposited at the office not less than forty-eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
97. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument or transfer of the share in respect of which the vote is given, provided no intimation in writing of the death, insanity, revocation or transfer of the share shall have been received at the office before the commencement of the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which such vote is given. Provided nevertheless that the Chairman of any meeting shall be entitled to require such evidence as he may, in his discretion think fit of the due execution of an instrument of proxy and that the same has not been revoked.
98. Every instrument appointing a Special Proxy shall, as nearly as circumstances will admit, be in the form or to the effect following and shall be retained by the Company.
- I, \_\_\_\_\_ being a member of Rane Brake Products Limited, hereby appoint \_\_\_\_\_ of \_\_\_\_\_ (or \_\_\_\_\_ failing him \_\_\_\_\_ of \_\_\_\_\_ or failing him of \_\_\_\_\_) as my Proxy in my absence to attend and vote for me, and on my behalf at the (Annual or Extraordinary, as the case may be) General Meeting of the Company to be held on the \_\_\_\_\_ day of \_\_\_\_\_ and at any adjournment thereof.
- Provided always that an instrument appointing a Special Proxy may be in one of the forms set out in Schedule IX of the Act.
99. No member shall be entitled to be present or to vote on any question either personally or by proxy or as proxy for another member at any General Meeting or upon a poll or be reckoned in a quorum whilst any call or other sum shall be due and payable to the Company in respect of any of the Shares of such member.
100. Any member whose name is entered in the Register of Members of the Company shall enjoy the same rights and be subject to the same liabilities as all other members of the same class.

### **Dividends**

142. Subject to the rights of members entitled to shares (if any) with preferential or special rights attached thereto the profits of the Company which it shall from time to time determine to divide in accordance with Section 205 of the Act in respect of any year or other period shall be applied in the payment of a dividend on the Equity Shares of the Company but so that a partly paid-up share shall only entitle the holder with respect thereto to such a proportion of the distribution upon a fully paid-up share as the amount paid thereon bears to the nominal amount of such share and so that where capital is paid-up in advance of calls upon the footing that the same shall carry interest, such capital shall not whilst carrying interest, confer a right to participate in profits.
143. The Company in General Meeting may declare a dividend to be paid to the members according to their rights and interest in the profits and may fix the time for payment.
144. No larger dividend shall be declared than is recommended by the Directors, but the Company in General Meeting may declare a smaller dividend.

145. No dividend shall be declared or paid except out of profits of the Company of the year or any other undistributed profits of earlier year or years after providing for depreciation in accordance with the provisions of Section 205 of the Act and no dividend shall carry interest as against the Company. Provided however that if at any time or times moneys are provided to the Company by the Central or State Government for the payment of a dividend in pursuance of any guarantee given by such Government, a dividend may be declared and paid out of such moneys.
146. The declaration of the Directors as to the amount of the net profits of the Company shall be conclusive.
147. The Directors may from time to time pay to the members such interim dividends as in their judgement the position of the Company justifies.
148. The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards satisfaction to the debts, liabilities or engagements in respect of which the lien exists.
149. No dividend shall be paid except in cash or by cheque or warrant.
150. Any one of several persons who are registered as the joint-holders of any share may give effectual receipts for all dividends and payments on account of dividends in respect of such share.
151. Unless otherwise directed, any dividend may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled thereto, or in the case of joint-holders to the registered address of that one whose name stands first on the register in respect of the joint-holding or to such person and such address as the member or person entitled or such joint-holders, as the case may be, may direct and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent or to the order of such other person as the member or person entitled or such joint-holder as the case may be, may direct.
152. Where a dividend has been declared by the Company but not has been paid or the warrant in respect thereof has not been posted within 30 days from the date of the declaration to any shareholder entitled to the payment of the dividend, the company shall within 7 days from the date of expiry of the said period of 30 days transfer the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted within the said period of 30 days a special account to be opened by the company in that behalf in any scheduled bank.
153. Any General Meeting may resolve that any moneys, investments or other assets forming part of the undivided profits of the Company standing to the credit of any Reserve or other Fund in the hands of the Company and available for dividend (or representing premiums received on the issue of shares and standing to the credit of the share premium account) be capitalised and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such shareholders in paying up in full unissued shares, debentures or debenture stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares, and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalised sum.
154. A General Meeting may resolve that any surplus moneys arising from the realisation of any capital assets of the Company or any investments representing the same, or any other undistributed profits of the Company not subject to charge for incometax, be distributed among the members on the footing that they receive the same as capital and that all or any part thereof be applied on behalf of such shareholders in paying up in full either at par or at such premium as the resolution may provide, any unissued shares or debentures or debenture-stock of the Company which shall be distributed, accordingly or in or towards payment of the uncalled liability on any issued shares or debentures or debenture-stock, and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said moneys, investments or profits so distributed.

155. For the purpose of giving effect to any resolution under the two last preceding Articles, the Directors may settle any difficulty which may arise in regard to the distribution as they think expedient and in particular may issue fractional certificates, and may fix the value for distribution of any specific assets, and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such cash or specific assets in trustees upon such trusts for the person entitled to the dividend or capitalised fund as may seem expedient to the Directors. Where requisite a proper contract shall be filed in accordance with Section 75 of the Act and the Directors may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund, and such appointment shall be effective.

**SECTION VIII**

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**MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

1. Memorandum and Articles of Association of the Company
2. Certificate of incorporation issued by the Registrar of Companies, Tamil Nadu, Chennai
3. Scheme of arrangement for demerger of the manufacturing undertaking of erstwhile Rane Brake Linings Limited into RBL.
4. Order of the Hon'ble High Court of Madras, dated December 20, 2007 sanctioning the Scheme of Demerger, Merger and Amalgamation under Section 391 read with Section 394 of the Companies Act, 1956.
5. Annual Reports of RBL for the year ended March 31, 2007 and December 31, 2005.

**DECLARATION**

NO STATEMENT MADE IN THIS INFORMATION MEMORANDUM SHALL CONTRAVENE ANY OF THE PROVISIONS OF THE COMPANIES ACT 1956 AND THE RULES MADE THEREUNDER. ALL THE LEGAL REQUIREMENTS AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC, ISSUED BY SEBI, GOVERNMENT OR ANY OTHER COMPETENT AUTHORITY IN RESPECT OF LISTING OF SECURITIES HAVE BEEN DULY COMPLIED WITH.

ALL THE INFORMATION CONTAINED IN THIS DOCUMENT ARE TRUE AND CORRECT.

**On behalf of the Board of Directors of RANE BRAKE LINING LIMITED**

**L GANESH**  
**Chairman**

**L VENKATESWARAN**  
**General Manager- Finance & Secretary**

Date: 04.04.2008

Place: Chennai