14 Subsidiaries

14.1 Group Companies and Subsidiaries

Details relating to the Board of Directors and Financial Data of the Group Companies and Subsidiaries are set out in clause 5 titled "Background of the Person Acting in Concert – RBL" on page 15 of Section I of this Letter of Offer, clause 6 titled "Background of the Person Acting in Concert – RIL" on page 20 of Section I of this Letter of Offer and clause 9 titled "Additional Disclosures" on page 27 of Section I of this Letter of Offer.

Brief history of Rane Holdings Limited (RHL)

RHL was incorporated on 31st March 2004 as a public limited company under the Companies Act 1956.The registered office of RHL is located at "Maithri", 132 Cathedral Road, Chennai 600 086. Phone 044-28117509. RHL is a part of the Rane Group.

Rane (Madras) Ltd. is the promoter of RHL.

It has a paid up capital of Rs. 500,000 divided into 50,000 equity shares of nominal value of Rs. 10/- each. There are no partly paid up equity shares in RHL. The entire share capital is held by Rane (Madras) Ltd.

Investment in the shares of Rane Group companies would be the principal business of RHL.

The shares of RHL are not listed on any stock exchanges.

The Board of Directors of RHL as on the date of the Public Announcement comprised :

Name	Date of appointment	Qualifications	Experience (Yrs)	Residential address
L.Ganesh	First Director	ACA, MBA	25	Lakshmi Niwas2, George Avenue Chennai 600 018
L. Lakshman	First Director	B.E.	34	17 Crescent Street Off Arch Bishop Mathias Avenue Chennai 600 028
Harish Lakshman	First Director	B.E., MSM	5	- do -

14.2 Financials of Other Group Companies

1. JMA Rane Marketing Limited

a) Date of Incorporation — January 07, 1991

b) Nature of activities — After market trading of automotive components

c) Financial Information Rs.000

	2001-02	2002-03	2003-04
Equity Capital	73	73	73
Reserves (excluding Revaluation Res)	284	330	368
Sales	2148	2295	2511
Profit after Tax	38	47	54
Earnings Per Share (Rs.)	5.19	6.40	7.30
Net Asset Value (Rs.)	48.58	54.99	60.02

d) The shares of the company are not listed in any stock Exchanges.

e) The company has not made any public or rights issue in the preceding three years.

f) The company has not become a sick company within the meaning of the Sick Industrial Companies (Special Provisions) act, 1995 or is under winding up.

g) There are no pending litigations against or initiated by the company.

2. **Techcons Limited**

a) Date of Incorporation — March 09, 1972

b) Nature of activities — Provision of management and consultancy services exclusively to Rane Group companies

c) Financial Information Rs.000

	2001-02	2002-03	2003-04
Equity Capital	0.1	5.1	5.1
Reserves (excluding Revaluation Res)	9	15	17
Income	118	188	142
Profit after Tax	6	3	2
Earnings Per Share (Rs.)	557.00	5.71	3.31
Net Asset Value (Rs.)	91.71	39.26	42.59

d) The shares of the company is not listed in any stock Exchanges.

e) The company has not made any public or rights issue in the preceding three years. However, the company issued 50,000 additional equity shares of Rs.10 each fully paid up at par on a private placement basis.

f) The company has not become a sick company within the meaning of the Sick Industrial Companies (Special Provisions) act, 1995 or is under winding up.

g) There are no pending litigations against or initiated by the company.

14.3 Stock market data

RBL share price during past six months

Month	Share Prices		Trade volume		Turnover (Rs. in lacs)	
	Max	Min	Max	Min	Max	Min
Feb-04	195.50	156.80	12008	981	22.21	1.56
Mar-04	162.00	122.25	11237	1728	17.43	2.73
Apr-04	172.40	150.10	13925	1190	24.57	1.90
May-04	150.90	132.00	8264	25	11.58	0.03
Jun-04	140.50	125.00	5186	218	7.23	0.29
Jul-04	145.35	129.60	54858	394	75.06	0.55

RBL share price during past three years

Month	Share Prices		Trade volume		Turnover (Rs. in lacs)	
	Max	Min	Max	Min	Max	Min
2001-02	73.00	33.25	12553	150	867369	8033
2002-03	138.40	98.00	169120	6196	22712325	760819
2003-04	569.70	133.35	100987	7077	37449356	885153

14.4 Justification of common pursuits of REVL and KML

REVL is a manufacturer of Engine valves and tappets for various types of automobile and other engines. REVL and Kar Mobiles Ltd. (KML) do not compete with each other; instead they compliment each other as the OEM customers and the export markets served by both of them are different. However, there could be small element of competition in the replacement market.

15. Related Party Transactions

Reference may be made to the information given under the head "Financial Information" under the sub heading "Related Party Transaction "

16. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

You should read the following selected financial data, which have been prepared in accordance with Indian GAAP, in conjunction with our financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" (as per Indian GAAP). Our audited financial statements have been prepared in Indian rupees and have been prepared in accordance with Indian GAAP for the fiscal years ended 2001, 2002 and 2003 and 2004. For detailed financial statements, prepared in accordance with Indian GAAP, as required by SEBI Guidelines, please refer "Auditor's Report" of this Letter of Offer.

Selected Financial Information Of RML

Statement of profit and Loss for the fiscals ending March 31, 2001, 2002, 2003 and 2004

Rs. million (except per share data)

	FY 2004	FY 2003	FY 2002	FY 2001
Sales				
Manufactured products	1,732.88	1,240.86	1,165.28	1,111.12
Traded products	-	-	-	-
Total sales (excluding Excise Duty)	**1,732.88**	**1,240.86**	**1,165.28**	**1,111.12**
Operating and other income	63.32	55.80	46.21	16.73
Total income	**1,796.20**	**1,296.66**	**1,211.49**	**1,127.85**
Expenditure				
Raw materials & components *	996.46	674.94	662.89	626.61
Employee cost	213.19	193.91	180.89	192.47
Other Manufacturing expenses	266.65	216.47	166.18	170.02
Administration expenses	17.23	16.91	23.93	25.36
Selling and Distribution expenses	108.85	67.94	57.87	51.44
Total Expenditure before Interest, depreciation & Tax	**1,602.39**	**1,170.17**	**1,091.76**	**1,065.90**
PBIDT	**193.81**	**126.49**	**119.73**	**61.96**
Interest	84.59	108.65	115.13	125.73
Depreciation	67.90	65.89	64.66	63.50
Net profit before Tax	41.32	(48.05)	(60.06)	(127.27)
Provision for Tax	(22.86)	(13.59)	5.39	-
Net Profit after Tax	**64.18**	**(34.46)**	**(65.45)**	**(127.27)**
Exceptional items	7.84	35.46	37.41	34.145
Prior year adjustment (reversal of deferred tax liability)	-	(30.05)	-	-
Profit after Tax	**72.02**	**31.05**	**(28.03)**	**(93.13)**
Dividend on preference shares	12.18	10.80	-	
Earnings per share	17.17	0.24	(6.68)	(22.20)
Return on Net Worth	23.2%	7.1%	-10.5%	-28.6%
Net Asset Value per equity share	61.43	68.40	63.56	77.73

Note (*) The raw material consumption is after adjusting the effect of increase/decrease of Finished goods and work in progress

16.1 Factors affecting our operations

The future results of operations could potentially be affected by the following factors:

- Focus on automobile and auto components industry and consequently the trends and performance of automobile industry will have significant impact in the operations of the Company.
- We have a few leading OEMs from whom we receive large orders and therefore our operations are significantly influenced by the buying patterns of these customers
- Our key inputs are steel forgings, castings and steel tubes and hence any increase in the prices of steel will adversely affect the financial condition and operations
- With increasing exports and receivables denominated in USD, continued appreciation of Indian Rupee against USD could adversely impact the profitability of exports.

16.2 Comparison of fiscal 2004 with fiscal 2003

- Sales during the year increased by 40%, primarily due to the growth of the passenger car and medium and heavy commercial vehicle industry. Various productivity and cost management measures put in place enabled the Company to improve its operating performance.
- The sectoral growth of the Indian automobile industry during the year was:

  (Source: ACMA and SIAM).

Sectors	Growth in 2003-04
Passenger Cars	34%
Utility Vehicles	24%
Light Commercial Vehicles	34%
Heavy Commercial Vehicles	35%
Farm Tractors	4%
Two Wheelers	10%

- The various turnaround measures put in place started yielding results. Exports increased from Rs. 1.86 million in 2002-03 to Rs.8.95 million in 2003-04. As a result of debt restructuring measures interest charges dropped by 22%.

16.3 Comparison of fiscal 2003 with fiscal 2002

- Sales during the year increased by 6%. The lower growth sales was because of the poor performance by the tractor industry. The sale of tractor related products came down from Rs.359 million in 2001-02 to Rs.276 million in 2002-03.
- The sectoral growth of the Indian automobile industry during the year was:

  (Source: ACMA and SIAM).

Sectors	Growth in 2002-03
Passenger Cars	8%
Utility Vehicles	4%
Light Commercial Vehicles	28%
Heavy Commercial Vehicles	25%
Farm Tractors	-28%
Two Wheelers	20%

- The dividend income during the year was Rs.53.46 million against the previous year amount of Rs.43.42 million.
- There was an exceptional incomes of Rs.62.14 million arising out of the sale of 103,175 equity shares of RIL to RBL Also, VRS expenses of Rs.36.29 million was charged off during the year.
- The tax effect on the aggregate timing differences for the year resulted in a deferred tax gain of Rs.13.59 million. Further, there was reversal of Rs.31.58 million of deferred tax liability relating to prior years arising out of a reassessment of the unrecognized unabsorbed depreciation and unabsorbed losses of earlier years.
- Consequent to the above factors, the final Profit after tax amounted to Rs.31.05 million.

16.4 Comparison of fiscal 2002 with fiscal 2001

- Although the sales increased only by about 5%, The operating loss for the year was reduced to Rs.60.06 million compared to the loss of Rs.127.27 million in 2001. This was possible because of the various management initiatives to bring down costs.
- The sectoral growth of the Indian automobile industry during the year was:

  (Source: ACMA and SIAM).

Sector	Growth in 2001-02
Passenger Cars	1%
Utility Vehicles	-1%
Light Commercial Vehicles	-20%
Heavy Commercial Vehicles	4%
Farm Tractors	-17%
Two Wheelers	15%

- As a result of the restructuring arrangement of bringing all the JV investments of the Group in one Investment company, viz. RIL, and selling 27.28% of RIL to RBL, there was a profit of Rs.114.44 million. Further, there was a one time receipt of Rs.5.5 million as non-compete fee from Rane Luk Clutch Ltd. Also there were exceptional expenditure of Rs.30.71 million towards debtors write off and Rs.26.40 million towards compensation for change/variation in the rights of the preference shares by modification of the subscription agreement with Industrial Development Bank of India (IDBI).

16.5 Segment performance review and analysis

The Company does not operate in different business segments. It operates in the broad industry segment of components for transportation industry.

16.6 Factors affecting Business Performance

16.6.1 Industry Structure and development

As can be seen from the automobile industry sectoral growth trends given above, after registering negative growth in most of the sectors in 2001-02, there was substantial recovery in 2002-03, except for farm tractors. All sectors of the industry have registered, again barring farm tractors, impressive growth in 2003-04. Tractor Sector also registered positive growth during this year. This helped the Company register a CAGR of 16% in sales over the period 2001 to 2004.

16.6.2 Economic Environment

The growth in the industrial sector slowed down from 6.5% in 2000-01 to 3.4% in 2001-02. However, there was a reversal in trend and the industry registered growths of 6.4% and 6.7% in 2002-03 and 2003-04 respectively. The GDP growth in 2003-04 was a record high of 8.2%.

16.6.3 Competitive conditions

The auto components industry has turned very competitive during the last few years with the entry global automobile manufacturers into India. We face competition not only from established players but also from small manufacturers.

16.7 Other Matters

16.7.1 Unusual or infrequent events and transactions

Other than as described elsewhere in this document, there are no events to our knowledge that may be described as unusual or infrequent events and transactions.

16.7.2 Known trends and uncertainties

Other than as described elsewhere in this document there are no known factors, to our knowledge, which will have a material adverse impact on operations and finances of the Company.

16.7.3 Future relationship between costs and income

Other than as described in this document, to our knowledge there are no known factors which will have material adverse impact on operations and finances of the Company.

16.7.4 Total turnover of each industry sector in which the Company operates

The Company's products range caters to different sectors within the automobile industry and the total industry turnover in each of the product range is not known as there is no published data available.

16.7.5 Seasonality of business

The results of operations do not vary substantially from quarter to quarter and hence we believe our business is not seasonal.

16.7.6 Dependence on single or few customers.

Other than as described elsewhere in this document, to our knowledge we have no dependence on a single or a few customers and our business interests are spread across the automobile industry and customer segments.

17. Government Approvals

In view of the approvals listed below we can undertake our current business activities and no further major approval from the Government or any other authority is required to continue these activities. Licenses obtained from the Government are open to public inspection at the Registered Office of the Company. It must be distinctly understood that, in granting these license the Government of India does not take any responsibility for the financial soundness of this undertaking or for the correctness of any of the statements made or opinions expressed in regard to it.

