

REPORT OF THE BOARD OF DIRECTORS

Your directors take the pleasure in presenting the Eighty Second Annual Report together with the accounts for the year ended 31 March, 2018.

1. State of Company's affairs

1.1 Financial Performance

Your Company's investment profile is as given below:

Sl. No.	Name of investee company	Products	Ownership of your Company
Subsidiary companies			
1	Rane (Madras) Limited	Steering gear products, steering and suspension linkages, Die-casting products. Other article of aluminium.	60.44%
	<u>Stepdown Subsidiaries</u>		
	a) Rane (Madras) International Holdings B.V., The Netherlands	Holds strategic overseas investments	100.0%
	(i) Rane Precision Die Casting Inc.	High pressure aluminium die casting for automotive applications	100.0%
2	Rane Engine Valve Limited	Engine valves, valve guides and tappets	51.07%
3	Rane Brake Lining Limited	Brake linings, disc pads, clutch facing and clutch button	46.09%
4	Rane Holdings America Inc.	Providing business development services in North American region for Rane Group Companies	100.0%
5	Rane Holdings Europe GmbH (formerly Mainsee 1038. V V GmbH)	Providing business development and other related support services for Rane Group Companies in the European region	100.0%
6	Rane t4u Private Limited (formerly Telematics4u Services Private Limited)	Analytics and solutions to telematics service providers	69.41%
Joint Venture Companies			
7	Rane TRW Steering Systems Private Limited	Hydraulic steering gear, Hydraulic pumps, Seat belt and Air Bags	50.0%
8	Rane NSK Steering Systems Private Limited	Manual steering columns and electric power steering.	49.0%
9	JMA Rane Marketing Limited	Automotive component trading with Pan India dealer network.	48.97%

The Company's income stream comprises of (i) dividend from the above investments, (ii) trademark fee for use of 'RANE' trademark and (iii) service fee from the group companies for providing services in the areas of management, information technology, business development and manpower training.

During the year the Company acquired 69.41% equity in Telematics 4u Services Private Limited (t4u), a Bengaluru based telematics company which offers customized analytics-rich end-to-end telematics solutions for various transportation and asset tracking requirements in India and other countries across South Asia, Middle East and Africa. t4u was subsequently renamed as Rane t4u Private Limited (Rane t4u). The investments in Rane t4u amount to ₹ 19.76 crores through a combination of equity (₹ 1.26 crores)

and Compulsorily Convertible Preference Shares (CCPS) (₹ 18.50 crores), as at the end of financial year 31 March, 2018. During April & May 2018, the Company has further invested ₹ 3 crores through subscribing to CCPS at par.

The Company had also increased its equity shareholding in its listed subsidiary Rane (Madras) Limited (RML) from 56.31% to 60.44% by subscribing to a preferential issue of 10,96,892 equity shares and 3,65,630 convertible warrants for an aggregate ₹ 65 crores. The warrants are convertible into equivalent equity shares within a period of 18 months from the date of allotment i.e on or before 11 March, 2019 subject to payment of balance consideration ₹ 15.00 crores (warrant exercise price).

Rane (Madras) Limited had on 21 September, 2017, redeemed at par the entire 82,32,164 fully paid-up 6.74% Cumulative Redeemable Preference Shares (CRPS) of ₹ 10/- each, held by the Company.

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

(₹ in crores)

Particulars	2017-18	2016-17
Income	97.09	98.81
Profit before tax	58.79	62.75
Provision for tax	10.00	12.95
Profit after tax	48.79	49.80
Surplus brought forward	64.05	19.97
Total Comprehensive Income	48.67	49.86
Amount available for appropriation	57.24	64.05

Note: The figures for FY 2016-17 have been restated as per applicable Indian Accounting Standards.

Key Performance indicators, operational performance and balance sheet summary are furnished in Page No. 6 of this annual report.

In the preparation of the financial statements for the financial year 2017-18, the Company has adopted Ind AS and the transition date is 01 April, 2016.

During the year, income of your Company had marginally decreased by 1.7% over that of the previous year. The earnings per share for the year 2017-18 is ₹ 34.11 compared to last year ₹ 35.00

There was no material change or commitment, affecting the financial position of the Company between the end of the financial year of the Company and the date of the report other than those disclosed in the financial statements. There was no change in nature of business during the year.

1.2 Appropriation

During the year 2017-18, the Board of Directors declared an interim dividend of 55% (i.e., ₹ 5.50 per equity share of ₹ 10/- each, fully paid-up) and the same was paid on 26 February, 2018 to all the eligible shareholders whose name appeared in the registered of members of the Company as on 16 February, 2018, being the Record Date fixed for this purpose. The Board of Directors of the Company at their meeting held on 07 May, 2018 have considered and recommended a final dividend of 90% (i.e., ₹ 9/- per equity share of ₹ 10/- each, fully paid-up) for approval of the shareholders at the ensuing eighty-second Annual General Meeting (AGM) to be held on 02 August, 2018.

