



# KAR MOBILES LIMITED

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## **66<sup>th</sup>** **Annual Report** **2002 - 2003**

**KAR MOBILES LIMITED**

*Regd. Office: Sri Chitrapur Commercial Complex, IV Floor, E,  
No.68, 15th Cross, 8th Main, Malleswaram, Bangalore - 560055*

**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 66th Annual General Meeting of the Shareholders of the company will be held at 10.00 a.m. on Friday the 18th July, 2003 at Rotary House of Friendship, No.20, Lavelle Road, Bangalore 560 001, to transact the following business.

1. To receive, consider and adopt the Balance Sheet as at 31.03.2003 and the Profit & Loss Account for the year ended 31.03.2003, Report of Auditors thereon and the Report of Directors.

To consider adoption of the following resolution, with or without modification, as an ordinary resolution:

“Resolved that the profit & loss account for the year ended March 31, 2003 and the balance sheet as at March 31, 2003 together with the report of directors and the auditors be and are hereby adopted”.

2. To declare dividend on equity shares.

To consider adoption of the following resolution, with or without modification, as an ordinary resolution:

“Resolved that a dividend at 40% on the equity shares be declared for the year ended March 31, 2003 and that the dividend be paid to those shareholders, whose names appear on the Company's Register of Members as on July 1, 2003”.

- 3 (a) To appoint a Director in place of Mr. L Ganesh, who retires by rotation under Article 116 of the Articles of Association of the company and being eligible offers himself for re-election.

To consider adoption of the following resolution, with or without modification, as an ordinary resolution:

“Resolved that Mr. L Ganesh, be and is hereby reappointed director of the Company”.

- (b) To appoint a Director in place of Mr. L Lakshman, who retires by rotation under Article 116 of the Articles of Association of the company and being eligible offers himself for re-election.

To consider adoption of the following resolution, with or without modification, as an ordinary resolution:

“Resolved that Mr. L Lakshman, be and is hereby reappointed director of the Company”.

- (c) To appoint a Director in place of Mr. V Srikanth, who retires by rotation under Article 116 of the

Articles of Association of the company and being eligible offers himself for re-election.

To consider adoption of the following resolution, with or without modification, as an ordinary resolution:

“Resolved that Mr. V Srikanth, be and is hereby reappointed director of the Company”.

4. To appoint Auditors of the Company and to determine their remuneration. The retiring auditors viz. M/s Varma & Varma, Chartered Accountants are eligible for re-appointment. The declaration under Section 224 (1B) of the Companies Act, 1956 has been received.

To consider adoption of the following resolution, with or without modification, as an ordinary resolution:

“Resolved that M/s. Varma & Varma, Chartered Accountants, be and are hereby appointed as the auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company”.

“Resolved further that the power to determine the remuneration to the Auditors be and is hereby delegated to the Board of Directors”.

**5. Special Business:**

To Consider & if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

**“RESOLVED THAT** pursuant to Section 163 and other applicable provisions, if any, of the Companies Act, 1956, consent be and is hereby accorded to keep and maintain the Register of Members and the Index of Members of the Company at the office of the Registrars and Share Transfer Agents of the company, viz.

M/s. Alpha Systems (Pvt.) Ltd.  
No. 30, Ramana Residency, 4th Cross,  
Sampige Road, Malleswaram,  
Bangalore - 560 003

with effect from July 18, 2003”.

By order of the Board  
for KAR MOBILES LIMITED

Chennai  
23rd May, 2003

**V Ramachandran**  
Vice-Chairman & Managing Director

# KAR MOBILES LIMITED

## NOTES:

1. ANY MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, MAY APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. DULY COMPLETED PROXIES SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members of the company will remain closed from 02.07.2003 to 08.07.2003 (both days inclusive).
3. The dividend when declared at the Annual General Meeting will be paid to those members whose names appear on the Register of Members on 01.07.2003 or to their mandatees.
4. Pursuant to the provisions of Section 205A of the Companies Act, 1956, dividend for the financial year ended 31st March, 1996 and thereafter which remains unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund of the Central Government. Members who have not encashed the dividend warrants for the said period are requested to make their claim to the Company.

