



# KAR MOBILES LIMITED

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Sixty Second  
ANNUAL REPORT  
1998-99

**DIRECTORS**

L. Ganesh	- Chairman
V. Ramachandran	- Vice-Chairman & Managing Director
K.P. Balasubramanian	
R.K. Chari	
P.V. Devanarayanan	
A.S. Lakshmanan	
T.M. Ramachandran	
V. Srikanth	
K. Vishnumurthy Yerkadithaya	

**AUDITORS**

M/s. Varma & Varma

**LEGAL ADVISERS**

M/s. Srinivasa Moorthi & Ravikumar

**BANKERS**

State Bank of India

**REGISTERED OFFICE**

Sri Chitrapur Commercial Complex  
IV Floor - E, No.68, 15th Cross, 8th Main  
Malleswaram, Bangalore - 560 055

**FACTORIES**

Plot No.26, Peenya Industrial Area P.B. No. 5835 Bangalore - 560 058
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Plot No. 36-B & 37 Hirehalli Industrial Area Tumkur - 572 101
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**KAR MOBILES LIMITED****REPORT OF THE DIRECTORS**

The directors are pleased to present their sixty second annual report together with the accounts for the year ended 31st March, 1999.

**1.0 Financial Results**

	<b>1998-99</b>	<b>1997-98</b>
	<b>Rs.in</b>	<b>Rs. in</b>
	<b>million</b>	<b>million</b>
Sales and Operating Revenues	<b>439.00</b>	319.57
Profit before Tax/(Loss)	<b>14.27</b>	(16.42)
Provision for Tax	<b>2.10</b>	0.32
Profit after Tax / (Loss)	<b>12.17</b>	(16.74)
Investment Allowance		
Reserve withdrawn	<b>0.40</b>	0.02
Amount available for Appropriation	<b>12.57</b>	—

**2.0 Dividend and Retained Profits**

Considering the improved performance of the Company during the year under review and the fact that the unabsorbed losses of the previous year was mainly on account of the disruption in production caused by labour unrest at the Peenya unit, your directors recommend a dividend for the year 1998-99 at 15% of the equity capital amounting to Rs. 1.68 million. As per the Income Tax Act 1961, there will be no deduction of tax at source on this payment, but the company is liable to pay tax at 10% of amount distributed, plus a surcharge of 10% on the tax, amounting in all to Rs. 0.18 million. This leaves the company with retained profits of Rs. 10.70 million, of which Rs. 1.22 million is being transferred to General Reserve. The residual sum of Rs. 9.48 million is being adjusted against the loss of the previous year, thus reducing the carried forward loss at Rs. 3.66 million.

**3.0 General Review of the year**

It has been another disappointing year for the economy with the resurgence of industrial activity continuing to elude us. Although there were policy initiatives by the Government of India and significant increase in infrastructural spending, the associated multiplier effect was not felt during the fiscal year. The last quarter witnessed a change in the trends, with some growth being recorded in various segments of the automotive industry, but this by itself was inadequate to enhance capacity utilisation

during the year. Growth rates as may be seen from the table below were far from satisfactory.

	<b>1998-99</b>	<b>1997-98</b>
Passenger Cars	<b>-3.5%</b>	1%
Utility Vehicles	<b>12%</b>	-1%
Light Commercial Vehicles	<b>11.1%</b>	-24%
Heavy Commercial Vehicles	<b>-16%</b>	-39%
Farm Tractors	<b>-9%</b>	11%
Two Wheelers	<b>8.6%</b>	16%

(Source : ACMA Automotive Industry Report - May 1999)

The sub-optimal utilisation of capacity relative to the levels created in the earlier years, resulted in under-absorption of fixed costs. During the year, the company undertook various cost saving measures such as conserving capital spend, rationalisation of human resources through voluntary retirement schemes and other initiatives. It is as a result of such measures that your company was able to report profits during the year.

**4.0 Outlook for the Current year**

Your directors are more optimistic on the prospects for the year 1999-2000. However, political instability may continue to plague industrial performance. The resultant impact on automotive industry could be continued sluggishness. As part of a long term strategy to counter the vicissitudes of industry fortunes, your company has generated new business opportunities, in the overseas markets, part of which will come to fruition during the current year. These would position the company well for the future and ensure significantly higher growth, in comparison with industry growth rate.