Chennai Plant

SN	Purpose	Approval By	Certificate No. & Date
1	For Handling Hazardous Wastes	Tamil Nadu State Pollution Board	987/97/Renewal dated 19.04.04
2	Ambient Air Quality and Stack monitoring	Advanced Environmental Laboratory, Tamil Nadu State Pollution Board	CR No.97834 dated 24.06.03
3	Registration under Central Excise	Superintendent of Central Excise Superintendent of Central Excise – Leemuire	AABCR5136JXDOO AAACR4215MXD004
4	Income Tax PAN Number	Office of the Commissioner of Income Tax	AA BCR 5136 J
5	Import & Export	Foreign Trade Development Officer, Certificate of Importer-Exporter Code (IEC)	IEC No.0488001919 issued on 29.04.88
6	Registration under Sales Taxes CST	Commercial Tax Officer, Tamil Nadu	44949 dated 15.10.63
	TNGST		0960008 dated 15.10.63
7	Factory License under Tamil Nadu Factories rule	Inspectorate of Factories, Tamil Nadu	31839
8	Certificate of Incorporation	RoC	18-2202 dated 03.03.1936
9	Certificate of Commencement of Business	RoC	Dated 21-04-1936
10	ISO 9001:2000	Underwriters Laboratories, USA	0026622 dated 02.04.04
	ISO/TS 16949:2002		0026622 dated 02.04.04

Mysore Plant

SN	Purpose	Approval By	Certificate No
1	Prevention / Control of Pollution	Karnataka State Pollution Board	KSPCB-242 dated 11.11.03
2	Water and Air consent	Karnataka State Pollution Board	KSPCB/236 dated 13.11.03
3	Registration under Central Excise	Superintendent of Central Excise	AAACR4215MXM003 dated 04.01.02
4	Registration under Sales Taxes	Deputy Commissioner of Commercial Taxes	
	- KST		20166436 dated 10.01.83
	- CST		20116433 dated 10.01.83
5	Registration under Sales Taxes	Deputy Commissioner of Commercial Taxes	
	- HGST	Gurgaon	GRG/HGST-17951 dated 28.09.94

Pondicherry Plant

SN	Purpose	Approval By	Certificate No
1	Pollution Control	Pondicherry Pollution Control Board, Department of Science, Technology and Environment, Pondicherry	30/PPCC/HWM/MCP/JE-II/2001 dated 16.05.01
2	Registration under Central Excise	Superintendent of Central Excise	AAACR4215MXM001 dated 28.08.03
3	Registration under Sales Taxes	Deputy Commissioner of Commercial Taxes	
	- CST		8531/PRC dated 05.12.95
	- PGST		D1/702566/95-96 dated 05.12.95
4	Service Tax	Superintendent of Central Excise - Service Tax	GTO/10705/98 dated 17.03.98
5	Income Tax TAN Number	Office of the Commissioner of Income Tax	R 169 B dated 18.08.00
6	ISO 9001:1994	Underwriters Laboratories, USA	A 9447 dated 14.03.01
	QS-9000:1998	QS 9000 Certificate	dated 14.03.01
7	Panchayat License	Office of the Commissioner Mannadipet Commune Panchayat	33-92/MCP/95-96/W2 dated 22.12.95
8	Factory License	Factory Inspectorate, Pondicherry	6613/5229 dated 06.03.00

Depot - C&F

SN	Purpose	Approval By	Certificate No
	New Delhi	Delhi Sales Tax	
	CST		LC/97/181331/0695 dated 26.12.95
	LST		LC/97/181331/0695 dated 26.12.95
	Pune	Maharashtra Sales Tax	
	CST		412207/C/304 dated 14.08.01
	LST		412207/S/429 dated 14.08.01
	Jullundur	Punjab Sales Tax	
	CST		28624514 dated 9.5.02
	LST		28624514 dated 9.5.02
	Ahmedabad	Gujarat Sales Tax	
	CST		11S 2974 dated 07.11.01
	LST		0745009603 dated 01.07.02
	Bangalore	Karnataka Sales Tax	
	CST		20166436 dated 10.01.83
	LST		20116433 dated 10.01.83
	Kanpur	Uttar Pradesh Sales Tax	
	CST		5578545 dated 30.4.02
	LST		1066556 dated 30.4.02
	Kolkatta	West Bengal Sales Tax	
	CST		7432(BG)C dated 23.10.02
	LST		BG/11798 dated 23.10.02
	Indore	Madhya Pradesh Sales Tax	
	CST		011472LX/2241/C dated 4.10.02
	LST		0114L1X32205S dated 4.10.02
	Vijayawada	Andhra Pradesh Sales Tax	
	CST		VJ2/04/2/1917 dated 16.11.02
	LST		VJ2/04/2/2640 dated 16.11.02
	Jamshedpur	Jharkhand Sales Tax	
	CST		JR-19 (R)
	LST		JR-19 (C)
	Jaipur	Rajasthan Sales Tax	
	CST		1420/06347 dated 19.09.01
	LST		1420/06347 dated 19.09.01
	Cochin	Kerala Sales Tax	
	CST		23247355 dated 20.02.03
	LST		23242355 dated 20.02.03

18. **Outstanding Litigation**

Except as stated herein there is no outstanding or pending litigation, suit, criminal or civil prosecution, proceeding initiated for offence (irrespective of whether specified in paragraph (I) of Part 1 of Schedule XIII of the Companies Act) or litigation for tax liabilities against the Company, its Subsidiaries, Promoters or Directors and there are no defaults, non payment or overdues of statutory dues, institutional or bank dues or dues towards holders of debentures, bonds and fixed deposits and arrears of preference shares, other than unclaimed liabilities of the Company or its Subsidiaries and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its Subsidiaries, Promoters or Directors.

18.1 **Claims against the Company**

Details of litigation pending against the Company are set out in clause 4.21 titled "Details of litigation pending against the Acquirer" on page 14 of Section I of this Letter of Offer.

18.2 **Claims involving the Company's subsidiaries and group companies**

RANE BRAKE LININGS LIMITED

Sl. No.	Nature of Litigations and its status	Amount in Rs. lakhs
	Excise	
1	Two cases pending before the department pertain to Excise duty relating to Cenvat Credit of Post Manufacturing Expenses during the year 1996-97.	11.55
2	Dispute relating to abatement on post manufacturing expenses and the orders of Assistance Commissioner is awaited	3.32
3	Dispute relating to classification of friction dust under Tariff 68 as against department classification under Class 15A and the matter is pending with the Delhi High Court.	38.94
4	Dispute relating to classification of non-automotive brake linings and clutch facings by the company under Class T68 as against the department classification under Class T122F. This case is decided against the company and orders are awaited.	3.25
5	Dispute relating to assessable value and availment of credit by both the company and the customer on a bought out component. The company has furnished proof for non-availment of credit by the supplier and matter pending with the Deputy Commissioner.	0.99
6	Demand for the department for duty on empty container sales since 1997. The matter is pending with CEGAT.	0.50
7	Dispute relating to the assessable value of sales made to wholesale dealers and the treatment of post manufacturing expenses. The department is claiming the differential duty. The case is before Assistant Commissioner.	9.90
8	Dispute relating to levy of excise duty on dust disposed off by the company, the matter is before CIT - Appeals	1.44
9	Dispute relating to refund claims made by the company and rejected by the department. The matter is pending before CESTAT	3.59
10	Dispute relating to non-inclusion of Finance Charges in the assessable value. The case was decided in favour of the company but an appeal was preferred by the department with CESTAT	0.30
	Income Tax	
11	Disallowance of deduction on certain expenditures for the assessment year 2001-02 by the department.	131.19
12	Disallowance of depreciation on a property for the assessment year 2001-02. The case is pending before CIT(Appeals).	1.00
13	Dispute relating to inclusion of sales tax and excise duty within purview of sales during the assessment year 2001-02.	1.00
14	Dispute relating to treatment of adhoc insurance claim for the assessment year 1998-99. The case is pending with ITAT.	2.00
15	Dispute relating to tax treatment of a sold asset for the for the assessment year 1997-98. Matter pending with the Tribunal.	43.00
16	Dispute relating to computation under Sec. 80HHC and 80HH for the assessment year 1997-98.	1.00
17	Disallowance of repairs and deduction under Section 80HHC for the assessment years 1996-97	18.00
18	Dispute regarding disallowance of repairs to the extent of Rs. 26 lakhs by the department for the assessment year 1995-96. Matter is pending before the Tribunal.	12.00
19	Dispute regarding disallowance of expenses and computation under Section 80HH and 80HHC for the assessment year 1995-96. Matter is pending before the Tribunal.	20.00
20	Dispute relating to treatment of lumpsum fee paid to acquire land at lease for the assessment year 1994-95.	7.00

21	Dispute regarding computation under Sec. 80HH and 80HHC for the assessment year 1994-95	18.20
22	Dispute relating to disallowance of CSC expenses for the assessment year 1997-98	86.47
23	Dispute relating to treatment of sale of an undertaking for the assessment year 1997-98. Matter pending before the Tribunal.	68.76
24	Dispute relating to computation under Section 80HHC and Sec. 80HH for the assessment year 1997-98.	0.42
	Sales Tax	
25	Central Sales Tax demand on lease rentals. The matter is under appeal.	12.29
	Service Tax	
26	Service Tax demand on royalty paid to foreign collaborator citing this as payment to consulting engineer for the period Aug 2002 to Mar 2004	8.77
	Labour	
27	Dispute relating to Suspension of operators. Writ petition made by the company is pending before High Court.	44.00
28	Dispute relating to reinstatement of 2 workmen as per the Tribunal orders. The company has obtained a stay from the High Court in this matter.	20.00
29	Dispute relating to reinstatement of 2 workmen with back wages. The case is pending before Labour Court.	N.A
	ESI	
30	Demand of ESI on executive salary, labour charges, OT and allowances to apprentices, incentive and sales incentives. The case is pending for hearing before Dy. Director ESI.	1.49
31	Claim of penal wages deducted by the company from a security agency. Case is pending before the Court.	0.37

RANE ENGINE VALVES LIMITED

Sl. No	Nature of litigations and its status	Amount in Rs. Lakhs
	Income Tax	
1	Disputes relating to treatment of business expenditure and computation of net sales under Section 80HHC. Appeal against order under section 143(3) pending with CIT(A). However tax has already been paid.	-
3	Disallowance of agricultural income and demand of tax. Appeal against Sec. 143(3) order has been filed with ITAT.	0.06
4	Dispute relating to treatment of VRS expenditure, computation under sec. 80HHC, treatment of payments, disallowance of interest on investment and set off of losses and unabsorbed depreciation for the assessment year 2000-01. Disputed tax has already been paid. But appeal has been preferred before CIT(A).	-
6	Dispute relating to order passed under Section 143(3) for the assessment year 1998-99 relating to treatment of expenses, computation of sales under Section 80HHC. Appeal filed with CIT(A). Disputed tax has already been paid. However, appeal has been preferred before CIT(A).	-
	Excise	
7	Dispute relating to clearance of packaging containers without duty.	2.00
8	Dispute relating expunging of duty on pilfered goods. The case is yet to be disposed by the department.	2.6
9	Dispute relating to alleged utilisation of MODVAT credit on certain capital goods etc. The matter is pending before CEGAT, Bangalore.	1.94
	Labour cases	
10	Various labour cases pending claiming promotion, wages, bonus, absorption of casual labourers etc. The cases are pending before Labour Courts.	65.00
11	Dispute relating to computation of VRS payments for 40 employees. The matter is pending before Court.	53.14
12	Dispute relating to termination of services of an employee. The case is before the High Court and is yet to be listed.	7.14
13	Disputes relating to dismissal and reinstatement of employees .	N.A.
	ESI	
14	Disputes relating to increasing salary for ESI coverage for staff. The company has filed a writ petition with the High Court.	50.00

KAR MOBILES LIMITED

Sl. No	Nature of litigations and its status	Amount in Rs. Lakhs
	Labour cases	
1	Canteen Contractor Terminated due to canteen renovation. Case reserved for award.	N.A.
2	Reappointment of Casuals. Evidence sought.	N.A.
3	Six cases involving termination of supervisors/workmen. Evidence sought.	N.A.
4	Trainee Seeking confirmation on completion of training	N.A.
5	The Govt. of Karnataka has reversed their order relating to employment of canteen labour which has been challenged in the High Court of Karnataka by employee's union.	58.30
	Sales Tax	
6	Sales tax amount reimbursable to the caterer who has done catering services at the factory towards his liability that may arise during assessment of their books.	19.89
	Customs Duty	
7	Excess quantity of valves exported to Federal Mogul, Geneva brought back. Though the Deputy Commissioner allowed it earlier, revoked his order later. Appeal has been preferred before the Commissioner.	6.30

There are no litigations outstanding against RIL, Techcons Limited and JMA Rane Marketing Limited.

18.3 Claims against our Directors and Promoters

Civil case filed against Mr L Ganesh in respect of 0.42 acre of land purchased in Kodaikanal from Mr. V Rajendran , Attuvampatti, Vilapatti Village, Kodaikanal Taluk. Dispute regarding title of the property to Mr V Rajendran. Decree awarded against Mr V Rajendran and Mr L Ganesh by the Subordinate Judge, Palani.

Appeal filed by Mr L Ganesh pending at District Sessions Judge, Dindigul

Value of property as per the sale deed executed in favour of Mr L Ganesh on 22.03.1990 Rs.42,000.

There are no other pending litigations either by or against the Promoters or directors.

19. Material Developments

To the knowledge of the Board of Directors of the Company, there have not arisen, since the date of the last financial statements disclosed in this Letter of Offer, any circumstances that materially or adversely affect or are likely to affect the profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

20. 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 requirements and overall financial condition. The dividends paid by the Company during the last five fiscal years are presented below:

Year	Equity Dividend	Preference Dividend
1999-00	10%	13 % & 10.50 %
2000-01	Nil	Nil
2001-02	Nil	Nil
2002-03	Nil	13.5%
2003-04	10% (Interim)	13.50 %

20.1 Bonus Issues

There has been no issue of bonus shares by the Company during the last five years.

The amounts paid as dividend or bonus in the past is not indicative of our dividend policy in the future.

21. Promise Versus Performance Last Three Issues

RML has not made any public or rights issue of shares in the past twenty years. No promises were made to measure performances against them.

22. Promise Versus Performance Last One Issue Of Group/ Associate Companies

None of group or associate companies have made any public or rights issue of shares in the past twenty years. No promises were made to measure performances against them.

23. Other Regulatory Disclosures

23.1 Stock Market Data for equity shares of RML

The equity shares of the Company are listed on the NSE, BSE and MSE.

23.2 Particulars Regarding Public Issues during the Last Five Years

The Company has not made any public issues during the last five years.

23.3 Companies Under the Same Management

There are no companies under the same management within the meaning of erstwhile Section 370(1B) of the Companies Act, other than the subsidiaries and group companies, details of which are provided in the clause titled "Subsidiaries" on page 54 of Section II of this Letter of Offer.

23.4 Details of borrowings in the Company

Please refer to the clause 12.19 titled “Details of Loans taken by the Company” and clause 12.20 titled “Long Term Loan” of clause on page 50 of Section II of this Letter of Offer for details of borrowings in the Company.

24. Terms Of The Issue

The equity shares of RML being issued are subject to the provisions of the Companies Act, our Memorandum and Articles, conditions of the FIPB approval as may be applicable, the terms of this Letter of Offer and other terms and conditions as may be incorporated in the allotment advices and other documents/ certificates that may be executed in respect of the Issue. The equity shares of RML shall also be subject to laws, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, FIPB, Registrar of Companies and/or other authorities, as in force on the date of the Issue and to the extent applicable.

24.1 Authority for the Issue

The Issue has been authorised by a special resolution adopted pursuant to the extraordinary general meeting of the shareholders of the Company held on May 11, 2004.

24.2 *Ranking of equity shares of RML*

The equity shares of RML being issued shall be subject to the provisions of our Memorandum and Articles and shall rank paripassu with the existing equity shares of the Company. Shareholders subscribing to the equity shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of allotment.

24.3 *Face Value*

The equity shares of RML have a face value of Rs. 10. At any given point of time there shall be only one denomination for the equity shares of RML.

24.4 *Rights of the equity shareholder*

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and the Company’s Memorandum and Articles.

For a detailed description of the main provisions of the Company’s Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, please refer to clause 29 titled “Main Provisions of Articles of Association of RML” on page 69 of Section II of this Letter of Offer.

24.5 *Jurisdiction*

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Chennai, India.

24.6 *Nomination Facility to Investor*

In accordance with Section 109A of the Companies Act, the sole or first holder, along with other joint holder, may nominate any one person in whom, in the event of the death of sole holder or in case of joint holders, death of all the holders, as the case may be, the equity shares of RML allotted, if any, shall vest. A person, being a nominee, entitled to the equity shares of RML by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of the Company or to the Registrar and Transfer Agents of the Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the equity shares of RML; or
- to make such transfer of the equity shares of RML, as the deceased holder could have made.

  Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the equity shares of RML, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the equity shares of RML, until the requirements of the notice have been complied with.

24.6 Issue to Non Residents/NRIs/FIIs

The issue of shares to Non-Residents/NRIs/FIIs shall be subject to the approval of the RBI. As RML shares will be issued for consideration other than cash then FIPB approval would be required.

ISSUE PROCEDURE

Issue procedure will be as contained in clause 12 titled "Terms and Conditions of the Offer" on page 30 of Section I of this Letter of Offer.

