

KAR MOBILES LIMITED

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64th Annual Report 2000 - 2001

KAR MOBILES LIMITED

DIRECTORS

L. Ganesh	-	Chairman
V. Ramachandran	-	Vice-Chairman & Managing Director
K.P. Balasubramaniam		
A.S. Lakshmanan		
L. Lakshman		
T. M. Ramachandran		
V. Srikanth		
K. Vishnumurthy Yerkadithaya		

AUDITORS

M/s. Varma & Varma

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

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 to you their sixty-fourth annual report together with the accounts for the year ended 31st March, 2001.

1. Financial Results

Particulars	2000-2001 Rs. in million	1999-2000 Rs. in million
Sales & Operating Revenues	495.42	484.32
Profit Before Tax	12.58	12.03
Provision for Tax	1.04	2.45
Profit after Tax	11.54	9.58
Investment Allowance Reserve withdrawn	Nil	0.40
Debenture Redemption Reserve withdrawn	Nil	10.00
Surplus Brought forward	1.68	(3.66)
Profit Available for Appropriation	13.22	16.32

2. Appropriations

Your directors are pleased to recommend dividend of 25 % on the equity capital for the financial year ended March 31, 2001. The aggregate amount on this account including income tax at 10% and a surcharge thereon at 2% works out to Rs.3.09 million. This leaves the Company with retained profits of Rs.10.13 million of which Rs.8.00 million is being transferred to the General Reserve leaving a surplus of Rs.2.13 million in the Profit and Loss Account.

3. General review of the year

As anticipated, the economy, and more particularly the manufacturing sector softened considerably. According to Central Statistical Organisation estimates, the growth in manufacturing sector, during the year under review was only 5.2% as against 7.1% in the previous year. Major declines were recorded in the automotive industry especially the commercial vehicle and the farm tractor industry segments. The passenger car industry, which had registered a growth of 48% in the previous year also declined by 8% in the current year. The replacement

trade continued to see a drop in demand as a result of depressed retail sales as also de-stocking of inventories in the trade. Such high volatility of demand would seem to suggest the growth of the industry is not firmly anchored.

We believe major policy interventions to create infrastructures and improve the rural economy would alone be a sustainable growth driver for the industry. Growth rates in Automotive Industry as may be seen from the table below were far from satisfactory.

	2000-2001	1999-2000
Passenger cars	-8%	48%
Utility Vehicles	1%	10%
Light Commercial Vehicles	4%	11%
Medium & Heavy Commercial Vehicles	-21%	40%
Farm Tractors	-12%	5%
Motor Cycles	22%	29%

(Source: ACMA Industry Report)

Along with the above circumstances, the workmen at the Company's Tumkur plant were on strike between 15-6-2000 and 12-7-2000 which had an adverse impact on the company's performance for the year. In spite of the adversities the company had a growth of 2.5%.

Given the high level of competition and the ever-increasing expectations of the customers for quality and cost, major initiatives are called for towards improving operations management. The company has launched a series of cost reduction and quality improvement initiatives, which we believe would come to fruition over the next 24 months. Significant improvements to asset productivity should also help the company conserve capital expenditure in the coming years.

Exports form about 46 % of the company's turnover. The company continues to focus on exports to expand the customer base and bring the much needed stability to the company's customer portfolio.

KAR MOBILES LIMITED

4. Outlook for the current year

The Government of India's Finance Bill for the year 2001-02 provides demand stimulation sops in particular for the passenger car industry. However continued depression in the agricultural sector and the stock markets raises some doubt about the revival of demand in the automotive industry in the current year.

Under the circumstances, the company strategy would be containment of cost and capital expenditures in the short term. In the medium term, the imperative would be to broad base the market place.

Our emphasis is to further explore business on large valve segment so as to improve constantly our turnover from exports. On this direction various products for development have been taken up for future business. The Bangalore plant has been QS 9000 certified during April 2001 and the Tumkur plant expects to achieve the QS Certification in the current year.

5. Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act 1956, the directors hereby confirmed that they have:

- i. followed the applicable accounting standards in the preparation of the annual accounts;
- ii. selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits or loss of the company for the year under review;
- iii. taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the company and detecting fraud and other irregularities;
- iv. prepared the accounts for the financial year on a 'going concern' basis.

6. Training and Development

Your company firmly believes that a genuine and deep-seated commitment to excellence in human development is essential for organizational success. Over the years it has through various systems consistently striven to implement affirmative actions for the growth and development of its people. The focus of your company's developmental efforts is on Total Quality Management (TQM) which encompasses all aspects of the organization - People, Structure and Systems. Your company believes TQM is an imperative today for organizational survival and is committed to it.