**5.0 Year 2000 (Y2K) Related issues**

By virtue of the nature of its operations, your company does not face any major Y2K issues that could significantly affect its operations. Nevertheless, your directors are taking steps to ensure that all date dependent systems are fully Y2K compliant well before the end of the year. Since these are being handled primarily in-house, there is no significant cost implication relative to ensuring compliance.

**6.0 Deposits**

Deposits outstanding as on 31st March, 1999 amounted to Rs. 20.44 million. All deposits that matured during the year were repaid/renewed except for a sum of Rs. 0.13 million, for which claims were not lodged with the company.

## KAR MOBILES LIMITED

### 7.0 Directorate

Messrs. K P Balasubramanian and A S Lakshmanan retire by rotation under Article 116 of the Company's Articles of Association and being eligible offer themselves for re-election.

### 8.0 Conservation of Energy

The company has taken sufficient measures for optimising the usage of energy.

### 9.0 Technology Absorption

R&D efforts in the company in upgradation of the existing products and development of new products continue. The statement giving information as required under Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 is enclosed to this Report.

### 10.0 Foreign Exchange Earnings

Your company's export earnings during the year under review has been Rs. 150.46 million, which when compared with the previous year is more by Rs. 59.50 million. The total foreign exchange earned and outgo during the year are as under:

	(Rs.in million)
Foreign Exchange earned (FOB Value)	147.11
Foreign Exchange outgo	60.37

### 11.0 Employees

Information under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forms part of this report. However, as per the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956 the Report and Accounts are being sent to all shareholders of the Company excluding the statement of particulars of employees under Section 217(2-A) of the Act, which is available for inspection at the Registered Office of the company during normal working hours i.e. from 9.00 a.m. to 5.00 p.m. Any shareholder interested in obtaining a copy of the said Statement may write to the Registered Office of the Company.

### 12.0 Auditors

The company's auditors Messrs Varma & Varma, Chartered Accountants retire at the ensuing annual general meeting and are eligible for reappointment. The declaration under Section 224(1-B) of the Companies Act, 1956 has been received from them.

For and on behalf of the Board  
**V. Ramachandran**  
 Vice Chairman & Managing Director

**V. Srikanth**  
 Director  
 Bangalore  
 29th May, 1999

## FORM - B

Information as per Section 217(1)(e) of the Company Act, 1956 read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March 1999.

### Research and Development Activities.

Various activities including implementtion of Business Process Re-engineering in both the units of your company have started yielding results by way of improved productivity and quality of company's products.

### Technology Absorption.

The company's efforts to improve its production technology are still continuing. The technology acquired from TRW Inc, USA is effectively being used to enable the company to improve its process and production technology.

For and on behalf of the Board  
**V. Ramachandran**  
 Vice Chairman & Managing Director

**V. Srikanth**  
 Director  
 Bangalore  
 29th May, 1999

**KAR MOBILES LIMITED****REPORT OF THE AUDITORS**

TO THE MEMBERS OF  
KAR MOBILES LIMITED, BANGALORE.

- I. We have examined the attached Balance Sheet of Kar Mobiles Limited as at 31st March, 1999 and Profit and Loss Account for the year ended on that date, annexed thereto.
- II. As required by the Manufacturing and Other Companies (Auditors' Report) Order 1988, issued by the Central Government in terms of section 227 (4-A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate, we report as under:
  1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. Plant and Machinery have been physically verified by the management during the year. We are informed that no material discrepancies were noticed on such verification.
  2. None of the fixed assets have been revalued during the year.
  3. The stocks of the finished goods, spares and raw materials have been physically verified during the year by the Management. In our opinion, the frequency of such verification is reasonable.
  4. The procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the company and the nature of its business.
  5. The discrepancies noticed on verification between the physical stocks and the book records were not material.
  6. On the basis of our examination of the stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles, and is on the same basis as in the last year.
  7. As explained to us, the company has not taken any loan from companies, firms or other parties listed in the register maintained under section 301 of the Company Act, 1956, and there is no other Company under the same Management.
  8. The Company has not given any loan to Companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956.
  9. The Company has not given any loan or advance in the nature of loan other than interest free advances given in the regular course of business, the recovery of which, as explained to us, is as stipulated by the Management.
  10. In our opinion and according to the information and explanations given to us, there are fairly adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipment and other assets and with regard to the sale of goods.
  11. In our opinion and according to the information and explanations given to us, the purchase/sale transactions with a company in pursuance of contracts entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to more than Rs. 50,000/- were made at cost/negotiated rates and there were no other comparable purchases.
  12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods dealt in and provision considered adequate by the management has been made in the accounts for the loss arising on the items so determined wherever required.
  13. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits Rules, 1975) with regard to the deposits accepted from the public.
  14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. The Company has no by-products.
  15. In our opinion, the Company has an internal audit system fairly commensurate

**KAR MOBILES LIMITED**

with the size of the Company and nature of its business.