Information in respect of such unclaimed dividend when due to transfer to the said fund is given below:

Financial year ended	Date of declaration of dividend	Last date for claiming unpaid dividend	Due date for transfer to Investor Education and Protection Fund
31.03.96	20.09.96	19.09.03	19.10.03
31.03.97	12.09.97	11.09.04	11.10.04
31.03.98	18.08.98	17.08.05	17.09.05
31.03.99	30.07.99	29.07.06	29.08.06
31.03.00	20.07.00	19.07.07	19.08.07
31.03.01	20.07.01	19.07.08	19.08.08
31.03.02	19.07.02	18.07.09	18.08.09

5. Members are requested to notify immediately any change in their address to the following address:

M/s. Alpha Systems (Pvt.) Ltd.  
No. 30, Ramana Residency, 4th Cross,  
Sampige Road, Malleswaram,  
Bangalore - 560 003

Members holding shares in Dematerialised form may inform the change in address to their Depository Participants.

6. Members who are holding shares in identical order of names in more than one account are requested to intimate to the company the ledger folio of such accounts together with the share certificate(s) to enable the company to consolidate all the holdings into one account. The share certificate(s) will be returned to the members after endorsements in due course.
7. Members/bodies corporate/proxies should bring the attendance slip duly filled in for attending the meeting.
8. Members are requested to bring their copies of Annual Report to the meeting.
9. To avail the facility of nomination, members are requested to submit to the company the nomination form, which may be supplied on request.

By order of the Board  
for KAR MOBILES LIMITED

Chennai  
23rd May, 2003

**V Ramachandran**  
Vice-Chairman & Managing Director

## Explanatory Statement Pursuant to Section 173 (2) of the Companies Act, 1956.

### Resolution at Item 5

SEBI has vide its Circular No. D&CC/FITTC/CIR-15/2002 dated 27.12.2002 has informed that all companies shall have a common agency for share registry work for both physical and demat shares. As required under the same, the Board of Directors have appointed M/s. Alpha Systems Pvt. Ltd. in Bangalore as the common agency for both physical and demat shares with effect from 1st April, 2003. With this appointment the register of members / index of members & other related documents will be kept at the office of the registrars. The Companies Act, 1956 requires that the shifting of the above records require the approval of share holders under a special resolution and hence the resolution.

Your directors recommend the resolution for your approval.

None of the directors are concerned or interested in the above resolution.

**KAR MOBILES LIMITED**

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

**66th Annual General Meeting at 10.00 a.m. on Friday, July 18, 2003 at  
Rotary House of Friendship, No.20, Lavelle Road, Bangalore - 560001**

**ATTENDANCE SLIP**

*To be handed over at the entrance of the meeting hall.*

Name of First named Shareholder	No. of shares	Folio No.	If held in dematerialised form	
			DP ID No.	Client ID No.

*I certify that I am a Registered Shareholder of the Company.*

*I hereby record my presence at the above Annual General Meeting of the Company*

*A Member/Proxy wishing to attend the meeting must complete this attendance slip and hand it over at the entrance of the meeting hall.*

*Name of Proxy (if any) in BLOCK LETTERS*

*Signature of Member/Proxy*

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**KAR MOBILES LIMITED**

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

**PROXY FORM**

*I/We \_\_\_\_\_ of \_\_\_\_\_ being a member/members of **KAR MOBILES LIMITED**  
hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or  
failing him \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy  
to attend and vote for me/us on my/our behalf at the **66th Annual General Meeting** of the Company to be held at  
10.00 a.m. on Friday, July 18, 2003 or at any adjournment thereof.*

Signature  
affixing Re.1.00  
Revenue Stamp

No. of shares	Folio No.	If held in dematerialised form	
		DP ID No.	Client ID No.

**NOTE :** Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. The form duly completed should be deposited at the Registered Office of the Company at Bangalore not less than 48 hours before the commencement of the meeting.

**KAR MOBILES LIMITED**

The Profile of the directors retiring by rotation and proposed for re-appointment is given below:

Name of the director	Mr. L Ganesh
Father's Name	Mr. L L Narayan
Date of Birth	March 18, 1954
Educational Qualifications	1. Bachelor of Commerce 2. Associate Member of Institute of Chartered Accountants of India (ACA) 3. Master in Business Administration
Date of Appointment	January 6, 1994
Other Directorships	1. Rane Engine Valves Limited - Vice Chairman & Managing Director 2. Rane (Madras) Ltd. - Vice Chairman 3. Rane Brake Linings Ltd. - Vice Chairman 4. Rane TRW Steering Systems Ltd. 5. EIH Associated Hotels Ltd. 6. TRW Rane Occupant Restraints Ltd. 7. Rane Nastech Ltd. 8. JMA Rane Marketing Ltd. 9. Rane Auto Components (Madras) Ltd. 10. Rane Investments Ltd. 11. Techcons Ltd.
Committee Memberships	1. Rane Engine Valves Ltd. - Investors Grievance Committee 2. Rane (Madras) Ltd. - Audit Committee and Investors Grievance Committee* 3. Rane Brake Linings Ltd. - Audit Committee and Investors Grievance Committee* 4. Rane Nastech Ltd. - Audit Committee 5. Rane TRW Steering Systems Ltd. - Audit Committee 6. EIH Associated Hotels Ltd. - Audit Committee 7. Kar Mobiles Ltd. - Share Transfer / Investors' Grievance Committee, Audit Committee