The total final dividend amount inclusive of distribution tax and

surcharge thereon would be ₹15.49 crores. The final dividend, if declared by the shareholders, will be paid on 09 August, 2018 to all the eligible shareholders whose name appears in the register of members of the Company as on 26 July, 2018, being the Record Date fixed for this purpose.

An amount of ₹ 57.24 crores is available for appropriation after transferring ₹ 38.73 crores to the General Reserve

1.3 Management Discussion & Analysis

Your Company holds strategic investment in subsidiaries and joint ventures (collectively called 'Rane Group') engaged in the manufacturing and marketing of components for transportation industry and also provides management and other services to Rane Group. A detailed analysis of the automotive industry, group companies' performance, internal control systems, risk management etc. are discussed in a separate section in this Annual Report under the heading 'Management Discussion & Analysis'.

1.4 Consolidated financial statements

The following methodology as specified under applicable accounting standards have been applied in consolidating the financial results of the group companies in the consolidated financial results attached in the annual report:

(a) **Subsidiary companies** – each line item of income, expenditure, assets and liabilities have been consolidated one hundred percent. Minority interests have been appropriately considered.

(b) **Joint Venture companies** – Share of profits based on the percentage of share held has been consolidated.

The consolidated financial statements of the Company are prepared generally based on the audited financial statement of the subsidiary companies and joint-venture companies, for the year ended 31 March, 2018.

In terms of Section 136 of the Companies Act, 2013 the Company has not attached the financial statements of the subsidiary companies. However, the financial information of the subsidiary companies duly audited by the auditors are disclosed in this annual report. The Company undertakes to make available a soft or hard copy of the annual report and annual accounts of the subsidiary companies and the related detailed information to investors, as may be required by them, seeking such information at any point of time on demand. The annual accounts of the subsidiary companies have been posted in the website of the Company viz. <https://www.ranegroup.com> and also kept open for inspection by any investor at the registered office of the Company and that of the respective subsidiary companies. The consolidated financial statements presented by the Company, which form part of this annual report, include financial results of its subsidiary companies.

2. Board of directors

2.1 Composition

The composition of the board of directors of the Company is furnished in the Corporate Governance Report annexed to this report.

During the year, Mr. Rajeev Gupta (DIN: 00241501) was appointed as an additional director (Independent) by the Board of Directors with effect from 31 August, 2017 to hold office till the ensuing AGM. The Board has recommended to the members his appointment as an Independent Director for a term of five consecutive years viz. till 31 August, 2023.

Mr. Shujaat Khan (DIN: 00526891) did not to seek re-appointment as an Independent Director at the previous AGM due to his other professional commitments and consequently ceased to be a director on the Board of the Company effective conclusion of 81st AGM i.e. 31 August, 2017.

Dr. (Ms.) Sheela Bhide (DIN: 01843547) was appointed as an Independent Director by the shareholders at the 79th AGM held on 12 August, 2015, for a period of three years to hold office up to the conclusion of the ensuing 82nd AGM.

The Nomination and Remuneration Committee at its meeting held on 07 May, 2018, have recommended the appointment of Mr. Rajeev Gupta and re-appointment of Dr. (Ms.) Sheela Bhide for a second term as Independent Director(s). The notice convening the 82nd AGM seeks approval of the members for their appointment / re-appointment as Independent Directors.

All the independent directors have affirmed that they satisfy the criteria laid down under section 149(6) of the Companies Act 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR).

2.2 Retirement by rotation

At the ensuing Annual General Meeting (AGM), Mr. Harish Lakshman (DIN: 00012602) retires by rotation and being eligible, offers himself for re-appointment. The notice convening the AGM includes the proposal for his re-appointment as director.

2.3 Board meetings

A calendar of meetings is prepared and circulated in advance to the directors. During the year five (5) Board Meetings were convened and held. The details of which are given in the Corporate Governance Report. The intervening period between any two consecutive meetings was less than 120 days.

2.4 Meeting of Independent Directors

During the year, one separate meeting of Independent Directors was held. In the said meeting, the independent directors assessed the quality, quantity and timeliness of flow of information between the management and the Board at the meeting and expressed that the current flow of information and contents were adequate

for the Board to effectively perform its duties. They also reviewed the performance of the non-independent directors and the Board as a whole and the performance of the chairman of the Company taking into account the views of executive directors and non-executive directors.

3. Board and management

3.1 Board evaluation

During the year, a formal process for annual evaluation of performance of Board, its committees and directors individually was carried out as per the criteria laid down by the Nomination and Remuneration Committee, pursuant to the provisions of the Companies Act, 2013 (CA 2013) and SEBI LODR.