16. The Central Government has not prescribed maintenance of Cost records under Section 209(1)(d) of the Companies Act, 1956 for the products of the Company.
17. As per the records, the Company has been fairly regular in depositing Provident Fund and Employees State Insurance Corporation dues with the appropriate authorities during the year.
18. According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty outstanding as on 31st March, 1999 for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us, no personal expenses of the employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practices.
20. The Company is not a sick industrial company within the meaning of Clause (O) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

**III. Further to the above, we report that:**

1. We have obtained all the information and explanations, which to the best of our

knowledge and belief were necessary for the purpose of our audit.

2. Proper books of account as required by law have been kept by the company for the year under report so far as appears from our examination of those books and the said Balance Sheet and Profit and Loss Account are in agreement therewith.
3. Further to the above, in our opinion, and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account, read together with the notes thereon which are in compliance with the accounting standards referred in sub-section 3 (c) of section 211 of the Companies Act, 1956 to the extent applicable, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
  - i) in so far as it relates to the Balance Sheet of the State of affairs of the Company as at 31st March, 1999
  - and
  - ii) in so far as it relates to the Profit and Loss Account, of the profit of the Company for the year ended on that date.

For and on behalf of  
**VARMA & VARMA**  
Chartered Accountants

**Cherian K. Baby**  
Partner

Bangalore  
29th May, 1999

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**KAR MOBILES LIMITED****BALANCE SHEET AS AT 31ST MARCH, 1999**

Particulars	Sch No.	31.03.1999		31.03.1998	
		Rs.	Rs.	Rs.	Rs.
<b>I. SOURCES OF FUNDS</b>					
1. <b>Shareholders' Funds</b>					
a. Share Capital	1	11,200,000		11,200,000	
b. Reserves and Surplus	2	84,488,684		74,184,750	
			95,688,684		85,384,750
2. <b>LOAN FUNDS</b>					
a. Secured Loans	3	113,116,996		122,306,505	
b. Unsecured Loans	4	20,853,901		5,056,651	
			133,970,897		127,363,156
<b>Total</b>			<b>229,659,581</b>		<b>212,747,906</b>
<b>II. APPLICATION OF FUNDS</b>					
1. <b>Fixed Assets</b>					
a. Gross Block at Cost	5	173,545,768		158,932,588	
b. Less : Depreciation		71,301,629		61,872,699	
c. Net Block		102,244,139		97,059,889	
d. Capital Work-In-Progress at Cost	6			1,964,282	
			102,244,139		99,024,171
2. <b>Investments</b>	7		254,100		1,253,600
3. <b>Current Assets, Loans and Advances</b>	8				
a. Inventories		66,786,647		79,647,030	
b. Sundry Debtors		97,801,986		65,772,134	
c. Cash and Bank Balances		10,075,757		12,477,343	
d. Other Current Assets		2,572,535		2,861,421	
e. Loans and Advances		8,633,356		9,409,247	
		185,870,281		170,167,175	
Less :					
<b>Current Liabilities and Provisions</b>	9				
a. Liabilities		75,494,130		61,078,279	
b. Provisions		3,514,263		1,449,609	
		79,008,393		62,527,888	
Net Current Assets			106,861,888		107,639,287
4. <b>Miscellaneous Expenditure</b> (To the extent not written off or adjusted)					
<b>DEFERRED REVENUE EXPENDITURE</b>					
a. Technical Know how			8,375,282		4,830,848
b. Voluntary Retirement			11,924,172		—
<b>Total</b>			<b>229,659,581</b>		<b>212,747,906</b>
<b>NOTES</b>	15				

For and on behalf of the Board

As per our Report of even date attached  
For and on behalf of  
**VARMA AND VARMA**  
Chartered Accountants

**V Ramachandran**  
Vice Chairman &  
Managing Director

**V Srikanth**  
Director

**K M Nair**  
Secretary  
Bangalore : 29th May, 1999

**Cherian K Baby**  
Partner  
Bangalore : 29th May, 1999