



KAR MOBILES LIMITED

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63rd
Annual Report
1999 -2000

KAR MOBILES LIMITED

DIRECTORS

L. Ganesh	-	Chairman
V. Ramachandran	-	Vice-Chairman & Managing Director
K.P. Balasubramanian		
A.S. Lakshmanan		
L. Lakshman		
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

Stri 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

Plot No. 36-B & 37 Hirehalli Industrial Area Tumkur - 572 101

KAR MOBILES LIMITED**REPORT OF THE DIRECTORS**

The directors are pleased to present their sixty-third annual report together with the accounts for the year ended 31st March, 2000.

1.0 Financial Results

	1999-2000	1998-1999
	Rs.in	Rs.in
	million	million
Sales and Operating Revenues	484.32	439.09
Profit before tax	12.03	14.27
Provision for tax	2.45	2.10
Investment Allowance Reserve withdrawn	0.40	0.40
Debenture Redemption Reserve withdrawn	10.00	—
Transfer to General Reserve	12.78	1.22
Profit available for appropriation	7.20	11.35

2.0 Dividend And Retained Profits

Based on the company's performance during the first three quarters, your directors decided at their meeting held on 22nd March, 2000 to pay an interim dividend at 15% of the equity capital amounting to Rs.1.68 million. However, after considering the overall performance of the company for the year ended 31st March, 2000 and the company's liquidity requirements, your directors recommend the interim dividend of 15% paid to be treated as dividend for the year.

After making provision for the dividend tax at 10% of the distributed amount plus sur-charge at 10% on the tax, amounting in all to Rs.0.18 million, the retained profit works out to Rs.18.12 million, of which Rs.12.78 million is being transferred to General Reserve. Out of the residual sum of Rs.5.34 million, a sum of Rs.3.65 million adjusted against the carried over loss in the Balance Sheet, thus leaving a balance profit of Rs.1.68 million, which is carried to Balance Sheet.

3.0 General Review of the Year

The fortunes of the automotive industry changed for the better. Whilst all the sectors notched up growth, passenger car sales leapfrogged by a spectacular 48%. Heavy commercial vehicles grew by a robust 40%, but coming as it did after two years of steep declines, the demand during 1999-2000 was still substantially below the peak level achieved during 1996-97. The growth rates seen across various segments are reflected in the table below.

	1999-2000	1998-1999
Passenger Cars	48%	- 2%
Utility Vehicles	10%	- 16%
LCVs	11%	- 12%
HCVs	40%	- 12%
Farm Tractors	5%	3%
Two Wheelers	11%	10%

(Source: ACMA Automotive Industry Report, May 2000)

The reversal in the trends of vehicle builds helped your company grow by 10.3%. With ever increasing price pressures, the company is constantly exploring means to manage its cost efficiently. During the year, the company undertook various cost saving measures such as conserving capital expenditure, rationalisation of human resources. It is as a result of such measures that your company was able to improve its performance during the year.

4.0 Outlook for the Current year

Notwithstanding the growth rates witnessed, the drought in different parts of the country has brought new uncertainties. In fact, there are already worrisome signs of decline in demand in the first quarter for commercial vehicles and farm tractors. Although we expect replacement markets to remain buoyant and the passenger car industry to grow by at least 10%, the mood is one of caution all round. The trends witnessed so far in the first quarter raise some concerns. It remains to be seen whether the effects of drought will result in a decline in economic activity. As part of long term strategy your company has generated new business opportunities, in the overseas market. Your company has qualified as the first Indian vendor to service OEMs requirements of General Motors, Electromotive Division, Chicago. With special focus on increasing exports, your company expects to achieve QS 9000 certification during the current year, and this should support our plans to boost exports and OEM sales.

5.0 Deposits

Deposits outstanding as on 31st March, 2000 amounted to Rs.16.02 million. All deposits that matured during the year were repaid/renewed except for a sum of Rs.0.15 million, for which claims were not lodged with the company.

6.0 Directorate

Messrs.L Ganesh and V Srikanth retire by rotation under Article 116 of the Company's Articles of Association and being eligible offer themselves for re-election.

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7.0 Conservation Of Energy

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

8.0 Technology Absorption

R&D efforts in the company in up-gradation 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.

9.0 Foreign Exchange Earnings

Your company's export earnings during the year under review has been Rs.148.26 million, which when compared with the previous year is less by Rs.2.20 million. The total foreign exchange earned and outgo during the year are as under:

	(Rs.in million)
Foreign Exchange earned (FOB Value)	144.03
Foreign Exchange outgo	74.07

10.0 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(2A) 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.

11.0 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.

L Ganesh
Chairman

V Ramachandran
Vice Chairman & Managing Director

Bangalore
5th June, 2000

FORM-B

Information as per Section 217(1)(e) of the Companies 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 2000.