The criteria for evaluation of board and its committees were founded on the structure and processes, meetings and discussions, board information and functioning and committee effectiveness. The guiding standards for the assessment of performance of directors (including the independent directors) were founded on aspects relating to their group dynamics, competency and commitment to the success of the Company.

For evaluation of performance of the Chairman additional aspects like institutional image building, providing guidance on strategy and performance, maintaining an effective and healthy relationship between the Board and the management were taken into consideration.

The evaluation was carried out through a structured methodology approved by the Nomination and Remuneration Committee after ensuring that the aspects under each of the laid down criteria are comprehensive and commensurate with the size of the Board and the Company. The Nomination and Remuneration Committee, reviews and make recommendations to the Board, from time to time, for ensuring an optimum composition of the Board and its committees, induction of Directors into the Board, participation in Board effectiveness and evaluation process. The outcome of the evaluation also forms the basis for the Nomination and Remuneration Committee while considering re-appointment of Directors and their appointment in various committees of the Board.

3.2 Familiarisation program for independent directors

The familiarisation program for independent directors and details of familiarization programmes to independent directors are available at http://ranegroup.com/rhl_investors/familiarisation-programme-for-independent-directors/

3.3 Key Managerial Personnel

Mr. L Ganesh, Chairman & Managing Director, Mr. Siva Chandrasekaran, Secretary and Mr. J Ananth, Chief Financial Officer hold the office of Key Managerial Personnel under the Companies Act, 2013. During the year, there was no change in the Key Managerial Personnel.

3.4 Remuneration policy

The Nomination and Remuneration Committee has laid down a policy on appointment and remuneration of Directors, Key Managerial Personnel (KMP) and Senior Management Personnel (SMP). The same is annexed herewith as 'Annexure A'.

The details of remuneration paid / payable to the directors during the financial year 2017-18 is furnished in the Corporate Governance report annexed to this Report of the Board of Directors

4. Audit

4.1 Audit Committee

In terms of the provisions of Section 177 of the Companies Act, 2013 and Regulation 18 of SEBI LODR, the Audit Committee of the Board acts in accordance with terms of reference prescribed therein. Detailed disclosure on compositions, terms of reference and meetings of the Audit Committee are furnished in the Corporate Governance Report.

4.2 Statutory Auditors

M/s. Deloitte Haskins and Sells (DHS) were re-appointed by the shareholders at the eightieth AGM (AGM 2016), as Statutory Auditors of the Company for a second term of five consecutive years to hold office until the conclusion of the eighty fifth AGM (AGM 2021). Subject to notification of the relevant provisions of the Companies (Amendment) Act, 2017, their appointment may have to be ratified by the members at every AGM in accordance with Section 139 of the Companies Act, 2013 read with applicable rules made thereunder. In the event of notification of the aforesaid amendment, the requirement for ratification would be infructuous and shall be dispensed with.

The Company has received letter from DHS consenting for the appointment and confirmation to the effect that their appointment for the 2018-19, if ratified, would be within the limits and that they are free from any disqualification specified in section 141 of the Companies Act, 2013 and the rules made thereunder. DHS have also submitted the peer review certificate issued to them by The Institute of Chartered Accountants of India. The statutory auditors report to the members for the year ended 31 March, 2018 does not contain any qualification, reservation, adverse remark or disclaimer.

During the year under review, the Auditors have not reported any matter under Section 143 (12) of the Act and therefore no detail is required to be disclosed under Section 134(3)(ca) of the Companies Act, 2013.

4.3 Secretarial Auditors

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors have appointed M/s. S Krishnamurthy & Co., a firm of Company Secretaries in Practice, to undertake the Secretarial Audit of the Company. The report on the

Secretarial Audit carried out for the year 2017-18 is annexed herewith as 'Annexure B'. The secretarial audit report does not contain any qualification, reservation, adverse remark or disclaimer.

4.4 Internal Auditors

The Company continues to engage M/s. Capri Assurance and Advisory Services, a firm of independent assurance service professionals, as Internal Auditors of the Company. Their scope of work includes review of processes for safeguarding the assets of the Company, review of operational efficiency, effectiveness of systems and processes, and assessing the internal control strengths in all areas. Internal Auditors findings are discussed with the process owners and suitable corrective actions taken as per the directions of Audit Committee on a regular basis to improve efficiency in operations.

5. Directors' Responsibility Statement

In terms of Section 134(3)(c) read with section 134(5) of the Companies Act, 2013, the directors, to the best of their knowledge and belief based on the information and explanations obtained by them, confirm that:

- i. in the preparation of the financial statements for the financial year 2017-18, the applicable accounting standards had been followed and there were no material departures;
- ii. they had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- iii. they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company, preventing and detecting fraud and other irregularities;
- iv. they had prepared the financial statements for the financial year on a 'going concern' basis;
- v. they had laid down internal financial controls to be followed by the Company and such internal financial controls were adequate and were operating effectively; and
- vi. they had devised proper systems to ensure compliance with the provisions of all applicable laws and such systems were adequate and operating effectively.