25. Basis For Issue Price

25.1 Share Price of RML

Stock Market data for the 3 years ended March 31, 2004

Year	Max share Price	Min. share price	Max traded quantity	Min traded quantity	Max turn-over (in lacs)	Min turn-over (in lacs)
31.03.02	29	19.5	17476	2	4.54	0.00
31.03.03	54.75	26	11321	1	5.08	0.00
31.03.04	166.50	31.05	51027	100	38.93	0.03

Stock Market data for the 6 months ended July 31, 2004

Year	Max share Price	Min. share price	Max traded quantity	Min traded quantity	Max turn-over (in lacs)	Min turn-over (in lacs)
Feb-04	135.8	124.25	15940	286	21.46	0.37
Mar-04	145	118.7	15750	161	22.49	0.21
Apr-04	152.05	142.45	20755	411	29.58	0.59
May-04	149.15	136.6	20831	455	30.20	0.68
Jun-04	145.00	132.00	29943	100	43.17	0.13
Jul-04	148.45	139.05	11121	70	15.57	0.10

25.2 Justification of Issue Price

The equity shares of RML are listed on BSE, NSE and MSE.

Based on available information, the equity shares of RML are not infrequently traded on BSE and on NSE within the meaning of Regulation 20(5) of the Takeover Regulations. The equity shares of RML are infrequently traded on the MSE.

The annualized trading turnover during the preceding 6 months prior to the month in which the Public Announcement was made on the Stock Exchanges is as follows:

Name of Stock Exchange	Total No. of equity shares of RML traded during the 6 calendar months prior to the month in which the Public Announcement was made	Total No. of listed equity shares of RML	Annualised trading turnover (as % to total listed equity shares of RML)
BSE	232,537	4,195,260	11.1%
NSE	929,962	4,195,260	44.3%
MSE	50,000	4,195,260	2.4%

(Source: Derived from data available from the official website of BSE – www.bseindia.com *and NSE* – www.nse-india.com*, and letter from the MSE)*

The annualised trading turnover during the preceding six months ending April 2004 on NSE, being the exchange where the equity shares of RML are most frequently traded, was greater than 5% of the total number of equity shares of RML.

The weekly high and low of the closing prices of the equity shares of RML on NSE, during the 26-week period ending 12th April , 2004 (being the last trading day prior to 13th April, 2004), are given below:

26 weeks High/Low of Closing Price

Week No	Week Ending	Volume	High	Low	High/Low Avg
1	Fri,17-Oct-03	24830	101.25	95.80	98.53
2	Fri, 24-Oct-03	6025	98.25	93.50	95.88
3	Fri, 31-Oct-03	10247	103.55	96.15	99.85
4	Fri, 7-Nov-03	6909	103.75	101.75	102.75
5	Fri, 14-Nov-03	7875	105.55	104.50	105.03
6	Fri, 21-Nov-03	4714	106.80	104.90	105.85
7	Fri, 28-Nov-03	8577	108.95	105.00	106.98
8	Fri, 5-Dec-03	13218	142.05	111.75	126.90
9	Fri, 12-Dec-03	5213	139.05	132.25	135.80
10	Fri, 19-Dec-03	4612	147.75	137.20	142.48
11	Fri, 26-Dec-03	10523	166.50	157.80	162.15
12	Fri, 2-Jan-04	7050	154.85	148.00	151.43
13	Fri, 9-Jan-04	4606	155.60	143.10	149.35
14	Fri, 16-Jan-04	6327	153.25	145.15	149.20
15	Fri, 23-Jan-04	6045	151.60	127.40	139.50
16	Fri, 30-Jan-04	3620	143.70	134.40	139.05
17	Fri, 6-Feb-04	6146	128.75	124.25	126.50
18	Fri, 13-Feb-04	3825	135.80	125.75	130.78
19	Fri, 20-Feb-04	2930	134.70	127.55	131.13
20	Fri, 27-Feb-04	5146	135.75	129.00	132.38
21	Fri, 5-Mar-04	1570	137.95	133.00	135.48
22	Fri, 12-Mar-04	1298	135.00	132.85	133.93
23	Fri, 19-Mar-04	2088	133.10	129.25	131.18
24	Fri, 26-Mar-04	3728	131.15	118.70	124.93
25	Fri, 2-Apr-04	7218	152.05	135.80	143.93
26	Thu, 8-Apr-04	859	149.90	143.20	146.55

Average of 26 weeks: 128.75

(Source: Derived from data available from the official website of NSE – www.nse-india.com*)*

The daily high and low of the prices of the equity shares of RML on NSE, during the 2-week period ending April 8, 2004 (being the last trading day prior to the date of the Public Announcement), are given below:

2 weeks Daily High/Low

Day No.	Date	Prev Close	Open	High	Low	Close	Volume
1	Mon, 29-Mar-04	131.15	132	135.8	129	135.8	4885
2	Tue, 30-Mar-04	135.8	136	146.3	136	143	7,513
3	Wed, 31-Mar-04	143	144.75	148	141.25	145	15,750
4	Thu, 1-Apr-04	145	147	153	145	152.05	3,508
5	Fri, 2-Apr-04	152.05	154	155	138.55	148	4,436
6	Fri, 5-Apr-04	148	146	149.9	146	149.9	630
7	Tue, 6-Apr-04	149.9	145	149.5	145	145.05	1,277
8	Wed, 7-Apr-04	145.05	145.2	145.2	143	143.2	411
9	Thu, 8-Apr-04	143.2	144	148	143	143.9	1,117
Average of two weeks							**144.31**

(Source : Derived from data available from the official website of NSE – www.nse-india.com*)*

As per Clause 20 of the Takeover Regulations, the following facts were taken into account in determining the Issue Price:

A.	Negotiated price under any share purchase agreement	146/-
B.	Highest price paid by the Acquirers for acquisition including public or rights issues or preferential issue in the 26 weeks prior to the Public Announcement	-
C.	Average of weekly high and low in terms of regulation 20 (4) (c)	144.31/-
D.	Price paid for preferential allotment any time during the 12 month period up to the date of closure of the Offer	-

E. Other Parameters: -

Period ended	Dec 2003 (Provisional and Unaudited)
	9 Months
Return on Net Worth (%)	3.24%
Book Value per Share (Rs.)	Rs. 70.57
Earning per Share (Rs.)	2.84/-
Price to Earnings Ratio (based on the Issue Price)	38.8x
Auto Components Industry Price Earning Multiple *	16.5x

(**Source: Capital Market April 15 – 25, 2004)*

In view of the above, the Issue Price in terms of Regulation 20 of the Takeover Regulations is justified.

26. Statement Of Tax Benefits

We hereby report that the enclosed annexure states the possible tax benefits available to RML (the "Company") and its shareholders under the current direct tax laws as proposed to be amended by the Finance (No.2) Bill, 2004. Several of these 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 the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill. The benefits discussed below are not exhaustive.

This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

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 and the interpretation of current tax laws as proposed to be amended by the Finance (No.2) Bill, 2004.

for **D. Rangaswamy & Co.**
CHARTERED ACCOUNTANTS

B RAMANI
Partner

Place: Chennai

Date: August 20, 2004

26.1 TAX BENEFITS TO THE COMPANY

Under the Income Tax Act, 1961

26.1.1 The Company is entitled to a deduction under section 35(1)(iv) r.w.s. 35(2) of the Income Tax Act, 1961, of the entire amount of the capital expenditure (other than land) incurred on scientific research related to the business carried on by the Company, in the year in which such expenditure is incurred.

26.1.2 In accordance with the provisions of Section 10(38) (as proposed to be inserted by the Finance (No.2) Bill, 2004 w.e.f. Assessment Year 2005-06), the long-term capital gains arising on the transfer of securities in a transaction entered into a recognized stock exchange in India on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force, shall be exempt from income tax.

26.1.3 The long-term capital gains accruing to the Company otherwise than as mentioned in 26.1.2 above, shall be chargeable to tax in accordance with and subject to the provisions of Section 112 of the Income tax Act, 1961, as follows:

- If long term capital gain is computed with indexation @ 20% (plus applicable surcharge and education cess).
- In the case of certain listed shares, securities and units, in a transaction not entered into in a recognized stock exchange, if long term capital gain is computed without indexation @ 10% (plus applicable surcharge and education cess).

26.1.4 The short-term capital gains accruing to the Company, from the transfer of a short-term asset, being securities, in a transaction entered into in a recognized stock exchange in India, on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force, shall be chargeable to tax at the rate of 10% (plus applicable surcharge and education cess) as per the provisions of Section 111A (proposed to be inserted by the Finance (No.2) Bill, 2004 w.e.f. Assessment Year 2005-06).

26.1.5 The Company is eligible to claim exemption in respect of tax on long term capital gains u/s 54EC and 54 ED if the amount of capital gains is invested in certain specified bonds / securities subject to the fulfillment of the conditions specified in those sections.

26.1.6 The Company is eligible to exemption under section 10(34) in respect of income by way of dividend received from other Domestic Companies.

26.2 TO THE RESIDENT MEMBERS OF THE COMPANY

Under the Income Tax Act, 1961.

26.2.1 Members will be entitled to exemption, under section 10(34) of the Income Tax Act, 1961, in respect of the income by way of dividend received from the Company.

26.2.2 If the shares of the Company are sold by its members, after being held for more than 12 months, in a transaction entered into in a recognized stock exchange in India on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force, the gain, if any, would be exempt from tax as per the provisions of Section 10(38) (proposed to be inserted by the Finance (No.2) Bill 2004 w.e.f. Assessment Year 2005-06).

26.2.3 If the shares of the Company are sold by the members, after holding them for a period of less than 12 months, in a transaction entered into in a recognized stock exchange in India on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force, the gain, if any, shall be chargeable to tax @ 10% (plus applicable surcharge and education cess) as per the provisions of Section 111A (proposed to be inserted by the Finance (No.2) Bill, 2004, w.e.f. Assessment year 2005-06).

26.2.4 The long-term capital gains accruing to the members of the Company from the transfer of the shares of the Company, otherwise than as mentioned in point 2 above, shall be charged to tax after deducting the indexed cost of acquisition at 20% (plus applicable surcharge and education cess) or without the benefits of indexation at 10% (plus applicable surcharge and education cess) as per the provisions of Section 112 of the Income Tax Act, 1961.

26.2.5 Long Term Capital Gains on sale of shares of the Company by the members shall be exempt from income tax if such gains are invested in bonds / equity shares specified in Section 54EC or Section 54ED respectively subject to the fulfillment of the conditions specified in those sections. In the case of individual or HUF members, Long Term Capital Gains on sale of shares of the Company shall be exempt from Income tax u/s. 54F subject to the fulfillment of the conditions specified therein.

Under Wealth Tax Act, 1957

As shares or securities are not included in the definition of 'asset' u/s. 2(ea) of the Wealth Tax Act, 1957, total exemption from wealth tax will be available on investments in shares of the Company.

26.3 TO THE NON-RESIDENT INDIAN MEMBERS OF THE COMPANY

Under Income Tax Act, 1961

26.3.1 If the shares of the Company are sold by its members, after being held for more than 12 months, in a transaction entered into in a recognized stock exchange in India on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force, the gain, if any, would be exempt from tax as per the provisions of Section 10(38) (proposed to be inserted by the Finance (No.2) Bill 2004 w.e.f. Assessment Year 2005-06).

26.3.2 If the shares of the Company are sold by the members, after holding them for a period of less than 12 months, in a transaction entered into in a recognized stock exchange in India on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force, the gain, if any, shall be chargeable to tax @ 10% (plus applicable surcharge and education cess) as per the provisions of Section 111A (proposed to be inserted by the Finance (No.2) Bill, 2004 w.e.f Assessment Year 2005-06).

26.3.3 As per the provisions of Section 115D and Section 115E of the Income Tax Act, 1961 investment in shares of the Company being specified asset, the long term capital gain computed in accordance with the provisions of the Act, arising on the transfer of such shares (otherwise than as mentioned in 1 above) in the Company acquired in convertible foreign exchange by a Non-Resident Indian, as defined in Section 115C(e), will be charged to Income Tax @ 10% (plus applicable surcharge and education cess).

26.3.4 Under section 115F of the Income Tax Act, 1961 the Long term Capital gain as referred to in 3 above shall be exempted from income tax entirely / proportionately subject to the fulfillment of the conditions specified in Section 115F if the member (i.e. Non Resident Indian as defined in Section 115C(e) invests all or a portion of the net consideration in specified assets as defined in section 115C(f) of the Income Tax Act, 1961 within 6 months of the date of transfer. 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 three years from the date of acquisition thereof as specified in the said section.

26.3.5 As per the provision of section 115-I of the Act, when a Non Resident Indian elects not to be governed by the provision of Chapter XII-A of the Income Tax Act, 1961, then his / her total income shall be computed and charged in accordance with other provisions of the Act.

26.3.6 Non resident shareholders will be entitled to exemption, under section 10(34) of the Income tax Act, 1961, in respect of the income by way of dividend received from the Company.

26.3.7 Where any Double Taxation Avoidance Agreement (DTA) entered into by India with any other country provides for a concessional tax rate or exemption in respect of income from the investment in the Company's shares, those beneficial provisions shall prevail over the provisions of the Income Tax Act, 1961 in that regard.

Under Wealth Tax Act, 1957

As shares or securities are not included in the definition of 'asset' u/s 2(ea) of the Wealth Tax Act, 1957, total exemption from wealth tax will be available on investments in shares of the Company.

26.4 TO FOREIGN INSTITUTIONAL INVESTORS

26.4.1 If the shares of the Company are sold by its members, after being held for more than 12 months, in a transaction entered into in a recognized stock exchange in India on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force, the gain, if any, would be exempt from tax as per the provisions of Section 10(38) (proposed to be inserted by the Finance (No.2) Bill 2004 w.e.f. Assessment Year 2005-06).

26.4.2 If the shares of the Company are sold by the members, after holding them for a period of less than 12 months, in a transaction entered into in a recognized stock exchange in India on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force, the gain, if any, shall be chargeable to tax @ 10% (plus applicable surcharge and education cess) as per the provisions of Section 111A (proposed to be inserted by the Finance (No.2) Bill, 2004 w.e.f Assessment Year 2005-06).

26.4.3 Under Section 115AD(1)(b)(ii) of the Act, Income by way of Short Term Capital Gain arising from the transfer of shares (otherwise than as mentioned in 2 above) held in the Company for a period of less than 12 months will be taxable @ 30% (plus applicable surcharge and education cess).

26.4.4 Under Section 115AD(1)(b)(iii) of the Act, Income by way of Long Term Capital Gain arising from the transfer of shares (otherwise than as mentioned in I above) held in the Company will be taxable @ 10% (plus applicable surcharge and education cess). It is to be noted here that the benefits of indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to Foreign Institutional Investors.

26.4.5 Income by way of dividend received on shares of the Company is exempt u/s. 10(34) of the Income Tax Act, 1961.

26.4.6 Where any Double Taxation Avoidance Agreement (DTA) entered into by India with any other country provides for a concessional tax rate or exemption in respect of income from the investment in the Company's shares, those beneficial provisions shall prevail over the provisions of the Income Tax Act, 1961 in that regard.

26.5 TO FOREIGN COMPANY

26.5.1 If the shares of the Company are sold by its members, after being held for more than 12 months, in a transaction entered into in a recognized stock exchange in India on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force, the gain, if any, would be exempt from tax as per the provisions of Section 10(38) (proposed to be inserted by the Finance (No.2) Bill 2004 w.e.f. Assessment Year 2005-06).