7. Deposits

Deposits Outstanding as on 31st March, 2001 amounted to Rs.11.51 million. All deposits that matured during the year were repaid / renewed except for a sum of Rs. 0.11 million for which claims were not lodged with the company.

8. Directorate

Messrs. T M Ramachandran and K Vishnumurthy Yerkadithaya retire by rotation under Article 116 of the Company's Articles of Association and being eligible offer themselves for re-election.

9. Conservation of Energy

To conserve and optimise the use of energy, the Company conducts energy audit for major energy consuming machines and utilities. Modifications / Rectifications are done in line with the energy audit for optimising the usage of energy.

10. 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 the Board of Directors) Rules, 1988 is enclosed to this Report.

KAR MOBILES LIMITED**11. Foreign Exchange Earnings**

Your Company's export earnings during the year under review has been Rs. 207.06 million which when compared with the previous year is more by Rs.59.14 million. The total foreign exchange earned and outgo during the year are as under :

	(Rs.in million)
Foreign Exchange Earned (FOB Value)	204.44
Foreign Exchange Outgo	79.00

12. Employees

Information under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forms a part of this report. However, as per provision of section 219 (1)(b)(iv) of the Companies Act, 1956 the Report and Accounts are being sent to all the 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.

13. 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
11th June, 2001

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, 2001.

Research & Development Activities

The company has during the year successfully implemented substitutes of material to replace imported material with indigenous material. Further experiments and action are continuing in this area with a view to optimise cost savings particularly with respect to imported raw materials.

Technology Absorption

The Company is embarking on benchmarking of best practices to improve by suitably incorporating low cost automation for existing machines and also planning special purpose machines to upgrade with respect to improving product quality and productivity.

For and on behalf of the Board

L Ganesh
Chairman

V Ramachandran
Vice-Chairman & Managing Director

Bangalore
11th June, 2001

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, 2001 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 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 is on the same basis as compared to the previous year.
 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.
 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, and there is no other company under the same management.
 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 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 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.

KAR MOBILES LIMITED

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 for the year under report.
17. As per the records, the Company has been 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, 2001 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. On the basis of written representations received from the directors as on 31st March, 2001 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March 2001 from being appointed as a Director in terms of Clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
4. 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, 2001
 - 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 AND VARMA
Chartered Accountants

Cherian K. Baby
Partner
Bangalore
11th June, 2001

KAR MOBILES LIMITED**BALANCE SHEET AS AT 31ST MARCH, 2001**

Particulars	Sch No.	31.03.2001 Rs.	31.03.2000 Rs.
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a. Share Capital	1	11,200,000	11,200,000
b. Reserves and Surplus	2	100,659,346	92,200,242
		111,859,346	103,400,242
2. Loan Funds			
a. Secured Loans	3	99,099,172	111,009,056
b. Unsecured Loans	4	11,537,401	16,442,901
		110,636,573	127,451,957
TOTAL		222,495,919	230,852,199
II. APPLICATION OF FUNDS			
1. Fixed Assets			
a. Gross Block at Cost	5	182,440,830	179,110,224
b. Less : Depreciation		90,881,075	81,084,597
c. Net Block		91,559,755	98,025,627
d. Capital Work-in-progress at cost		2,212,997	—
		93,772,752	98,025,627
2. Investments	6	252,100	252,600
3. Current Assets, Loans & Advances			
a. Inventories		59,853,949	72,483,965
b. Sundry Debtors		114,432,946	102,033,332
c. Cash and Bank balances		4,185,480	5,360,281
d. Other Current Assets		2,211,992	1,436,607
e. Loans and Advances		8,135,179	7,292,516
		188,819,546	188,606,701
Less:			
Current Liabilities and Provisions	8		
a. Liabilities		72,591,450	69,286,068
b. Provisions		5,939,636	4,666,586
		78,531,086	73,952,654
Net Current Assets		110,288,460	114,654,047
4. Miscellaneous Expenditure (To the extent not written off or adjusted)			
DEFERRED REVENUE EXPENDITURE			
a. Technical Know-how		8,519,284	11,077,904
b. Voluntary Retirement		9,663,323	6,842,021
TOTAL		222,495,919	230,852,199
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 DirectorB. Parasuram
Company Secretary
Bangalore : 11th June, 2001Cherian K. Baby
Partner
Bangalore: 11th June, 2001