6. Related Party Transactions

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business and do not have any potential conflict with the interest of the Company at large. There are no materially significant related party transactions made by the Company with Related Parties, except for those disclosed in 'Annexure C' to this report of the Board of Directors.

All Related Party Transactions are placed before the Audit Committee as also the Board for approval. Prior omnibus approval of the Audit Committee is obtained for the transactions which are foreseen and repetitive in nature. The transactions entered into pursuant to the omnibus approval so granted are reviewed by the Audit Committee on a quarterly basis.

The Company has put in place proper system for identification and monitoring of such transactions. The policy on Related Party Transactions and material subsidiaries as approved by the Board is uploaded on the Company's website (http://ranegroup.com/rhl_investors/policy-on-related-party-transactions/ and http://ranegroup.com/rhl_investors/rhl-policy-on-material-subsidiaries/). Save as disclosed elsewhere in this report, none of the Directors or Key Managerial Personnel or Senior Management Personnel has any material financial and commercial transactions, where they have personal interest, which may have potential conflict with interest of the Company at large.

7. Corporate Social Responsibility (CSR)

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

The CSR activities undertaken by the Company are in line with the CSR Policy and recommendations of the CSR Committee comprising of Mr. L Lakshman, Committee Chairman, Mr. L Ganesh and Mr. Anjanikumar Choudhari as its members. The Annual Report on CSR activities carried out during the year 2017-18 is annexed as 'Annexure D'. The CSR policy of the Company is available in the Company's website http://ranegroup.com/rhl_investors/corporate-social-responsibility-policy/

8. Energy conservation, technology absorption and foreign exchange earnings and outgo

The Company is conscious of the imperative to protect environment and the natural resources for achieving sustainable economic growth and have started several initiatives in this regard such as conservation of energy and water and eco-friendly waste management system. In view of the nature of activities of the Company, disclosure relating to technology absorption are not applicable to the Company.

The disclosure foreign exchange earnings and outgo, in terms of provisions of Section 134(3)(m) read with Rule 8 of the Companies

(Accounts) Rules, 2014 are given hereunder:

Foreign Exchange earnings and outgo

₹ in Crores

Foreign Exchange	2017-18	2016-17
Earnings	0.71	43.50
Outgo	0.38	0.67

9. Particulars of Directors, Key Managerial Personnel and Employees

The information required pursuant to Section 197 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of Directors, Key Managerial Personnel (KMP) and Employees of the Company are provided in the Annual Report. Having regard to the provisions of first proviso to sub-section (1) of Section 136 of the Act, the Annual Report excluding the aforesaid information is sent to the members. The said information is available for inspection by the members at the registered office during business hours on a working day of the Company up to the date of the ensuing Annual General Meeting. The full annual report including the aforesaid information is being sent electronically to all those members who have registered their e-mail address and is available on the Company's website www.ranegroup.com.

10. Corporate Governance Report

Your Company has complied with the corporate governance requirements pursuant to Regulation 34 and schedule V of SEBI LODR. Detailed report on the compliance and a certificate by the Statutory Auditors forms part of this report as 'Annexure F'.

11. Other disclosures

- Details of loan, guarantees and investments under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements.
- The Internal control systems and adequacy are discussed in detail in the Management Discussion and Analysis annexed to the Directors Report.
- There was no significant material order passed by the Regulators / Courts which would impact the going concern status of the Company and its future operations.
- The details forming part of the extract of the Annual Return under Section 92(3) of the Companies Act, 2013 in form MGT-9 is annexed herewith as 'Annexure E'.

- e) The Company has complied with the applicable secretarial standards viz., SS-1 on Meetings of Board of Directors and SS-2 on General Meetings issued by Institute of Company Secretaries of India as per section 118(10) of the Companies Act, 2013.
- f) The Company does not accept any deposit falling under the provisions of section 73 of the Companies Act, 2013 and the rules framed thereunder.
- g) The Company has established a formal vigil mechanism named 'Rane Whistle Blower Policy' for reporting improper or unethical practices or actions which are violative of the code of conduct of the Company.
- h) The Company believes that women should be able to do their work in a safe and respectful environment that

encourages maximum productivity. The Company has a zero tolerance towards sexual harassment. The Company has adopted a policy on prevention of sexual harassment of women at work place and put in place proper mechanism across the Company. There was no case reported during the year under review through this mechanism.

For and on behalf of the Board

<p>Chennai 07 May, 2018</p>	<p>Harish Lakshman Vice Chairman DIN:00012602</p>	<p>L Ganesh Chairman & Managing Director DIN: 00012583</p>
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