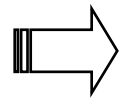
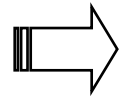

Rane Brake Linings Limited (RBL)
Apportionment of cost of acquisition of shares

A solid dark blue horizontal bar spanning the width of the slide.

Contents



Background



Split up of Cost of Acquisition

Background

Background

- The Hon'ble High Court of judicature at Madras, vide its Order dated 20th December 2007 has approved the Scheme of Arrangement under Section 391 read with 394 of the Companies Act, 1956, for De-merger of the manufacturing undertaking of RBL on a going concern basis to Rane Brake Products Limited (since renamed as 'Rane Brake Lining Limited') and merger of the remaining business of RBL into Rane Holdings Limited ('RHL')

For every 100 shares in RBL 100 shares in RANE BRAKE LINING LIMITED; and
75 shares in RANE HOLDINGS LIMITED

- This presentation outlines the manner of apportionment of the cost of acquisition of RBL's shares for the purposes of the Income Tax Act, 1961 ('Act')

Split up of cost of Acquisition

Split up of cost of acquisition

- With regard to the Cost of Acquisition of New Shares in Rane Brake Products Limited (since renamed as 'Rane Brake Lining Limited'), Section 49(2C) of the Act provides the formula for splitting the original Cost of Acquisition of shares of RBL between New Shares allotted in Rane Brake Products Limited (since renamed as 'Rane Brake Lining Limited') and RBL.

An extract of the provisions of Section 49(2C) is reproduced below for your reference:

"...the cost of acquisition of shares in the resulting company shall be the amount which bears to the cost of acquisition of the shares held by the assessee in the demerged company the same proportion as the net book value of the assets transferred in a demerger bears to the net worth of the demerged company immediately before such demerger..."

"...Explanation – for the purpose of this section, net worth shall mean the aggregate of the paid up share capital and general reserves as appearing in the books of accounts of the demerged company immediately before the demerger..."

- With regard to the Cost of Acquisition of Shares in RBL, Section 49(2D) of the Act provides the formula for splitting the original Cost of Acquisition of shares of RBL between New Shares allotted in Rane Brake Products Limited (since renamed as 'Rane Brake Lining Limited') and RBL.

An extract of the provisions of Section 49(2D) is reproduced below for your reference:

"...the cost of acquisition of the original shares held by the shareholder in the demerged company shall be deemed to have been reduced by the amount so arrived at under sub-section (2C)..."

- On amalgamation, the cost of acquisition of shares in RHL shall be deemed to be the cost of acquisition of shares in the amalgamating company i.e. RBL. Accordingly, cost attributed to shares of RBL upon de-merger shall be deemed to be the cost of acquisition of shares in RHL

Indicative illustration

Computation of cost of acquisition of shares of Rane Brake Products Limited (since renamed as 'Rane Brake Lining Limited')

Particulars	Ref	Amount Rs
Shareholder X holding 1000 shares of RBL @ 150 per share	(A)	150,000
Cost of 1000* shares of Rane Brake Products Limited (since renamed as Rane Brake Lining Limited) on de-merger	(B = A x 52.69%**)	79,034
Cost of 750* shares of RHL on amalgamation	(C = A-B)	70,966

* Based on share exchange ratio specified in the scheme of arrangement

** Refer Annexure for details

Computation of Net-worth of RBL as on March 31, 2007

Particulars	<i>Rs in '000</i>
	RBL
Paid up share capital	72150
General reserve	944089
Surplus in profit and loss account	58000
Securities premium account**	91811
Capital reserve **	--
Capital reserves arising on amalgamation **	--
Capital subsidy **	--
Export incentive reserve **	--
Less: Miscellaneous expenditure**	(24,821)
Net worth as on March 31, 2007	11,41,229
Net book value of assets transferred by RBL to Rane Brake Products Limited (since renamed as 'Rane Brake Lining Limited)	601,306
Ratio of net book value of assets transferred to net-worth of RBL	52.69%

*** The Act is silent on inclusion / deduction of these items in computing net worth . We have been advised that the same can be included based on a logical interpretation of the Act*

Disclaimers

- *The communication is for the benefit of the Shareholders and the Company takes no express or implied liability in providing this guidance.*
- *This presentation only contains a general outline of the tax implications of the specific matter discussed.*
- *Our comments above are restricted to income tax implications and in no way can be considered to be a legal opinion. The document does not discuss any legal or accounting implications that may arise under the proposed transaction.*
- *The cost of acquisition figures have been computed on certain assumptions and hence are indicative in nature*
- *The implications discussed are based on advise received from our consultants and the understanding and interpretation of the legislations as on the date of this presentation i.e. February 25, 2008. If there is a change, including a change having a retrospective effect, in the statutory laws and regulations, the comments expressed in this presentation would necessarily have to be re-evaluated in light of the changes. We do not have responsibility of updating this presentation.*
- *Our comments herein are not binding on any regulators or revenue authorities and there can be no assurance that the regulators or revenue authorities will not take a position contrary to our comments.*