

RANE (MADRAS) LTD

Registered Office : "Maithri", 132, Cathedral Road, Chennai - 600 086.



Dear Shareholder,

This is to update you on a key strategic development in the Company after the date of the Directors' Report for 2012-13.

Your company has been expanding its business with focus on revenues both in and outside India. In addition, we have been looking at allied opportunities to expand our product portfolio - hydraulic products, for automotive, farm segments and the construction industry are some recent additions.

In our search for allied opportunities / additional products, we engaged in a dialogue with Rane Diecast Limited (RDL), a member of the Rane group. RDL specialises in precision high-pressure aluminium die casting products and export over 75% of their production. It emerged from the dialogue, that there are many significant operational and customer synergies.

By way of background, RDL was acquired by the group in the year 2005. The early years presented many unforeseen difficulties, global recession and declaration of bankruptcy by Chrysler, a major customer, were significant setbacks. These were in addition to the teething operational issues. Consequently, by 2008, the carried forward losses exceeded 50% of the networth and BIFR was duly notified. However, over the last 4 years, the operations have been successfully turned around and the operating EBITDA stabilised. Notwithstanding this, the debt content in the company is still in excess of the group policy. The current situation is, RDL has significant customer opportunities for increased business and therefore needs to expand capacities. The current size of the business and additional space requirements are constraints on expansion.

We concluded from the dialogue there were potentially significant business and operational synergies. As a first step, RML acquired from RDL's erstwhile promoter, the minority shareholding of 21.25% in the equity capital of RDL at a cost of Rs.5.73 crores. The balance 78.75% is held by the holding company, viz., Rane Holdings Limited.

Given the potential synergies and business opportunities for the Company, a merger scheme with RDL was presented to the Board. The Board of Directors, at its meeting held on June 28, 2013 approved the merger scheme with April 1, 2013 as the appointed date. The valuation was recommended by a firm of independent chartered accountants at an exchange ratio of 1 share of your Company for every 30 shares of RDL. As per the scheme, RML will take over all the assets and liabilities of RDL as on March 31, 2013. The merger would benefit both the businesses; RML in terms of increasing its product portfolio, realising cost synergies and increased exports, RDL would benefit through better financing terms and a sustainable size of operations. This merger proposal is subject to regulatory, legal and other statutory approvals and the scheme of amalgamation would be circulated to you as per Court directive.

We strongly believe that in the long term, your Company would benefit significantly by this move.

Thank you.

L Ganesh
Chairman

Place: Chennai
Date: July 15, 2013

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