26.5.2 If the shares of the Company are sold by the members, after holding them for a period of less than 12 months, in a transaction entered into in a recognized stock exchange in India on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force, the gain, if any, shall be chargeable to tax @ 10% (plus applicable surcharge and education cess) as per the provisions of Section 111A (proposed to be inserted by the Finance (No.2) Bill, 2004 w.e.f Assessment Year 2005-06).

26.5.3 Income by way of dividend declared by the Company is exempt from tax by virtue of provision of section 10(34) of the Income Tax Act, 1961.

26.5.4 Income by way of long term capital gain accrued otherwise than as mentioned in 1 above, will be taxed at concessional rate of 20% (plus applicable surcharge and education cess) as provided in Section 112(1)(c) of the Income Tax Act, 1961.

26.5.5 Where any Double Taxation Avoidance Agreement (DTA) entered into by India with any other country provides for a concessional tax rate or exemption in respect of income from the investment in the Company's shares, those beneficial provisions shall prevail over the provisions of the Income tax Act, 1961 in that regard.

26.6 TO MUTUAL FUNDS

As per the provisions of section 10(23D) of the Act, any income of Mutual Funds registered under the SEBI Act or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the RBI would be exempt from income tax.

26.7 FINANCE (No.2) BILL 2004 PASSED

The Finance (No.2) Bill 2004 has since been passed by the Parliament and hence the tax measures mentioned above would be applicable for the financial year 2004-05.

Securities Transaction Tax (Chapter VII of the Finance (No.2) Bill 2004

On and from the commencement of Chapter VII (Securities Transaction tax) Securities transaction tax at 0.075% on the value of the transaction shall be payable on purchase and sale of equity shares of the company where the share of such purchase/sale is entered into in a recognised stock exchange and the contract for purchase/sale of share is settled by the actual delivery of such share.

Transaction		Securities Transaction tax payable by
a)	Purchase	the Purchaser
b)	*Sale*	*the Seller*

27. Tax Shelters

Reference may be made to the details provided under the head Tax Statements.

28. Statutory And Other Information

28.1 Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Legal Advisors, Bankers to the Company; and (b) Managers to the Offer, Registrar to the Issue and Legal Advisors to the Issue, to act in their respective capacities, have been obtained and filed along with a copy of this Letter of Offer with the Registrar of Companies, Tamil Nadu located at Chennai, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Letter of Offer for registration with the RoC.

D Rangaswamy & Co., Chartered Accountants, our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Letter of Offer and such consent and report has not been withdrawn up to the time of delivery of this Letter of Offer for registration with the RoC.

D Rangaswamy & Co., Auditors, have given their written consent to the inclusion of their report in the form and context in which it appears in this Letter of Offer and such consent and report has not been withdrawn up to the time of delivery of this Letter of Offer for registration with the RoC.

D Rangaswamy & Co., Chartered Accountants, have given their written consent to the tax benefits accruing to the Company and its members in the form and context in which it appears in this Letter of Offer and has not withdrawn such consent up to the time of delivery of this Letter of Offer for registration with the RoC.

28.2 Minimum Subscription

As this is a transaction involves a share swap no subscription monies will be brought into the Company and accordingly the requirement of ensuring minimum subscription does not arise.

28.3 Expert Opinion

We have not obtained any expert opinions.

28.4 Auditors

There have been no changes of the auditors in the last three years.

28.5 Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the letter of appointment dated August 18, 2004, a copy of which is available for inspection at our corporate office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send allotment advice by registered post.

28.6 Commission and Brokerage on Previous Issues

RML has not made any public or rights issue of shares in the past twenty years.

28.7 Previous Rights and Public Issues

RML has not made any public or rights issue of shares in the past twenty years. No promises were made to measure performances against them.

28.8 Outstanding Debentures or Bond Issues or Preference Shares

We have no outstanding debentures or bond issues.

28.9 Capitalization of Reserves or Profits

We have not capitalized our reserves or profits at any time, except as stated in the clause 7 titled “Capital Structure” on page 37 of Section II of this Letter of Offer.

28.10 Issues otherwise than for cash

No public issue has been made for consideration other than for cash.

However during the year 1980, 140000 shares were allotted to ICICI Ltd. on rights/preferential basis upon conversion of term loan in terms of the loan agreement with them.

28.11 Remuneration of Directors

For information on remuneration of the Directors reference may be made to clause 4.9 titled “The Board of Directors of RML” on page 11 of Section I of this Letter of Offer.

29. Main Provisions Of Articles Of Association Of RML

Pursuant to Schedule II of the Companies Act 1956 and the SEBI guidelines the main provisions of the Articles of Association of RML are given below.

Capitalised terms used in this section shall have the meaning ascribed to such terms in the Articles of Association of the Company.

Save as reproduced herein, the regulations contained in Table “A” in the First Schedule to the Act shall not apply to the Company.

29.1 Authorised Capital

The authorised capital of the Company is Rs.15,00,00,000 (Rupees fifteen crores only) divided into

a. 2,00,00,000 equity shares of Rs.10 each and

b. 1,00,00,000 preference shares of Rs.10 each

29.2 Transfer of Shares and Debentures

Save as provided in Section 108 of the Act no transfer of any Share in or Debenture of the company shall be registered unless a proper instrument of transfer duly stamped and executed by and on behalf of the transferor and by and on behalf of the transferee and specifying the name, address and occupation, if any, of the transferee has been delivered to the company together with the certificate relating to the Share or Debenture or, if no such certificate is in existence, the Letter of Allotment of the Share or Debenture. Each signature to such transfer shall be duly attested by the signature of one credible witness who shall add his address. The transferor shall be deemed to remain the holder of the Shares or Debentures to be transferred until the name of the transferee is entered upon the Register in respect thereof.

29.3 Application for registration of transfer of Shares and Debentures

Application for the registration of the transfer of a Share or Debenture may be made either by the transferor or the transferee, provided that, where such application is made by the transferor, no registration shall, in the case of a partly paid Share, be effected unless the company gives notice of the application to the transferee in the manner prescribed by Section 110 of the Act, and subject to the provisions of these Articles the company shall, unless objection is made by the transferee within two weeks from the date of receipt of the notice, enter in the Register the name of the transferee in the same manner and subject to the same conditions as if the application for the registration of the transfer was made by the transferee.

29.4 Refusal to register transfer, transmission of Shares

Subject to the provision of Section 111 of the Act, the Board, without assigning any reason for such refusal, may refuse to register any transfer of, or the transmission by operation of law of the right to a Share and also any transfer of a Share on which the company has a lien, provided that the registration of a transfer shall not be refused on the ground that the transferor is either alone or jointly with any other person or persons indebted to the company on any account whatsoever.

29.5 Notice of refusal to transfer Shares

If the Board refuses in pursuance of the preceding Article or otherwise, to register the transfer of any Shares, the company shall give notice of the refusal in accordance with the provisions of Section 111(2) of the Act.

29.6 Suspension of registration of transfers

Subject to the provisions of Section 154 of the Act, the registration of transfers may be suspended at such times and for such periods as the Board may, from time to time, determine. Provided that such registration shall not be suspended for more than forty five days in any year but not exceeding thirty days at any one time.

29.7 Transmission of Shares and transfer of Shares on insolvency, lunacy

The executor or administrator of a deceased Member (not being one of several joint holders) shall be the only person recognised by the company as having any title to the Share 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 Share, the survivor or survivors shall be the only person or persons recognised by the company as having any title to or interest in such Share, but nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on the Share held by him jointly with any other person.

29.8 Board may require evidence of transmission

Before recognising any executor or administrator the Board may require him to obtain a Grant of Probate or Letters of Administration, Succession Certificate or other legal representation, as the case may be, from a competent Court in India and having effect in the State of Tamil Nadu ; Provided nevertheless that in any case where the Board in its absolute discretion thinks fit, it shall be lawful for the Board to dispense with the production of Probate or Letters of Administration, Succession Certificate or such other legal representation upon such terms as to indemnity or otherwise as the Board, in its absolute discretion, may consider adequate.

29.9 Board may require evidence of title of transferee

Any committee or guardian or a lunatic Member or any person becoming entitled to or to transfer a Share in 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 this Article or of his title as the Board thinks sufficient, may, with the consent of the Board (which the Board shall not be bound to give), be registered as a Member in respect of such Share or may, subject to the regulations as to transfer hereinbefore contained, transfer such Share.

29.10 Right of Board to disallow transmission of Shares

The Board shall have the same right to refuse to register a person entitled by transmission to any Shares or his nominees, as if he were the transferee named in an ordinary transfer presented for registration.

29.11 Transferee entitled to same rights as member

A person becoming entitled to a Share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the Share, except that he shall not, before being registered as a Member in respect of the Share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the company.

29.12 Borrowing Powers

Subject to Sections 292, 293 and 370 of the Act, the Board may, from time to time, at their discretion raise or borrow from any person or persons and secure the payment of any sum or sums of money for the purposes of the company, and may themselves lend to the company on any security or otherwise, any sums of money or arrange to obtain banking credits or other banking facilities and may generally exercise all the powers of borrowing and raising of money vested in the company by the Memorandum of Association.

29.13 Creation of mortgage, charge, etc.

The Board may raise or secure the repayment or payment of any sum or sums in such manner and upon such terms and conditions in all respects as they think fit, and in particular by the creation of any mortgage or charge on the undertaking of the whole or any part of the property, present or future, or uncalled Capital of the company or by the issue of bonds, perpetual or redeemable, Debentures or Debenture-Stock of the company charged upon all or any part of the property of the company both present and future, including its uncalled Capital for the time being.

29.14 General Meetings of the company

In addition to any other Meetings, General Meetings of the company shall be held within such intervals as are specified in Section 166(1) of the Act, and, subject to the provisions of Section 166(2) of the Act, at such times and places as may be determined by the Board. Each such General Meeting shall be called an "Annual General Meeting" and shall be specified as such in the notice convening the Meeting. Any other Meeting of the company shall be called an "Extraordinary General Meeting".

29.15 Extraordinary General Meeting

The Board may whenever it thinks fit call an Extraordinary General Meeting and it shall, on the requisition of the Members in accordance with Section 169 of the Act, proceed to call an Extraordinary General Meeting. The requisitionists may, in default of the Board convening the same, convene the Extraordinary General Meeting as provided by Section 169 of the Act.

29.16 Notice of resolutions

The company shall comply with the provisions of Section 188 of the Act as to giving notice of resolutions and circulating statements on the requisition of Members.

29.17 Contents of notice of Meetings

Save as provided in Sub-section (2) of Section 171 of the Act, not less than twenty one day's notice shall be given to every Member of every General Meeting of the company. Every notice of a Meeting shall specify the place and the day and the hour of the Meeting and shall contain a statement of the business to be transacted thereat and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of him and that a Proxy need not be a Member of the company. Where any such business consists of "special business" as hereinafter defined in Article 75 hereof, there shall be annexed to the notice a statement complying with Section 173(2) and (3) of the Act.

29.18 Notice of Meetings to be given to every member

Notice of every Meeting of the company shall be given to every Member of the company, to the Auditors of the company and to any persons entitled to a Share in consequence of the death or insolvency of a Member in any manner hereinafter authorised for the giving of notice to such persons.

29.19 Advertisement of notice of General Meeting

Provided that where the notice of a General Meeting is given by advertising the same in newspaper circulating in the neighbourhood of the Office under Sub-section (3) of Section 53 of the Act, the statement of material facts referred to in Section 173(2) of the Act need not be annexed to the notice as required by that Section but it shall be mentioned in the advertisement that the statement has been forwarded to the Members of the company.

29.20 Accidental omission not to invalidate Meeting

The accidental omission to give any such notice to or its non-receipt by any Member or other person to whom it should be given shall not invalidate the proceedings of the Meeting or any resolutions passed thereat.

29.21 Ordinary business of Annual General Meeting

The ordinary business of an Annual General Meeting shall be to receive and consider the Profit and Loss Account, the Balance Sheet and the Reports of the Directors and of the Auditors, to elect Directors in the place of those retiring, to appoint Auditors and fix their remuneration and to declare dividends. All other business transacted at an Annual General Meeting and all business transacted at any other General Meeting shall be deemed special business.

29.22 Business to be transacted when quorum is present

No business shall be transacted at any General Meeting unless a quorum of Members is present at the time when the Meeting proceeds to transact the business. Save as herein otherwise provided seven Members present in person shall be a quorum.

29.23 Meeting adjourned for lack of quorum

If within half an hour from the time appointed for the Meeting a quorum is not present, the Meeting if convened upon the requisition of Members as aforesaid, shall be dissolved ; but in any other case, it shall stand adjourned to the same day in the next week at the same time and place or to such other day and at such other time and place as the Board may determine. If at the adjourned Meeting also, a quorum is not present within half an hour from the time appointed for holding the Meeting, the Members present shall be a quorum and may transact the business for which the Meeting was called.

29.24 When Acts or resolutions may be done on passage of ordinary resolution

Any act or resolution which under the provisions of these Articles or of the Act is permitted or required to be done or passed by the company in General Meeting shall be sufficiently so done or passed, if effected by an ordinary resolution as defined in Section 189(1) of the Act, unless either the Act or these Articles specifically require such act to be done or resolution passed by a special resolution as defined in Section 189(2) of the Act.

29.25 Chairman of Meeting

The Chairman of the Board or the person acting as Chairman of the Board shall be entitled to take the chair at every General Meeting. If there be no such Chairman, or if at any Meeting he shall not be present within fifteen minutes after the time appointed for holding such Meeting, or is willing to act, the Members present shall choose another Director as Chairman, and if no Director be present, or if all the Directors present decline to take the chair, then the Members present shall, on a show of hands or on a poll, if properly demanded, elect one of their numbers entitled to vote, to be Chairman.

29.26 Chairman to adjourn Meeting

The Chairman may with the consent of any Meeting at which a quorum is present and shall, if so decided by the Meeting, adjourn the same from time to time and from place to place, but no business shall be transacted at any adjourned Meeting other than the business left unfinished at the Meeting from which the adjournment took place.

29.27 Notice of adjourned Meeting

When a meeting is adjourned for thirty days or more, notice of the adjourned Meeting shall be given as in the case of the original Meeting but save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned Meeting.

29.28 Resolutions to be passed on show of hands and Chairman's casting vote

Every resolution submitted to a Meeting shall be decided in the first instance by a show of hands, and in the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the Meeting shall have a casting vote, in addition to the vote to which he may be entitled as a Member.

29.29 Right of directors to attend Meetings

Every Director of the company shall have the right to attend at any General Meeting of the company and also to take part in the discussions thereat even if he may not be required to hold any chares in the capital of the company.

29.30 Minutes of proceedings are conclusive

At any General Meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded in accordance with the provisions of Section 179 of the Act, a declaration by the Chairman that the resolution has or has not been carried, either unanimously or by a particular majority, and an entry to that effect in the book containing the Minutes of the proceedings of the company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes cast in favour of or against the resolution.

29.31 Poll ordered by Chairman

Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the chairman of the meeting of his own motion and shall be ordered to be taken by him on a demand made in that behalf, by

(a) at least five Members having the right to vote on the resolution and present in person or by proxy ;

(b) any Member or Members present in person or by proxy and having not less than one-tenth of the total voting power in respect of that resolution ;

or

(c) any Member or Members present in person or by proxy and holding Shares in the company conferring a right to vote on the resolution, being shares on which an aggregate sum has been paid-up which is not less than one-tenth of the total sum paid-up on all the Shares conferring that right.