\* Chairman of the Committee

Name of the director	Mr. L Lakshman
Father's Name	Mr. L L Narayan
Date of Birth	July 17, 1946
Educational Qualification	B.E.
Date of Appointment	July 30, 1999
Other Directorships	1. Rane (Madras) Ltd. - Chairman & Managing Director 2. Rane Brake Linings Ltd. - Chairman & Managing Director 3. Rane Engine Valves Ltd. - Chairman 4. Rane TRW Steering Systems Ltd. - Chairman 5. Rane Nastech Ltd. - Chairman 6. Rane Investments Ltd. - Chairman 7. TRW Rane Occupant Restraints Ltd. - Chairman 8. Techcons Ltd. - Chairman 9. JMA Rane Marketing Ltd. 10. Premier Instruments and Controls Ltd. 11. Rane Auto Components (Madras) Ltd.
Committee Memberships	1. Rane Engine Valves Ltd. - Investors Grievance Committee* and Audit Committee 2. Rane (Madras) Ltd. - Investors Grievance Committee 3. Rane Brake Linings Ltd. - Investors Grievance Committee 4. Rane Nastech Ltd. - Audit Committee* 5. TRW Rane Occupant Restraints Ltd. - Audit Committee* 6. Rane TRW Steering Systems Ltd. - Audit Committee* 7. Kar Mobiles Ltd. - Audit Committee*

\* Chairman of the Committee

**KAR MOBILES LIMITED**

Name of the director	Mr. V Srikanth
Father's Name	Mr. S Venkataraman
Date of Birth	October 19, 1953
Educational Qualifications	1. Fellow Member of Institute of Chartered Accountants of India. 2. Post Graduate in Management from University of New York.
Date of Appointment	June 20, 1996
Other Directorships	1. EL Forge Ltd. 2. The Vellore Electric Corporation Ltd. 3. Coromandel Steels Ltd. 4. Wesco Engineers Ltd.
Committee Memberships in EL Forge Ltd.	1. Audit Committee 2. Investor Grievance Committee 3. Remuneration Committee

By order of the Board  
for KAR MOBILES LIMITED

Chennai  
23rd May, 2003

**V Ramachandran**  
Vice-Chairman & Managing Director



## KAR MOBILES LIMITED

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### 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
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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

Your directors are pleased to present their sixty-sixth annual report together with the accounts for the year ended March 31, 2003.

### 1. Financial Performance

Particulars	2002-2003 Rs. in million	2001-2002 Rs. in million
Sales & Operating Revenues	460.71	431.04
Profit before Tax	22.75	13.11
Provision for Tax	6.27	3.07
Profit after Tax	16.48	10.04
Surplus brought forward	3.43	2.13
Profit Available for Appropriation	19.91	12.17

As a result of various management initiatives, the operating profitability for the year improved by Rs.6.44 million over the previous year.

### 2. Appropriation

Profits available for appropriation being Rs. 19.91 million, your directors are pleased to recommend dividend of 40% on the equity capital for the year ended March 31, 2003. The amount on this account inclusive of tax and surcharge thereon on distributed profits works out to Rs. 5.05 million, leaving the company with retained profits of Rs. 14.86 million of which Rs. 10.00 million is being transferred to the General Reserve and Rs. 4.86 million retained as surplus in the Profit and Loss Account.

### 3. Debonding of 100% Export Oriented Unit (EOU)

The company's unit at Tumkur, which was a 100% EOU, has been de-bonded with effect from 26th July, 2002. A 100% EOU is no longer beneficial since export incentives have been reduced considerably and raw material content has been indigenised to the extent of about 80%. This move would also provide us strategic flexibility and enable us respond with greater agility to the needs of the ever changing environment.

### 4. Deposits

Deposits outstanding as on March 31, 2003 amounted to Rs 12.32 million. All deposits that matured during the year were repaid/ renewed except for a sum of Rs.0.05 million for which claims were not lodged with the Company.