Research and Development Activities

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

L Ganesh
Chairman

V Ramachandran
Vice Chairman & Managing Director

Bangalore
5th June, 2000

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, 2000 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. The basis of valuation of stock has been changed as compared to the previous year as stated in note no.10 in schedule 14 to the accounts.
7. In our opinion the rate of interest and other terms and conditions of loans taken from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, are prima facie not prejudicial to the interest of the Company. As explained to us there is no 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 unservicable or damaged stores, raw materials and finished goods including goods traded 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 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.

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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, 2000 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 (9) 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, 2000.

and

- ii) in so far as it relates to the Profit and Loss Account, of the Profit & the Company for the year ended on that date.

For and on behalf of
VARMA AND VARMA
Chartered Accountants

Cherian K. Baby
Partner

Bangalore
5th June, 2000.



KAR MOBILES LIMITED**BALANCE SHEET AS AT 31ST MARCH, 2000**

Particulars	Sch No.	31.03.2000		31.03.1999	
		Rs.	Rs.	Rs.	Rs.
I. SOURCES OF FUNDS					
1. Shareholders' Funds					
a. Share Capital	1	11,200,000		11,200,000	
b. Reserves and Surplus	2	92,200,242		84,488,684	
			103,400,242		95,688,684
2. Loan Funds					
a. Secured Loans	3	111,009,056		113,116,996	
b. Unsecured Loans	4	16,442,901		20,853,901	
			127,451,957		133,970,897
TOTAL			230,852,199		229,659,581
II. APPLICATION OF FUNDS					
1. Fixed Assets					
a. Gross Block at Cost	5	179,110,224		173,545,768	
b. Less : Depreciation		81,084,597		71,301,629	
c. Net Block			98,025,627		102,244,139
2. Investments	6		252,600		254,100
3. Current Assets, Loans and Advances	7				
a. Inventories		72,483,965		66,786,647	
b. Sundry Debtors		102,033,332		97,801,986	
c. Cash and Bank Balances		5,360,281		10,075,757	
d. Other Current Assets		1,436,607		2,572,535	
e. Loans and Advances		7,292,516		8,633,356	
		188,606,701		185,870,281	
Less :					
Current Liabilities and Provisions	8				
a. Liabilities		69,286,068		75,494,130	
b. Provisions		4,666,586		3,514,263	
		73,952,654		79,008,393	
Net Current Assets			114,654,047		106,861,888
4. Miscellaneous Expenditure					
(To the extent not written off or adjusted)					
DEFERRED REVENUE EXPENDITURE					
a. Technical Know How			11,077,904		8,375,282
b. Voluntary Retirement			6,842,021		11,924,172
TOTAL			230,852,199		229,659,581
NOTES	14				

For and on behalf of the Board

As per our Report of even date attached

L. Ganesh
ChairmanFor and on behalf of
VARMA AND VARMA
Chartered AccountantsV. Ramachandran
Vice Chairman &
Managing DirectorK. M. Nair
Secretary
Bangalore : 5th June, 2000Cherian K Baby
Partner
Bangalore : 5th June, 2000

KAR MOBILES LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2000**

Particulars	Sch No.	31.03.2000 Rs.	31.03.1999 Rs.
INCOME			
Sales and Operating Revenues	9	484,321,245	439,091,095
Other Income	10	327,828	501,139
TOTAL		484,649,073	439,592,234
EXPENDITURE			
Raw materials consumed	11	134,369,374	116,318,818
Purchases of Finished items		7,166,407	6,249,397
Excise Duty/ Customs Duty paid on Finished Goods		47,050,785	33,554,179
Manufacturing and Other Expenses	12	255,166,472	237,507,893
TOTAL		443,753,038	393,630,287
Operating Profit		40,896,035	45,961,947
Interest	13	18,514,939	21,689,891
Depreciation		10,354,738	10,003,322
Profit before tax		12,026,358	14,268,734
Less : Provision for Taxation (includes for prior years Rs. 14.43 lacs (9.81 lacs))		2,450,000	2,100,000
Profit after tax		9,576,358	12,168,734
Add : Investment Allowance Reserve written back on expiry of statutory period		400,000	400,000
Add : Debenture Redemption Reserve written back on redemption of debentures		10,000,000	-
Profit Available for Appropriation		19,976,358	12,568,734
Less : Transfer to General Reserve		12,780,000	1,220,000
Balance Profit		7,196,358	11,348,734
Proposed Dividend on Equity Shares		1,680,000	1,680,000
Tax on proposed dividend		184,800	184,800
Less: Loss brought forward from last year		(3,655,273)	(13,139,207)
Balance carried to Balance Sheet		1,676,285	(3,655,273)
NOTES AND ADDITIONAL INFORMATION	14		

For and on behalf of the Board

L. Ganesh
Chairman

V. Ramachandran
Vice Chairman &
Managing Director

K. M. Nair
Secretary
Bangalore : 5th June, 2000

As per our Report of even date attached

For and on behalf of
VARMA AND VARMA
Chartered Accountants

Cherian K Baby
Partner
Bangalore : 5th June, 2000