29.32 Withdrawal of demand for poll

The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

29.33 Manner of taking poll

If a Poll is demanded as aforesaid it shall be taken forthwith on a question of adjournment or election of a Chairman and in any other case in such manner and at such time, not being later than forty eight hours from the time when the demand was made, and at such place as the Chairman of the Meeting directs, and, subject as aforesaid, either at once or after the interval or adjournment or otherwise ; and the result of the Poll shall be deemed to be the decision of the Meeting on the resolution on which the poll was demanded.

29.34 Appointment of Scrutineers

Where a poll is to be taken the Chairman of the Meeting shall appoint two scrutineers, one at least of whom shall be a Member (not being an officer or employee of the company) present at the Meeting provided such a Member is available and willing to be appointed, to scrutinise the votes given on the poll and to report to him thereon.

29.35 Removal of Scrutineers

The Chairman shall have power at any time, before the result of the poll is declared, to remove a scrutineer from office and to fill vacancies in the office of scrutineer arising from such removal or any other cause.

29.36 Voting on Poll by member or proxy

On a poll a Member entitled to more than one vote, or his proxy or other persons entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.

29.37 Continuance of Meeting on demand for poll

The demand of a poll shall not prevent the continuance of a Meeting for the transaction of any business other than the question on which a poll has been demanded.

29.38 Chairman to regulate poll

Subject to the provisions of the Companies Act, the Chairman of the meeting shall have power to regulate the manner in which a poll shall be taken.

29.39 Result of poll

The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.

29.40 Voting on show of hands

Save as hereinafter provided, on a show of hands every Member present in person and being a holder of equity shares shall have one vote.

29.41 Voting rights on poll

Save as hereinafter provided, on a poll the voting rights of a holder of equity shares shall be as specified in Section 87 of the Act.

29.42 Voting by joint holders of Shares

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 Shares 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, then one of the said persons so present whose name stands first on the Register in respect of such Share alone shall be entitled to vote in respect thereof. Several executors or administrators of a deceased Member in whose name a Share is registered shall for the purpose of this Article be deemed joint holders thereof.

29.43 Voting where member is deceased, lunatic, etc.

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 Share, provided that forty eight hours at least 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 Board of his right to transfer such Shares, unless the Board shall have previously admitted his right to vote at any such Meeting in respect thereof. If any Member be a lunatic, idiot or non compos mentis, he may vote whether on a show of hands or at a poll by his committee, curator bonis or other legal curator and such last mentioned persons may give their votes by proxy.

29.44 Members not entitled to voting rights

No Member shall be entitled to exercise any voting rights either personally or by proxy at any Meeting of the company in respect of any Shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the company has exercised any right of lien.

29.45 Admission or rejection of vote

Any objection as to the admission or rejection of a vote, either on a show of hands or on a poll made in due time, shall be referred to the Chairman who shall forthwith determine the same, and such determination made in good faith shall be final and conclusive.

29.46 Objection as to qualification of voter

No objection shall be raised to the qualification of any voter except at the Meeting or adjourned Meeting at which the vote objected to is given or tendered and every vote not disallowed at such Meeting shall be valid for all purposes.

29.47 Deposit of instrument of proxy, power of attorney

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 that power or authority, shall be deposited at the registered office of the company not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for taking of the poll; and in default the instrument of the proxy shall not be treated as valid.

29.48 Form of proxy

Every instrument appointing a proxy shall be retained by the company and shall be in the forms specified in Schedule IX of the Act or a form as near thereto as circumstances permit.

29.49 Validity of vote given by proxy holder

A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or the insanity of the principal, or the revocation of the instrument, or the transfer of the Share in respect of which the vote is given, provided that no intimation in writing of the death, insanity, revocation or transfer of the Shares shall have been received by the company at the Office before the commencement of the Meeting or adjourned Meeting at which the proxy is used ; 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 the instrument of proxy and that the same has not been revoked.

29.50 Directors to establish Reserve Fund

The Directors may, before recommending any dividend, set aside, out of the profits of the company, such sums as they think proper as a Reserve fund to meet contingencies, or for equalising dividends, or for special dividends, or for repairing, improving and maintaining any of the properties of the company, towards the depreciation of the assets and for such other purposes as the Directors shall in their absolute discretion think conducive to the interests of the company ; and may invest the several sums so set aside upon such investments (other than shares of this company) as they may think fit, and from time to time deal with and vary such investments, and dispose of all or any part thereof for the benefit of the company, and may divide the Reserve fund into such special funds as they think fit, and employ the Reserve fund or any part thereof in the business of the company, and that without being bound to keep the same separate from the other assets.

29.51 Dividend on Shares partly and fully paid up

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 be determined to divide 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 thereof 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 rank for dividends or confer a right to participate in profits, unless the terms of issue confer any special rights on any shares.

29.52 Declaration of dividend at General Meeting

The company in General Meeting may declare a dividend to be paid to Members according to their rights and subject to the provisions of Section 207 of the Act.

29.53 Dividend as declared in General Meeting

No larger dividend shall be declared than is recommended by the Board, but the company in General Meeting may declare a smaller dividend.

29.54 Dividends payable out of profits, etc.

Subject to the provisions of Section 205 of the Act, no dividend shall be payable except out of the profits of the company or out of moneys provided by the Central or a State Government for the payments of the dividend in pursuance of any guarantee given by such Government and no dividend shall carry interest against the company.

29.55 Board declaration of net profit

The declaration of the Board as to the amount of the net profits of the company shall be conclusive.

29.56 Payment of interim dividend

The Board may, from time to time, pay to the Members such interim dividends as appear to the Board to be justified by the profits of the company.

29.57 Retention of dividend

The Board may retain any dividends on which the company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

29.58 Dividend payable at registered address

Unless otherwise directed in accordance with Section 206 of the Act, any dividend, interest or other moneys payable in cash in respect of a Share may be paid by cheque or warrant sent through the post to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is the first named in the Register in respect of the joint holding or to such person and such address as the holder or 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. The company shall not be liable for any cheque or warrant lost in transmission or for any dividend lost to any Member by the forged endorsement of any such cheque or warrant.

29.59 Dividend payable on registration of transfer

A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer by the company.

29.60 Dividend payable in cash

No dividend shall be payable except in cash; provided that nothing in the foregoing shall be deemed to prohibit the capitalisation of profits or reserves of the company for the purpose of issuing fully paid-up bonus shares or paying up any amount for the time being unpaid on the shares held by the Members of the company.

29.61 Payment of dividend to registered holders

No dividend shall be paid in respect of Share except to the registered holder of such Share or to his order or to his bankers; but nothing contained in this Article shall be deemed to require the bankers of a registered Shareholder to make a separate application to the company for the payment of the dividend. Nothing in this Article shall be deemed to affect in any manner the operation of Article 150.

29.62 Unclaimed dividend not forfeited

No unclaimed dividend shall be forfeited by the Board and the company shall comply with the provisions of Section 205-A of the Companies Act, 1956 in respect of such dividend.

29.63 Effectual receipts by joint holders

Any one of several persons who are registered as the joint holders of any Share may give effectual receipts for all dividends, bonuses and other payments in respect of such Shares.

29.64 Notice of dividend

Notice of any dividend, whether interim or otherwise, shall be given to the persons entitled to share therein in the manner hereinafter provided.

29.65 Retention of dividend in case of transmission of Shares

The Directors may retain the dividends payable upon shares in respect of which any person is under the transmission clause entitled to become a Member, or which any person under that clause is entitled to transfer, until such person shall become a Member in respect of such Shares or shall duly transfer the same.

29.66 Distribution of reserves and profits

(1) The company in General Meeting may, upon the recommendation of the Board, resolve –

(a) that it is desirable to capitalise any part of the amount for the time being standing to the credit of the company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and

(b) that such sum be accordingly set free for distribution in the manner specified in clause (2) hereunder, amongst the Members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.

(2) The sum aforesaid shall not be paid in cash, but shall be applied, subject to the provision contained in clause (3) hereunder, either in or towards :

(i) paying up any amounts for the time being unpaid on any Shares held by such Members respectively ;

(ii) paying up in full, unissued Shares or Debentures of the company to be allotted and distributed, credited as fully paid-up to and amongst such Members in the proportions aforesaid ; or

(iii) partly in the way specified in sub-clause (i) and partly in that specified in sub-clause (ii).

(3) A share premium account and a capital redemption reserve fund may, for the purpose of this regulation, only be applied in paying up of unissued Shares to be issued to Members of the company as fully paid Bonus Shares.

29.67 Service of notice to pay call

If any Member fails to pay any call or instalment of a call on or before the day appointed for the payment of the same, the Board 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.

29.68 Form of notice

The notice aforesaid shall :-

(a) name a further day (not being less than one month 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 ; and

(b) state that, in the event of non-payment on 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.

29.69 Forfeiture on non-compliance with notice

If the requirements of any such notice as aforesaid are 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 Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

29.70 Nature of forfeiture

When any Share shall have been forfeited, notice of the resolution shall be given to the Member in whose name it stood immediately prior to the forfeiture or to his legal representative 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.

29.71 Effect of forfeiture

The forfeiture of a Share shall involve the extinction, at the time of forfeiture, of all interest, in and all claims and demands against the company in respect of that Share, and all other rights incidental to the Share except such as are by these Articles expressly saved.

29.72 Forfeited Share to become property of the company

Any Share so forfeited shall be deemed to be the property of the company, and the Board may sell, re-allot or otherwise dispose of the same in such manner as it thinks fit.

29.73 Power to annul forfeiture

The Board 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 it thinks fit.

29.74 Liability on forfeiture

(a) A person whose Share has been forfeited shall cease to be a Member in respect of the forfeited Share, but shall, notwithstanding such forfeiture, remain liable to pay and shall forthwith pay to the company all calls or instalments, interest and expenses owing upon or in respect of the Share, at the time of the forfeiture, together with interest thereon, from the time of forfeiture until payment, at twelve percent per annum and the Board may enforce the payment thereof, or any part thereof, without any deduction or allowance for the value of the Share at the time of forfeiture, but shall not be under any obligation to do so.

(b) The liability of such person shall cease if and when the company shall have received payment in full of all such moneys in respect of the Shares.

29.75 Evidence of forfeiture

(a) A duly verified declaration in writing that the declarant is a Director, the Managing Director, Manager or Secretary 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.

(b) The declaration aforesaid and the receipt of the company for the consideration, if any, given for the Shares on the sale or disposition thereof shall constitute a good title to such Shares. The company may appoint some person to execute a transfer of the Share in favour of the person to whom the Share is sold or disposed of.

(c) The transferee shall thereupon be registered as the holder of the Share.

(d) The transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the Share be affected by any irregularity or invalidity in the proceedings with reference to the forfeiture, sale or disposition of the Share.

29.76 Partial payment not to preclude forfeiture

Neither the receipt by the company of a portion of any money which shall from time to time be due from any Member to the company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the company in respect of the payment of any such money, shall preclude the company from thereafter proceeding to enforce a forfeiture of such Shares as hereinbefore provided.

29.77 Forfeiture provisions to apply to non-payment in terms of issue

The provision of Articles 25 to 34 hereof shall apply in the case of non-payments of any sum which, by the terms of issue of a Share, becomes payable at a fixed time whether on account of the nominal value of a Share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

29.78 Company's lien on Shares

The company shall have a first and paramount lien upon all the Shares (other than fully paid-up Shares) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys called or payable at a fixed time in respect of such Shares and no equitable interest in any Shares shall be created except upon the footing and condition that Article 16 hereof is to have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such Shares. Unless otherwise agreed the registration of a transfer of Shares shall operate as a waiver of the company's lien, if any, on such Shares. The Directors may at any time declare any Shares to be wholly or in part to be exempt from the provisions of this Article.

29.79 Enforcing lien by sale

For the purpose of enforcing such lien the Board may sell the Share subject thereto in such manner as it thinks fit, but no sale shall be made until such time for payment as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served on such Member, his executor or administrator or his committee, curator bonis or other legal representative as the case may be and default shall have been made by him or them in the payment of the moneys called or payable at a fixed time in respect of such Share for one month after the due date of notice, but if the Shareholders over whose Shares the lien exists be outside India two months' notice shall be allowed.

29.80 Evidence that power of sale has arisen

A certificate in writing under the hands of a Director that the power of sale given by the preceding Article has arisen and is exercisable by the company under these presents shall be conclusive evidence of the facts therein stated.

29.81 Validity of sales in exercise of lien and after

Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers herein before given, the Board may appoint some person to execute an instrument of transfer of the Share sold and cause the purchaser's name to be entered in the Register in respect of the Share 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 Share, the validity of the sale shall not be impeached by any person, and the remedy of any person aggrieved by the sale shall be in damages only and against the company exclusively.

29.82 Application of proceeds of sale

The net proceeds of sale shall be received by the company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable.

30. Material Contracts And Documents For Inspection

The Material Contract and Documents for Inspection will be the documents and contracts set out in clause 31 titled "Documents for Inspection" on page 91 of Section II of this Letter of Offer.

FINANCIAL INFORMATION
REPORT OF THE AUDITOR'S

Date:
The Board of Directors
RML
132 Cathedral Road
Chennai 600 086

Dear Sirs

We have examined financial information of RML ('the Company" "RML), as attached to this report stamped and initialed by us for identification and as approved by the authorized directors pursuant to the resolution of the Board Directors of the Company, which has been prepared in accordance with the DIP Guidelines as amended till 28th May, 2004 ("the Guidelines") issued by the Securities and Exchange Board of India ("SEBI") on January 19,2000 in pursuance to section 11 of the SEBI Act and the related clarifications XIII and XIV issued by SEBI, except as indicated otherwise in the notes to accounts.

A. FINANCIAL INFORMATION AS PER THE AUDITED FINANCIAL STATEMENTS.

We have examined the accompanying Statement of Profits and Losses of RML for each of the years ended March 31, 2000, March 2001, March 31, 2002, March 31, 2003 and March 31, 2004 and the accompanying Statement of Assets and Liabilities of the Company as at those dates. These statements reflect the Profit and Losses for each of the relevant years and Assets and Liabilities as on March 31, 2000, march 31, 2001, March 31, 2002, March 31, 2003 and March 31, 2004, as extracted from the Profit and Loss Account for those years and Balance Sheets as at those dates, audited by us.

We have also examined the accompanying Statements of Profits and Losses of the subsidiary, viz. RIL and Statement of Assets and Liabilities from the year in which it became subsidiary. These statements reflect the Profits and Losses and assets and Liabilities of the subsidiary for each of the relevant years/periods and together with the Notes thereon as extracted, without any adjustments, from the Profit and Loss accounts and Balance Sheets of the subsidiary for the relevant ears/periods, as audited by the under mentioned firm of auditors

Name of Subsidiary	Auditors
RIL	Sridhar & Santhanam

The financial statements of the above subsidiary have not been consolidated into the attached summary statement of the Company but are enclosed separately to this report.

B. OTHER FINANCIAL INFORMATION

We have also examined the following financial information relating to RML proposed to be included in the offer Document, and annexed to this report.

1) Summary of financial ratios based on the adjusted profits relating to earnings per share, net asset value and return on net worth.