### 5. Directorate

Messrs. L Lakshman, L Ganesh & V. Srikanth retire by rotation and being eligible offer themselves for re-election.

### 6. Conservation of energy

During the year, energy audits had provided scope for further conservation of energy in areas like heat treatment.

### 7. Research & Development Activities

R & D efforts towards up-gradation of products and value engineering continue to help control product costs. 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.

### 8. Foreign Exchange Earnings and Outgo

Foreign exchange earned (FOB) during 2002-2003 is Rs 211.93 million and foreign exchange outgo is Rs.54.56 million

### 9. Employees

The particulars of employees as per Section 217 (2A) of the Companies Act 1956, read with the Companies (Particulars of Employees), 1975 are not applicable since none of the employees earn remuneration exceeding the amounts specified therein.

### 10. Directors' Responsibility Statement

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

- Followed the applicable accounting standards in the preparation of the annual accounts;
- Selected such accounting policies and applied them consistently and made judgments 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 of the company for the year under review;
- 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;
- Prepared the accounts for the financial year on a 'going concern' basis.

### 11. Secretarial Compliance Report

The Secretarial Compliance Certificate as required under Sec 383(A) of the Companies Act, 1956 is annexed herewith.

## KAR MOBILES LIMITED

### 12. Corporate Governance

As per SEBI guidelines company is not required to publish the Corporate Governance details. However, as a measure of transparency and prudent corporate management, a detailed report on Corporate Governance and Management Discussion and Analysis are separately attached.

For and on behalf of the Board

**L Ganesh**                      **V Ramachandran**  
Chairman      Vice-Chairman & Managing Director

Chennai  
23rd May, 2003

### 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, 2003.

### 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**                      **V Ramachandran**  
Chairman      Vice-Chairman & Managing Director

Chennai  
23rd May, 2003



# KAR MOBILES LIMITED

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### 1. Industry Structure and Developments

The year under review has seen resurgence in the OE markets, making room for cautious optimism in regard to the future. Increased spending on infrastructure and falling interest rates are key drivers that we hope would sustain. These factors are the more crucial determinants of sustainable growth than short-term fiscal relief measures.

The Table presented below highlights the segmental growth of the Indian automotive industry.

Segments	2002-03	2001-02
Passenger Cars	8%	1%
Utility Vehicles	4%	-1%
Light Commercial Vehicles	28%	-20%
Heavy Commercial Vehicles	25%	4%
Farm Tractors	-28%	-17%
Two Wheelers	20%	15%

The Source: Automotive Component Manufacturers Association & Society of Indian Automobile Manufacturers

The Farm Tractor industry continues to suffer the consequences of oversupply in the past years, further accentuated by the slump in agriculture. Unless agriculture revives during the next year there is danger of the entire industry losing momentum.

### 2. Financial and Operational Performance

Sales and Operating revenues during the year increased by 6.88% despite poor performance of the farm tractor industry. With various management initiatives, the operating profitability for the year improved by over 73% compared to the previous year.

### 3. Outlook

In this background the automotive industry will have to set its expectations for organic domestic growth opportunities at the same modest level of around 5 per cent that we had spelt out last year. Major growth initiatives will have to be centered on new product and export opportunities, and prudent cost management.

### 4. Opportunities, Threats and Risks

Areas for growth opportunities are therefore mainly:

- Diversifying exports
- Developing / introducing new products

The replacement market for engine components has been declining in the last few years due to better quality of contemporary engines. The continued presence of spurious products also limits the growth opportunity in this segment.

### 5. Internal Control Systems

Your company has engaged the services of an independent agency, Ernst & Young Pvt. Limited to carry out internal audit of the company. The Audit Committee of the Board reviews the reports and the counter measures are proposed by the operating management. The Internal Audit seeks not only to ensure the reliability of control systems and compliance with laws and regulations but covers the entire range of resource utilization and system efficiency.

### 6. Human Resources

Your company views its human resource base as its greatest asset in facing up to the challenge of catering to global markets. Our emphasis continues to be on training all our employees and equipping them to address critical business issues. Our goal is a lean, highly motivated and nimble customer driven organization and we see TQM as the process that would enable our achieving this. As at the end of March 2003, the total number of employees stood at 589.

### 7. Disclaimer

The information and opinion expressed in this Report may contain certain forward-looking statements, which the management believes are true to the best of its knowledge at the time of its preparation. The management shall not be liable for any loss, which may arise as a result of any action taken on the basis of the information contained herein. Prior written permission of the company may be obtained for furnishing this information to any person.