2) Statement of rates of dividend paid

3) Statement of taxation

In our opinion, the financial information of the Company, as attached to this report as mentioned in paragraphs (A) and (B) above read with respective significant accounting policies, after making groupings and adjustments, have been prepared in accordance with the Guidelines issued by SEBI on January 19, 2000 amended till 28th May 2004, in pursuance of Section 11 of the SEBI Act and the related clarifications XIII and XIV issued by SEBI.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed offer by the Company to the shareholders of REVL pursuant to SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997 and subsequent amendments thereof ("Takeover Regulations") to acquire up to 1008,000 fully paid up equity shares of REVL, and is not be used, referred to or distributed for any other purpose without our prior written consent.

Yours faithfully
for and on behalf of
D RANGASWAMY & Co.
Chartered Accountants

B RAMANI
Partner

"Financial Information" dealt with by this report :

PART A

Financial Information of RML

(All figures in Rs.'000s except per share data)

a. Statement of Assets and Liabilities

b. Statement of Profits and Losses

c. Major Notes to, including inter alia significant Account Policies followed by the Company, and forming a part of the Statements of Profits and Losses and statement of Assets and Liabilities

Including :

i) Statement of Cash Flows of the Company
ii) Changes in the Accounting Policies during 1998-99 to 2003-04
iii) Exceptional Items
iv) Details of Other Income
v) Tax Statement
vi) Rates of Dividend
vii) Age wise analysis of Sundry Debtors and details of Loans and Advances as at 31st March 2004
viii) Capitalisation Statement
ix) Details of Reserves and Surplus
x) Details / Analysis of Outstanding Unsecured Loans taken by the Company
xi) Principal Terms of Loans and Assets charged as Security
xii) Related Party Transactions
xiii) Accounting Ratios

PART B

Financial information of RIL, a wholly owned subsidiary of RML

i) Statement of Assets and Liabilities

ii) Statement of Profits and Losses

PART A

Financial information of RML

a. Statement of Assets and Liabilities

		Description	31.03.04	31.03.03	31.03.02	31.03.01	31.03.00
	A	Fixed Assets					
		Gross Block	1,105,026	1,033,242	999,422	1,009,676	955,770
		Less : Depreciation	(598,217)	(542,778)	(488,185)	(437,362)	(392,821)
		Net Block	506,809	490,464	511,237	572,314	562,949
		Capital Work-in-Progress	15,618	22,648	1,300	680	31,121
		Total	522,427	513,112	512,537	572,994	594,070
	B	Investments	76,912	79,774	96,780	32,412	129,524
	C	Deferred Tax Assets	32,190	8,330			
	D	Current Assets, Loans & Advances					
		Inventories	276,780	181,332	167,414	171,148	136,960
		Sundry Debtors	353,757	289,598	455,055	425,530	464,183
		Cash and Bank Balances	4,266	5,838	12,303	18,004	52,881
		Other Current Assets					
		Loans and Advances	50,418	66,106	29,320	57,691	53,270
		Total	685,221	542,874	664,092	672,373	707,294
	E	Liabilities and Provision					
		Loan Funds					
		Secured	512,758	535,346	591,168	545,517	632,110
		Unsecured	70,246	62,486	51,151	27,474	23,336
		Total	583,004	597,832	642,319	572,991	655,446
F	Deferred Tax Liability				36,838		
G	Current Liabilities and Provisions						
	Current Liabilities		367,622	255,118	343,936	314,783	283,835
	Provisions		28,387	8,639	8,393	7,859	16,947
	Total		396,009	263,757	352,329	322,642	300,782

H	Net Worth	337,737	282,501	241,923	382,146	474,660
	Represented by :					
I	Shareholder's Funds					
	Share Capital	121,953	121,953	141,953	141,953	141,953
	Reserves	215,784	244,922	224,673	284,155	377,282
	Balance in Profit and Loss Account					
	Total	337,737	366,875	366,626	426,108	519,235
	Less					
J	Miscellaneous Expenditure					
	(to the extent not written off or adjusted)					
	Deferred Revenue Expenditure		84,374	124,703	43,962	44,575
K	Net Worth	337,737	282,501	241,923	382,146	474,660

b. Statement of Profits and Losses

Description	2004	2003	2002	2001	2000
Income					
Sales					
Of Products Manufactured by the Company	1,996,738	1,440,856	1,360,832	1,297,271	1,473,052
Less Excise Duty	(263,860)	(199,996)	(195,550)	(186,145)	(200,942)
Net Sales	1,732,878	1,240,860	1,165,282	1,111,126	1,272,110
Total Sales	1,732,878	1,240,860	1,165,282	1,111,126	1,272,110
Other Operating Income	24,010	20,149	15,317	13,766	12,019
Other Income	39,313	35,654	36,391	2,964	23,658
Increase / (Decrease) in Inventory	31,461	10,678	8,079	29,844	199
Total Income	1,827,662	1,307,341	1,225,069	1,157,700	1,307,986
Expenditure					
Raw Materials & Components Consumed	1,027,925	685,618	640,580	656,450	704,914
Staff Costs	213,193	193,908	180,885	192,465	188,456
Other Manufacturing Expenses	266,648	216,473	204,866	149,766	151,151
Administration Expenses	17,233	16,913	14,897	25,364	22,084
Selling & Distribution Expenses	108,849	67,939	58,610	71,698	43,836
Interest	84,590	108,650	115,133	125,731	121,969
Depreciation	67,903	65,890	64,657	63,496	61,136
Total Expenditure	1,786,341	1,355,391	1,279,628	1,284,970	1,293,546
Net Profit before tax & Exceptional items	41,321	(48,050)	(54,559)	(127,270)	14,440
Provision for Taxation	(22,860)	(13,590)	5,386		
Net Profit after tax & before Exceptional items	64,181	(34,460)	(59,945)	(127,270)	14,440
Extra Ordinary Item of Expenditure		(26,682)	(82,525)	(8,355)	
Exceptional Items	7,835	62,146	114,439	42,500	
Net Profit after tax & Exceptional items					
Prior year adjustments	72,016	1,004	(28,031)	(93,125)	14,440
Reversal of transitional provision for deferred tax liability		(30,045)			
Reversal of IT Provision - No longer Considered necessary					6,500
Surplus Brought Forward	20,249				
Transfer from Debenture Redemption Reserve	42,082			4,590	7,919
Profit available for appropriation	134,347	31,049	(28,031)	(88,535)	28,859
Appropriations :					
Debenture Redemption Reserve					
General Reserve	92,431		(28,031)	(88,535)	2,500
Contingency Reserve					
Dividend on Preference Shares	10,800	10,800			15,000
Tax on above Dividend	1,384				1,650
Proposed Dividend	4,195				4,195
Tax on Proposed Dividend	537				923
Balance carried to Balance Sheet	25,000	20,249			4,591

C - Major Notes to and forming part of the statement of Profit and Loss Account and Statement of Assets and Liabilities, with a view to give a better understanding of the aforesaid statements:

1. Significant events during the last five years, which would better explain the Statements dealt with by these notes :

   Nil

2. Statement showing contingent liabilities not provided for in respect of

Description	As at 31st March				
	2004	2003	2002	2001	2000
Letter of Credits and Bank Guarantees	7,608	2,540	6,645	18,936	4,986
Guarantee Issued	25,000	104,150	118,950	138,350	177,790
Commitment on Capital Expenditure	13,394	27,825	1,128	4,136	5,852

Notes pertaining to Financial Year ended on March 31, 2000

3. Paid-up Preference Share Capital consists of, privately placed 5 million - 13% Cumulative Redeemable Preference Shares of Rs.10 each fully paid up redeemable at par at the latest by 18Th February, 2003, and 3 million - 13% Cumulative Redeemable Preference Shares of Rs.10 each fully paid up redeemable at par at the latest by 19th February, 2003 and 2 million 10.5% Cumulative Redeemable Preference Shares of Rs.10 each fully paid up, redeemable at par at the latest by 13th February, 2003.

4. The interim dividend of Rs.16,650,000 approved on paid-up cumulative redeemable preference share capital includes arrears of 1998-99 amounting to Rs.2,775,000. Out of the said amount of Rs.16,650,000 a sum of Rs.5,106,000 has already been paid on 31.3.2000.

5. The loss of Rs. Nil (Rs.2,154,969) arising out of conversion of ICICI Foreign Currency Loan into Rupee Term Loan is adjusted against the carrying cost of the relevant fixed assets.

6. Sundry Debtors include Rs.1,667,000 (Rs.3,334,000) due on account of sale of Investment receivable in Dec.2000.

7. Deferred Revenue Expenditure outstanding as on 31st March, 2000 includes Rs.3,444,202 (Rs.23,573,904) paid under Voluntary Retirement Scheme to employees during the current year. Deferred Revenue Expenditure of Rs.8,459,200 (Rs.5,195,988) has been charged to the Profit and Loss Account under natural heads of accounts.

8. Tax liability amounting to Rs.22,239,737 for assessment year 1996-97 and Rs.4,010,173 for assessment year 1997-98 disputed by the Company and lie in appeal. On the strength of the opinion of the Tax Counsel no provision has been made for it in the accounts.

Notes pertaining to Financial Year ended on March 31, 2001

9. Paid-up Preference Share Capital consists of, privately placed

   a. 5 million - 13% Cumulative Redeemable Preference Shares of Rs.10 each fully paid up held by Industrial Development Bank of India redeemable at par in two equal instalments on 18th February, 2002 and 18th February, 2003

   b. 3 million - 13% Cumulative Redeemable Preference Shares of Rs.10 each fully paid up held by Industrial Development Bank of India redeemable at par in two equal installments on 19th February,2002 and 19th February, 2003

   c. 2 million 10.5% Cumulative Redeemable Preference Shares of Rs.10 each fully paid up, held by ICICI Banking Corporation Ltd redeemable at par on 13th February, 2003

10. Deferment Loan : Sales tax pertains to sales tax payable in respect of sales from Mysore Plant. This is granted as interest free unsecured loan. Each month’s deferred sales tax liability is payable after seven years.

11. The Company has provided non-disposal undertaking to the Financial Institutions in respect of Investments in the equity share of RBL, REVL, and Rane TRW Steering Systems Ltd.

12. Disinvestment of shares held in Rane Nastech Ltd., TRW Rane Occupant Restraints Ltd., and Rane TRW Steering Systems Ltd., resulting in a gain of Rs.42,500,000 has been disclosed under other income. There is no tax liability on this capital gain in view of indexation benefit and the loss incurred during the year from the operations.

13. Investment in Chennai Wellingdon Corporate Foundation includes 2 shares allotted to the Company during the year against the donation the Company had made in earlier years.

14. Deferred Revenue Expenditure outstanding as on 31st March, 2001 includes Rs.7,246,750 (Rs.3,444,202) paid under Voluntary Retirement Scheme to employees during the current year. Deferred Revenue Expenditure of Rs.9,175,041 (Rs.8,459,200) has been charged to the Profit and Loss Account under natural heads of accounts.

Notes pertaining to Financial Year ended on March 31, 2002

15. Paid-up Preference Share Capital consists of, privately placed

   a. 8 million- 13% Cumulative Redeemable Preference Shares of Rs.10 each fully paid up are redeemable at par. No dividend has been paid on these shares for 2000-01 and no dividend in proposed for 2001-02 due to loss incurred in both the years. The Company is negotiating deferment of redemption of Rs.40 million due in February, 2002 and Rs.40 million due in February, 2003. Pending final clearance from the Preference Shareholders, the Company has agreed to pay Rs.26.4 million (paid Rs.20.8 million on 27-03-2002) as compensation towards change / variation in the rights of the preference shares by modification of the subscription agreement. The compensation of Rs.26.4 million has been charged off as an exceptional item during the current year. Consequently no liability towards preference dividend is envisaged.

b. 2 million 10.5% Cumulative Redeemable Preference Shares of Rs.10 each fully paid up, are redeemable at par on 13th February, 2003. No dividend has been paid on these shares for 2000-01 and no dividend is proposed for 2001-02 due to loss incurred in both the years. The dividend payable will be carried forward to the next year.

16. Deferment Loan Sales tax pertains to sales tax payable in respect of sales from Mysore Plant. This is granted as interest free unsecured loan. Each month's deferred sales tax liability is payable after seven years.

17. The Company has provided non-disposal undertaking to the Financial Institutions in respect of investment in the equity shares of RBL, and REVL,

18. As part of the restructuring arrangement of bringing all the JV Investments in the Group under one investment company, the company

- Purchased from RBL 479,975 equity shares in RIL
- Repurchased the JV equity shares in Rane TRW Steering Systems Ltd. (RTSSL) 1,863,901 Nos. TRW Rane Occupant Restraints Ltd. (TROR) 4,000,000 Nos. and Rane Nastech Ltd. (RNL) 8,000,000 Nos.
- Transferred all investment in the joint venture companies to RIL at cost.
- Subscribed to additional 400,000 equity shares in RIL at a premium in partial settlement of RIL's dues to the Company
- After restructuring sold to RBL 328,000 shares in RIL in partial settlement of the Company's dues to RBL
- As a result of the above
- There was a profit of Rs.114,439,200 from the sale of RIL shares to RBL
- As on 31st March, 2002 the Company owed Rs.60,320,000 to RBL (since paid Rs.24,000,000)
- As on 31st March, 2002 RIL owed the Company Rs.83,452,140 (since received Rs.47,000,000)
- The Company holds 62.72% of the equity share capital of RIL as on 31st March, 2002
- RIL became a Subsidiary of the Company with effect from 21st March, 2002

19. During the year the Company has written off Rs.44,041,656 in the aggregate of which a sum of Rs.13,334,320 was set off against provision already held. These relate mostly to line rejections by the customers in the past.

20. Unexpired Lease Rentals in respect of assets taken on lease before 01-04-2001 under Financial Lease is Rs.52,095,574 (Rs.69,080,217)

Notes pertaining to Financial Year ended on March 31, 2003

21. Paid-up Preference Share Capital consists of privately placed

a. 8 million - 13.5% Cumulative Redeemable Preference Shares of Rs.10 each fully paid up are redeemable at par in four equal annual installments commencing Feb 2005. Interim dividend of 13.5% aggregating to Rs.10.8 million for the year 2002-03 has been paid.

b. 2 million 10.5% Cumulative Redeemable Preference Shares of Rs.10 each fully paid up, has been fully redeemed at par in March, 2003

22. Land costing Rs.77,055 (Rs.77,055) building, furniture and fittings costing Rs.13,909,487 (Rs.13,909,487) and Capital work in progress amounting to Rs. Nil (Rs.6,627) represent proportionate share of group corporate property jointly owned with two other companies.

23. During the year the Company sold investments aggregating Rs.79.27 million (cost - Rs.17.12 million). The Company holds 51% of the equity share capital of RIL as on 31st March, 2003

24. Sundry Debtors include Rs. Nil (Rs.83,452,140) due from subsidiary company RIL (on account of sale of Investment).

25. Lease Rentals paid in advance in respect of assets taken on lease before 01-04-2001 under Financial Lease is Rs.27,923,413.

Notes pertaining to Financial Year ended on March 31, 2004

26. During the year the Company sold investments aggregating Rs.10,710,000 (Rs.79,268,250) { cost - Rs.2,875,635 (Rs.17,122,692) }. The sale made during the year was under the buy-back scheme and the Company holds 51% of the equity share capital of RIL as on 31st March, 2004.

27. Balance in Lease Rental paid in advance in respect of assets taken on lease before 01-04-2001 under Financial Lease is Rs.20,495,647 (Rs.27,923,413)

28. The deferred revenue expenditure of Rs.84,237,509 as on 31-03-2003 has been set off against the opening general reserve. An amount of Rs.18,716,434 representing licence fees paid to TRW Inc. for manufacture of SSLP product has been transferred to licence fee.

29. Taxes on Income

Deferred Tax Assets and Deferred Tax Liabilities at the close of each subsequent year have been disclosed in the manner required by Accounting Standard and clarification issued thereon. The details are given hereunder

	Transitional adjustment 31.03.01	Balance as at 31.03.02	Balance as at 31.03.03	Balance as at 31.03.04
Deferred Tax Liabilities :				
On Account of timing difference in				
A) Fixed Assets				
B) VRS				
C) Deferred Revenue	42,233	108,594	100,010	97,960
Expenditure	6,551			
D) Lumpsum Licence Fee				
Total		9,302	17,290	
Deferred Tax Assets :				5,220
On Account of timing difference in	48,784	117,896	117,300	103,180
A) Business Loss				
B) VRS				
C) Unabsorbed	13,220	13,220	27,880	23,580
Depreciation				12,000
D) Others		67,838	97,750	99,790
Total	4,112			
Net Deferred Tax	17,332	81,058	125,630	135,370
Asset / (Liability)	31,452)	(36,838)	8,330	32,190

3. Significant Accounting Policies followed by the Company

1. Basis of preparation of Financial Statements

1.1 The Company follows mercantile system of accounting and recognizes income and expenditure on accrual basis. The Financial Statements are prepared in accordance with generally accepted accounting principles and accounting policies that are based on mandatory accounting standards as applicable.

2. Fixed Assets

2.1 Fixed Assets are stated at cost of acquisition or construction, net of cenvat credit and depreciation. Cost includes direct cost and financing cost related to borrowing attributable to acquisition that are capitalised 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.

3. Depreciation

3.1 Depreciation is provided pro-rata with reference to the month of addition / deletion.

3.2 Depreciation is charged on assets at Mysore and Pondicherry plants and on assets procured after 31.03.1987 at Chennai plant on straight line basis at the rates specified in Schedule XIV to the Companies Act, 1956.

3.3 Depreciation is charged on assets procured before 31.03.1987 at Chennai plant on W D V basis at the rates specified in Schedule XIV of the Companies Act, 1956.

3.4 Depreciation on the following assets is charged on the basis of their estimated useful lives at rates higher than those prescribed in the Companies Act, 1956.

Assets	Useful life (years)
1. Vehicles	5
2. Furniture and Fittings	5
3. Office Equipment	3

3.5 Assets costing less than Rs.5,000 each are fully depreciated in the year of acquisition.

3.6 License fees is amortised over the period of license.

4. Investments

4.1 Investments are categorized into Long Term and Current Investments.

4.2 Long Term Investments are valued at cost and current investments are valued at lower of cost and fair value.

4.3 Any decline in the value of long term investments is recognised by reducing the value of Investments unless such reduction is of a temporary nature.

4.4 Any gain or loss as the case may be, arising on disposal of such investments is reckoned as income or expenditure of the year.

5. Inventories

5.2 Raw materials, work-in-progress and finished goods are valued at lower of cost and net realisable value. Other items of inventory are valued at cost. Cost is determined on weighted average basis.

5.3 Finished goods includes excise duty.

6. Foreign currency transactions

6.1 Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transaction or at the exchange rate under the related foreign exchange contract.

6.2 Gain or loss in respect of foreign exchange fluctuation on transactions concluded during the year is recognised as income or expenditure of the year.

6.3 Current assets and current liabilities other than those relating to fixed assets in foreign currencies are translated at the rates of exchange prevailing on the balance sheet date or at the forward exchange contract rates. Gain or loss arising on such transactions is recognised as income or expenditure of the year.

6.4 Gain or loss on translation of long term liabilities utilised for acquisition of fixed assets is adjusted against the carrying cost of the relevant fixed asset.

7. Borrowing costs

7.1 Borrowing costs attributable to acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. Qualifying assets are those that take substantial time to get ready for intended use. Other borrowings are recognised as revenue in nature.

8. Lease/Hire Purchase

8.1 Interest due on Hire Purchase transactions and Lease Rentals paid as per contractual obligations are charged to revenue.

9. Research & Development

9.1 Revenue expenditure is charged to Profit and Loss Account under natural heads.

9.2 Capital expenditure is shown as addition to Fixed Assets under natural heads.

10. Retirement Benefits

10.1 The Company has various schemes of Retirement Benefits such as Provident Fund, Superannuation Fund and Gratuity Fund duly recognised by the Income Tax authorities and the Company's contributions are charged to Profit and Loss Account every year. The Gratuity and Superannuation funds are administered by Trust formed for this purpose, through the scheme of Life Insurance Corporation of India.

10.2 Leave encashment is provided for annually on accrual basis, with no further obligations beyond annual commitments.

11. Deferred Revenue Expenditure

11.1 Deferred Revenue Expenditure is charged off over a period during which the benefits from such expenditure are derived.

12. Revenue recognition

12.1 Sales are recognised on despatch of goods and recorded net of sales return and trade discounts and exclude sales tax and other charges.

12.2 Sales include excise duty recovered.

13. Income Tax

13.1 Taxes are computed as an aggregate of Current Tax and Deferred Tax following the tax effect accounting method. Deferred Tax is computed as the tax effect on the aggregate of the timing differences on recognition of a deferred tax asset or liability. Deferred tax assets are recognised only if there is reasonable certainty that they will be realised and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

14. Earnings per share

14.1 Earnings per share is determined by considering the net profit after tax and the weighted average number of shares outstanding at the year-end.

i) Statement of Cash Flows of the Company

	Particulars	2004	2003	2002	2001	2000
A	Cash Flow from Operating Activities :					
	Net Profit / (Loss) Before Tax	49,156	(12,586)	(22,645)	(93,126)	14,440
	Adjustment For :					
	Interest / Depreciation / Other Non Cash Expenses	68,039	115,955	85,435	91,781	69,594
	Interest / Dividend / Other Adjustments	(38,780)	(34,964)	(23,320)	(3,065)	(17,102)
	Operating Profit before extraordinary Income / expenditure	78,415	68,405	39,470	(4,410)	66,932
	Debtors written off			30,707		
	Compensation Paid to IDBI			26,400		
	Profit on Sale of Investments	(7,835)	(62,146)	(114,439)	(42,809)	(6,851)
	Operating Profit before Working Capital Changes	70,580	6,259	(17,862)	(47,219)	60,081
	Changes in Working Capital (Increase) / Decrease	1,292	25,514	(10,163)	11,621	2,338
	Cash generated from Operations	71,872	31,773	(28,025)	(35,598)	62,419
	Interest paid	84,590	108,650	115,133	125,731	121,969
	Direct Taxes paid	(709)	(3,975)	(265)	(60)	(2,659)
	Net Cash from Operating Activities (A)	155,753	136,448	86,843	90,073	181,729
B	Cash Flow from Investment Activities :					
	(Additions) / Deductions to Fixed Assets / Other Adjustments	(27,741)	47,842	69,191	100,565	(47,349)
	Net Cash used in Investing Activities (B)	(27,741)	47,842	69,191	100,565	(47,349)
C	Cash Flow from Financing Activities :					
	Increase / (Decrease) in Share Capital / Borrowings	(14,828)	(74,223)	(32,145)	(91,018)	27,797
	Adjustments to net worth					
	Interest paid	(114,756)	(105,732)	(108,790)	(117,835)	(110,962)
	Dividend	(10,800)	(20,800)	(16,662)	(19,195)	
	Preference Share Issue Expenses					
	Net Cash used in Financing Activities (C)	(129,584)	(190,755)	(161,735)	(225,515)	(102,360)
	Net Change in cash and cash equivalents (A+B+C)	(1,572)	(6,465)	(5,701)	(34,877)	32,020
	Cash and cash equivalents (Opening Balance)	5,838	12,303	18,004	52,881	20,861
	Cash and cash equivalents (Closing Balance)	4,266	5,838	12,303	18,004	52,881
	Difference in cash & cash equivalents (CL - OP)	(1,572)	(6,465)	(5,701)	(34,877)	32,020
ii)	Changes in the Accounting Policies during 1999-2000 to 2003-04					
	Nil					

iii) Exceptional Items

	Description	31.03.04	31.03.03	31.03.02	31.03.01	31.03.00
	Exceptional Item of expenditure:					
	Debtors written off			30,707		
	VRS Charged off		26,682	25,418	8,355	
	Compensation towards change/variation in the rights of the preference shares-IDBI			26,400		
			26,682	82,525	8,355	
	Income:					
	Profit on sale of investments	7,835	62,146	114,439	42,500	
	Total	7,835	62,146	114,439	42,500	

iv) Details of Other Income

Description	31.03.04	31.03.03	31.03.02	31.03.01	31.03.00
Profit Before Tax (excluding exceptional items)	41,321	(48,050)	(54,559)	(127,271)	14,440
20% of Net Profit Before Tax	8,264	NA	NA	NA	2,888
Other Income for the year	63,323	55,803	51,708	16,730	35,677
Other Income Details :					
Recurring from Business Activities	24,010	20,149	15,317	13,766	12,019
Not Recurring from Business Activities :					
Gain on Foreign Exchange Fluctuation					
Non-compete fee			5,500		
Trademark fee received		2,877			
Others	273	854	711	88	268
Surplus on Sale of Assets	1,214	2,001	4,756	2,567	6,832
Sub Total	1,487	5,732	10,967	2,655	7,100
Income from Investment Activities					
Dividend	37,826	29,922	25,424		16,539
Profit on sale of investments				309	19
Sub Total	37,826	29,922	25,424	309	16,558
Total Other Income	63,323	55,803	51,708	16,730	35,677

v) Tax Statement

Particulars	31.03.04	31.03.03	31.03.02	31.03.01	31.03.00
Provision for Tax as per Books					
Profit as per Books	49,156	(12,586)	(22,646)	(93,126)	14,440
Less Profit on sale of investments	7,835	62,146	114,439	42,809	(1,004)
Business profit as per books	41,321	(74,732)	(137,085)	(135,935)	15,444
Tax Rate (%)	35.875	36.750	35.700	39.550	38.500
Notional Tax Liability	**14,824**	**-**	**-**	**-**	**5,946**
Adjustments					
Income exempt u/s 10-Dividends	(37,826)	(29,922)	(25,424)	-	(16,539)
Difference between Tax & Book Depreciation	(222)	9,747	4,135	(8,046)	(11,558)
Other adjustments	(17,717)	10,605	(25,589)	16,037	(6,697)
Total adjustments	**(55,765)**	**(9,570)**	**(46,878)**	**7,991**	**(34,794)**
Tax savings thereon	**20,006**	**3,517**	**16,735**	**(3,160)**	**13,396**
Long Term Capital gain/loss adjusted against business loss	6,336	36,276	94,745	19,372	(1,745)
Tax provision/Provision u/s 115JA/JB	1,000	Nil	Nil	Nil	Nil

vi) Rates of Dividend

Particulars	31.03.04	31.03.03	31.03.02	31.03.01	31.03.00
equity shares of RML					
Rate of Dividend	10%	—	—	—	10%
Dividend Amount	4,195	—	—	—	4,195
Preference Shares					
13.5% Cumulative Redeemable Preference Shares	Rs.8 Cr	Rs.8 Cr	Rs.8 Cr	Rs.8 Cr	Rs.8 Cr
Rate of Dividend	13.50%	13.50%	—	—	13.00%
Dividend Amount	10,800	10,800	—	—	10,400
10.5% Cumulative Redeemable Preference Shares			Rs.2 Cr	Rs.2 Cr	Rs.2 Cr
Rate of Dividend					10.50%
Dividend Amount					2100
Arrears					
13.5% Cumulative Redeemable Preference Shares - 3.0%					2400
10.5% Cumulative Redeemable Preference Shares - 0.5%					100

vii) Age wise Analysis of Sundry Debtors and details of Loans and Advances as at 31st March 2004

Particulars	31.03.2004
Sundry Debtors, Unsecured, considered good	
1. Exceeding Six months	
Good	
Doubtful	
2. Others	5,473
	—
	348,284
TOTAL	353,757

Particulars	31.03.2004
Loans and Advances, Unsecured, considered good	
Advances recoverable in cash or in kind or for value to be received	
Good	27,787
Doubtful	—
Less : Doubtful	—
Advance for Capital Goods for projects under implementation	—
Security Deposit for supply / purchase of power	—
Other deposits	6,730
Expenditure to date on Projects pending adjustment on completion / conclusion	3,281
Balances with Customs, Central Excise Departments	10,429
Tax paid in advance	2,191
TOTAL	50,418

viii) Capitalisation Statement

Particulars	Pre issue 31.03.2004	As adjusted for issue
Borrowings :		
Short term debt	115,503	115,503
Long term debt	467,501	467,501
Shareholders' Funds		
Share Capital		
Equity	41,953	81,314
Preference Share	80,000	80,000
Reserve and Surplus	215,784	215,784
Less : Deferred Tax Assets	(32,190)	(32,190)
Total Shareholders' Funds	305,547	344,908
Long term Debt/Equity Ratio	1.53:1	1.36:1

Note: 1. Since 31.03.2004 (which is the last date as of which financial information has been given in this document), the equity share capital was increased from Rs.41.953 million to Rs.61.153 million consequent to the preferential issue of 1.920 million shares to the promoters.

2. The adjusted equity share capital of Rs. 81.314 million is on the assumption of full 20% response to the open offer from the shareholders of REVL and the resultant issue of additional shares by the RML in terms of the open offer.

ix) Details of Reserves and Surplus

	Particulars	31.03.04	31.03.03	31.03.02	31.03.01	31.03.00
1.	Capital Subsidy	1,500	1,500	1,500	1,500	1,500
2.	Debenture Redemption Reserve		42,082	42,082	40,082	40,082
3.	General Reserve	189,284	181,091	181,091	242,574	331,109
4.	Surplus (Deficit) in Profit and Loss Account	25,000	20,249	—	—	4,591
	Total	**215,784**	**244,922**	**224,673**	**284,156**	**377,282**

x) Details / Analysis of Outstanding Unsecured Loans taken by the Company

SN	Name of the Lender	Facility	Sanctioned Amount	Balance INR 31.03.04	Rate of Interest	Repayment Schedule	
1	Karnataka State Govt Sales tax deferral scheme	Interest free Sales Tax Loan	72,000	28,880	Nil	2006-07	3,017
						2007-08	1,216
						2008-09	6,120
						2009-10	5,335
						2010-11	13,192
2	FD Holders	Fixed Deposits	118,160	41,336			

xi) Principal terms of loans and assets charged as security

Reference may be made to clause 12.20 titled "Long term loans" on Page 50 of Section II of this Letter of Offer.

xii) **Related Party Transaction**

Related Party disclosures have been set out herein below. The related parties, as defined by Accounting Standard - 18 'Related Party Disclosures' issued by the Institute of Chartered Accountants of India, in respect of which the disclosures have been made, have been identified on the basis of disclosures made by the key managerial persons and taken on record by the Board.

(Rs. in 000's)

S. No	Particulars	Year	Subsidiary company	Associates
1	Purchase of Goods	2003-04		Nil
		2002-03		602
		2001-02		74
2	Sale of Goods	2003-04		81,567
		2002-03		45,870
		2001-02		32,119
3	Sale of Shares	2003-04	10,710	Nil
		2002-03	10,164	52,619
		2001-02	240,052	167,280
4	Subscription to / Purchase of Shares	2003-04		
		2002-03		
		2001-02	129,600	227,600
5	Trademark Fee Received	2003-04		25
		2002-03		25
		2001-02		25
6	Rent Paid	2003-04		324
		2002-03		324
		2001-02		324
7	Guarantee Commission Paid	2003-04		233
		2002-03		233
		2001-02		149
8	Security Provided by RBL for Term Loan	2003-04		23,333
		2002-03		23,333
		2001-02		23,333
9	Purchase of Assets	2003-04		Nil
		2002-03		Nil
		2001-02		20
10	Balance Payable by RML as on	31.03.2004		175
		31.03.2003		233
		31.03.2002		60,469
11	Balance Receivable by RML as on	31.03.2004		7,441
		31.03.2003		4,314
		31.03.2002	83,452	9,971

Notes : Names of the related parties and description of relationship

S.No.	Particulars	Name of the Party
1	Subsidiary	1. RIL
2	Associate	1. RBL
		2. Rane TRW Steering Systems Limited

xiii) Accounting Ratios

Ratios		31.03.04	31.03.03	31.03.02	31.03.01	31.03.00
Earnings per share (EPS)						
(excluding extra ordinary & exceptional items)						
Profit After Tax (PAT)		72,016	1,004	(28,031)	(93,126)	14,440
Exceptional Items						
Add: VRS Charged off			26,682	25,418	8,355	
Debtors written off				30,707		
Exceptional Expenses				26,400		
Less: Profit on Sale of						
Investments						
		(7,835)	(62,146)	(114,439)	(42,500)	
Net Profit after Tax	A	64,181	(34,460)	(59,945)	(127,271)	14,440
Less : Preference Dividend (including dividend tax)	B	12,184	10,800			16,650
Net Profit	C=A-B	51,997	(45,260)	(59,945)	(127,271)	(2,210)
Number of equity shares of RML	D	4,195,260	4,195,260	4,195,260	4,195,260	4,195,260
Earnings per share	C/D	12.39	(10.79)	(14.29)	(30.34)	(0.53)
Earnings per share after extra ordinary items						
Return on Net worth						
Net Profit after Tax	A	64,181	(34,460)	(59,945)	(127,271)	14,440
Net Worth	B	337,737	282,501	241,923	382,146	474,660
Return on Net worth	A/B	19.00%	-12.20%	-24.78%	-33.30%	3.04%
Net Asset value per equity share						
Equity Net Worth	A	257,737	202,501	141,923	282,146	374,660
Number of equity shares	B	4,195,260	4,195,260	4,195,260	4,195,260	4,195,260
Net Asset value per equity share	A/B	61.44	48.27	33.83	67.25	89.31

PART B

Financial information of RIL, a wholly owned subsidiary of RML

a. Statement of Assets and Liabilities (RIL)

	Description	**31.03.04**	**31.03.03**	**31.03.02**	**31.03.01**
A	Fixed Assets				
	Gross Block				630
	Less : Depreciation				(394)
	Net Block				236
	Capital Work-in-Progress				
	Total				**236**
B	Investments	258,458	251,450	291,309	10,979
C	Deferred Tax Assets				
D	Current Assets, Loans & Advances				
	Inventories				
	Sundry Debtors				
	Cash and Bank Balances	732	3,696	884	130
	Other Current Assets				
	Loans and Advances	2,054	2,074	1	32
	Total	**2,786**	**5,770**	**885**	**162**
E	Liabilities and Provision				
	Loan Funds				
	Secured				
	Unsecured	100,000	100,000	50,000	
	Total	**100,000**	**100,000**	**50,000**	
F	Deferred Tax Liability				
G	Current Liabilities and Provisions				
	Current Liabilities	119	55	83,590	92
	Provisions			433	(103)
	Total	**119**	**55**	**84,023**	**(11)**
H	Net Worth	161,125	157,165	158,171	11,388
	Represented by :				
I	Shareholder's Funds				
	Share Capital	8,450	8,800	8,800	4,800
	Reserves	152,675	148,365	149,371	6,588
	Balance in Profit and Loss Account				
	Total	**161,125**	**157,165**	**158,171**	**11,388**
	Less				
J	Miscellaneous Expenditure				
	(to the extent not written off or adjusted)				
	Deferred Revenue Expenditure				
K	Net Worth	161,125	157,165	158,171	11,388

b. Statement of Profits and Losses (RIL)

Description	2004	2003	2002	2001
Income				
Sales				
Of Products Manufactured by the company				
Less Excise Duty				
Net Sales				
Trade by the company				
Total Sales				
Export Incentives Received				
Other Operating Income				
Other Income	88,517	43,413	24,972	1,528
Increase / (Decrease) in Inventory				
Total Income	88,517	43,413	24,972	1,528
Expenditure				
Raw Materials & Components Consumed				
Staff Costs				
Other Manufacturing Expenses				
Administration Expenses	888	641	151	48
Selling & Distribution Expenses				
Interest	10,530	9,468	431	353
Depreciation			95	139
Total Expenditure	11,418	10,109	677	540
Net Profit before tax	77,099	33,304	24,295	988
Provision for Taxation	20	2,630	500	
Net Profit after tax	77,079	30,674	23,795	988
Surplus brought forward	705	10,921	997	909
Profit available for appropriation	77,784	41,595	24,792	1,897
Appropriations :				
Transfer to General Reserve	7,750	3,070	2,500	900
Transfer to Reserve Fund	15,420	6,140	4,759	
Interim Dividend	46,200	31,680	6,000	
Tax on dividend	5,919		612	
Balance carried to Balance Sheet	**2,495**	**705**	**10,921**	**997**

C - Major Notes to and forming part of the statement of Profit and Loss Account and Statement of Assets and Liabilities, with a view to give a better understanding of the aforesaid statements:

Notes pertaining to Financial Year ended on March 31, 2002

1. The company became a subsidiary of RML with effect from 21st March, 2002 consequent to RML acquiring from RBL 479,975 equity shares of the company.

   During the year the company issued 400,000 equity shares of Rs.10 each fully paid up at a premium of Rs.314 per share to the holding company.

   The name of the company was changed from Glendale Investments Limited to RIL effective May 28, 2002.

2. Reserves and Surplus

   As directed by the RBI, a sum of Rs.821,900 representing 20% of the profits from 1997-98 to 2000-01 has been transferred to Reserve Fund from General Reserve and Rs.4,759,100 representing 20% of the book profit of 2001-02 transferred to Reserve Fund from surplus of the year as required in terms of section 45 IC of the RBI Act, 1934.

3. Unsecured Loan

   The Unsecured Term Loan of Rs.50 million from Infrastructure Leasing and Financial Services Limited (ILFS) is guaranteed by RBL. The company has agreed to escrow the entire dividend income receivable from Rane TRW Steering Systems Limited into an Escrow and No-lien Bank Account opened exclusively for payment/repayment of the Term loan facility to ILFS.

4. Investments

As part of the restructuring arrangement of bringing all the JV Investments in the Group under one investment company, the company:

- acquired from RML the JV equity shares of Rs.10 each in Rane TRW Steering Systems Ltd (RTSSL) 4,319,115 Nos. TRW Rane Occupant Restraints Limited (TROR) 4,000,000 Nos. and Rane Nastech Limited RNL) 8,000,000 Nos
- issued 400,000 equity shares of Rs.10 each fully paid up at a premium of Rs.314 per share to RML in partial settlement of the dues.

As a result of the above, a sum of Rs.83,452,140 was due to RML as on 31st March, 2002 (since paid Rs.47,000,000).

Notes pertaining to Financial Year ended on March 31, 2003

1. Unsecured Loan

The Term Loan of Rs.100 million is guaranteed by RBL, who has also offered a pari passu charge on their property in Ambattur, Chennai as security for the loan.

Notes pertaining to Financial Year ended on March 31, 2004

1. Share Capital

During the year the company bought back 35,000 equity shares of RIL of Rs.10 each fully paid up at Rs.600 per share out of its Security premium Account and consequently the paid up share capital of the company was reduced to Rs.8.45 million from Rs.8.80 million and Securities Premium Account reduced to Rs.104.95 million from Rs.125.60 million.

2. Investments

The amalgamation of TRW Rane Occupant Restraints Limited (TROR) into Rane TRW Steering Systems Limited (RTSSL) was effected from 1st April, 2003 and the company was allotted 50,000 shares in RTSSL in lieu of 4,000,000 shares held in TROR.

3. Unsecured Loan

The Term Loan of Rs.100 million is guaranteed by RBL, who has also offered a pari-passu charge on their property in Ambattur, Chennai as security for the loan.

Significant Accounting Policies followed by the company

Basis of preparation of Financial Statements

The company follows mercantile system of accounting and recognizes income and expenditure on accrual basis. The Financial Statements are prepared in accordance with generally accepted accounting principles that are based on mandatory accounting standards as applicable.

Investments

Investments are accounted for in accordance with Accounting Standard (AS 13) (Accounting for Investments)

Investments are categorized into Long Term and Current Investments. Long Term Investments are stated at Cost. Any decline in the value of long term investments is recognized by reducing the value of investments unless such reduction is of temporary nature. Current Investments are stated at the lower of cost or market / fair value. Any gain or loss, as the case may be, arising on disposal of Investments is reckoned as income or expenditure of the year.

Revenue Recognition

Dividends are recognized when the right to receive is established.

31. Documents for Inspection

The following documents are regarded as material documents and are available for inspection at the office of HSBC Securities and Capital Markets (India) Private Limited, 52/60 Mahatma Gandhi Road, Fort, Mumbai 400 001 from 10.30 am to 3.00 pm on any day except Saturdays, Sundays, and Public/Bank Holidays until the Offer Closing Date. The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or contracts entered into more than two years before the date of this Letter of Offer) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of this Letter of Offer have been delivered to the RoC for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company located at Rane Corporate Centre, “Maithri”, 132 Cathedral Road, Chennai - 600086 from 10.00 a.m. to 3.00 p.m. on working days from the date of this Letter of Offer until the date of closure of the Offer:

1) Memorandum & Articles of Association of the Acquirer.

2) Copy of the Share Purchase Agreement dated April 9, 2004 entered into between RML, RBL and RIL on the one hand and the promoters being 1) L Lakshman, 2) L Lakshman (HUF), 3) Mrs. Pushpa Lakshman, 4) Harish Lakshman, 5) Vinay Lakshman, 6) L Ganesh, 7) L Ganesh (HUF), 8) Mrs. Meenakshi Ganesh, 9) Ms. Aparna Ganesh, 10) Aditya Ganesh, 11) Mrs. T G Saraswathy, 12) Mrs. Vanaja Aghoram, 13) Mr. T G G Raman and the persons acting in concert on the other.

3) Agreement dated August 18, 2004 with Integrated Enterprises Limited appointing them to act as Registrar to the offer.

4) Audited annual reports of RML, RBL and RIL for the years ending 31st March 2001, 2002 and 2003 and audited annual reports of REVL for the years ending 31 March 2001, 2002, 2003.

5) Copy of the Escrow Agreement dated April 10, 2004 with HSBC Bank, Chennai confirming the amount kept in the escrow account and the lien in favour of the Manager to the Offer.

6) Copy of the certificate dated April 9, 2004 from the Chartered Accountant certifying that the funds available to the Acquirer are adequate to fulfill its financial obligations in respect of the Offer under the Takeover Regulations.

7) Copy of the Bank Guarantee #FNGMDR 0400 dated April 9, 2004 for Rs 10.33 Crores issued by The Hongkong and Shanghai Banking Corporation favouring the Manager to the Offer.

8) Copy of the Public Announcement dated April 12, 2004.

9) Copy of the letter dated November 19, 2004 from SEBI in terms of proviso to Regulation 18(2) of the Takeover Regulations.

10) Copies of the applications made to the RBI and, in case the approval from RBI is received prior to the Offer Closing Date, the approvals.

11) Copy of the agreement dated April 10, 2004 between the Acquirer and Integrated Enterprises (India) Limited as the Depository Participant for opening the Depository Escrow Account for the purpose of the Offer.

12) Original Certificate of Incorporation of the Company dated March 3, 1936.

13) Second Certificate of Incorporation of the Company dated January 22 1998.

14) Original Certificate of Commencement of Business dated April 21, 1936.

15) Second Certificate of Commencement of Business dated February 9, 1998.

16) Certified true copy of the resolution of the Board of Directors of the Company, passed at its Meeting held on April 9, 2004 approving this issue.

17) Resolution of the Board of Directors of the Company, passed at its Meeting held on April 9, 2004 appointing a working committee to do all such acts, deeds for the offer.

18) Certified true copy of the resolution passed by the shareholders at the Extra-ordinary General Meeting held on May 11, 2004 approving this issue.

19) The report of the statutory auditors, D Rangaswamy & Co., Chartered Accountants, Chennai dated August 19, 2004 prepared as per Indian GAAP and mentioned in this Letter of Offer and copies of balance sheet and profit and loss account of RML referred to therein.

20) Resolution of the Board of Directors of the Company, passed at its Meeting held on August 23, 2004 approving this Letter of Offer.

21) Consent dated August 24, 2004 from D Rangaswamy & Co. for inclusion of their names and of their reports on accounts in the form and context in which they appear in this Letter of Offer.

22) A copy of the tax benefit report dated August 20, 2004 from Company's statutory auditors D Rangaswamy & Co.

23) Consents of Directors, Legal Advisors of the Company, Registrar to the Offer, Bankers to the Company, Company Secretary and Compliance Officer as referred to in their respective capacities.

24) General Power of Attorney executed by Directors of the Company in favour of Mr. P S Kumar, one of the directors, for signing and making necessary changes to this Letter of Offer.

25) Resolution of the Members of RML passed at the Annual General Meeting held on July 21, 2004 appointing D Rangaswamy & Co., as statutory auditors for the year 2004-2005.

26) Due Diligence Certificate dated September 7, 2004 to SEBI from HSBC Securities and Capital Markets (India) Private Limited.

27) SEBI observation Letters No. CFD/DCR/TO/AT/9944/04 dated May 17, 2004, and CFD/DCR/TO/AT/12414/04 dated June 14, 2004 and CFD/DCR/TO/AT/17437/04 dated August 9, 2004 in seriatim.

28) In-principle listing approval dated 25^{th} May 2004,and 1^{st} June 2004 from BSE and NSE respectively.

29) Tripartite Agreement between the Company, NSDL and Integrated Enterprises (India) Limited dated April 23, 1999

30) Tripartite Agreement between the Company, CDSL and Integrated Enterprises (India) Limited dated February 2, 2000.

DECLARATION

The Directors of the Acquirer and the PACs accept full responsibility for the information contained in this Letter of Offer. The Acquirer and the PACs would be severally and jointly responsible for ensuring compliance with the Takeover Regulations. The persons signing this Letter of Offer are duly and legally authorised to sign this Letter of Offer.

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by the SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Letter of Offer is contrary to the provisions of the Companies Act, 1956, the SEBI Act or rules made thereunder or guidelines issued, as the case may be. We further certify that all the statements in this Letter of Offer are true and fair.

The information relating to REVL has been obtained from publicly available information or from the Company.

SIGNED BY ALL THE DIRECTORS OF RML

SIGNED BY

Place : Chennai

Date : November 26, 2004

For RBL, RIL (Authorised Signatories)

Place : Chennai

Date : November 26, 2004

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