

KAR MOBILES LIMITED

67th Annual Report 2003 - 2004

KAR MOBILES LIMITED

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

**67th Annual General Meeting at 10.00 a.m. on Monday, July 19, 2004 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

KAR MOBILES LIMITED

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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 **67th Annual General Meeting** of the Company to be held at
10.00 a.m. on Monday, July 19, 2004 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

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 67th Annual General Meeting of the Shareholders of the company will be held at 10.00 a.m. on Monday the 19th July, 2004 at Rotary House of Friendship, No.20 Lavelle Road, Bangalore - 560 001, to transact the following business.

Ordinary Business:

1. To receive, consider and adopt the Balance Sheet as at March 31, 2004 and the Profit & Loss Account for the year ended on that date, 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 and Loss Account for the year ended March 31, 2004 and the Balance sheet as at March 31, 2004 together with the report of the 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, 2004 and that the dividend be paid to those shareholders, whose names appear on the Company's Register of Members as on July 2, 2004".

- 3 (a) To appoint a Director in place of Mr. T M Ramachandran, 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. T M Ramachandran, be and is hereby reappointed director of the Company".

- (b) To appoint a Director in place of Mr. K Vishnumurthy Yerkadithaya, 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. K Vishnumurthy Yerkadithaya, 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 Messrs. 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 the 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".

Special Business:

5. Sitting Fees

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

"Resolved that pursuant to Article 106 of the Articles of Association and Section 309(2) and other applicable provisions of the Companies Act, 1956 and the rules made thereunder, consent of the company be and is hereby accorded for payment of sitting fee of Rs. 5,000/- for each meeting of the Board and the Audit committee attended by directors of the company with effect from June 1, 2003."

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6. Amendment of Articles

To consider adoption of the following resolution, with or without modification, as a special resolution:

"Resolved that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, Article 106 of the Articles of Association be and is hereby amended by substitution of the following:

106. The sitting fee payable to a director (including Managing Director or whole-time directors, if any), for attending a meeting of the Board or committee thereof shall be fixed by the Board of Directors subject to the maximum amount prescribed in this respect under the Companies Act, 1956 or by the Central Government from time to time. The Directors shall in addition, be paid such reasonable travelling, hotel and other expenses as they may incur in attending meetings of the Board or of Committees of the Board or of General Meeting or which they may otherwise incur in or about the business of the company."

7. Remuneration to the Chairman

To consider adoption of the following resolution, with or without modification, as a special resolution:

"Resolved that in terms of Article 106 and 107 of the Articles of Association and pursuant to the provisions of section 309(4)(b), 310 and other applicable provisions, if any, of the Companies Act, 1956, subject to approvals as may be required, the payment and distribution by way of commission and sitting fee to Mr. L Ganesh, Chairman, the aggregate of such commission and sitting fees not exceeding 1 (one) percent of the net profits of the company calculated in accordance with the provisions of sections 198, 349 and 350 of the Companies Act, 1956, be and is hereby approved".

"Resolved further that the payment of sitting fee shall be of such amount, as may be prescribed under the Companies Act, 1956 or Rules made thereunder and as may be determined by the Board

of Directors from time to time, for attending each meeting of the board or of any committee of the board."

"Resolved further that the payment of commission as aforesaid be made out of the profits of the company from the financial year beginning 1st April 2004, for a period of three years "

"Resolved further that subject to the limits as aforesaid, the payment and distribution of the commission to Mr L Ganesh, Chairman be determined by the Board of Directors from time to time in such proportion and in such manner as the Board may determine"

By order of the Board
for KAR MOBILES LIMITED

Bangalore
28th May, 2004

M K Khaitan
Company Secretary

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 Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business as given in the notice is annexed.
3. The Register of Members of the company will remain closed from 03.07.2004 to 09.07.2004 (both days inclusive).
4. The dividend when declared at the Annual General Meeting will be paid to those members whose names appear on the Register of Members on 02.07.2004 or to their mandatees.

KAR MOBILES LIMITED

5. Pursuant to the provisions of Section 205A of the Companies Act 1956, dividend for the financial year ended March 31, 1997 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 for 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
31.03.97	12.09.97	11.09.04	11.10.04
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
31.03.03	18.07.03	17.07.10	17.08.10

6. Members are requested to notify immediately any change in their address to Registrar & Transfer Agents at 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.

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**

Bangalore
28th May, 2004

M K Khaitan
Company Secretary

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Resolution at Item 5:

At the meeting of Board of Directors held on May 23, 2003, the sitting fees paid to non-whole time directors has been increased from Rs 2500/- to Rs 5000/- with effect from June 1, 2003 for each meeting of Board of Directors and the Audit Committee attended by them. This increase is within the overall limit laid down by the Central Government under Rule 10-B of Companies (Central Government's) General Rules and Forms, 1956. Also, Articles 106 of the Articles of Association provides for payment of sitting fees in accordance with the rules as may be prescribed by the Central Government on this behalf from time to time. The increase in sitting fee paid to directors requires the approval of the shareholders in a General Meeting.

All the directors except Mr. V Ramachandran and Mr. L Ganesh are interested in the resolution.

Your directors commend the resolution for your adoption.

Resolution at Item 6:

The Central Government has amended Rule 10-B of Companies (Central Government's) General Rules and Forms, 1956 on July 24, 2003 revising the payment of sitting fees payable to directors on the basis of share capital or turnover of the company. In order to provide flexibility in fixing the sitting fee payable to directors for every meeting of the Board or committee of the board attended by them, it is proposed to amend Article 106 of the Articles of Association of the Company, delegating the powers to Board of Directors to fix / revise the sitting fee payable as aforesaid, within maximum permissible in this regard by the Central Government.

All the directors are interested in the resolution.

Your directors commend the resolution for adoption.

KAR MOBILES LIMITED

Resolution at Item 7:

Mr. L Ganesh, Chairman, has been rendering services to the company such as evolving of long-term strategies and plans, investment decisions, formulating management policies etc. At the Annual General Meeting of the company held on July 19, 2002, the shareholders had approved payment of Commission of 1% of net profits of the Company computed in the manner laid down under section 309(5) of the companies Act, 1956 subject to a ceiling of Rs 300,000/- per annum for a period of 3 years with effect from 01.04.2002 to Mr. L Ganesh. However, due to insufficiency of funds, no commission was paid to him.

Under the guidance of Mr.L. Ganesh, the company has improved its profitability during the year 2003-04. In order to remunerate Mr. L.Ganesh appropriately for the services rendered by him, the Board of Directors of the company at their meeting held on May 28, 2004 has approved payment of remuneration by way of commission not exceeding 1% of the net profits including payment of sitting fee as may be fixed from time to time for each meeting of the board of directors and committee meetings attended by him. Payment of remuneration to Mr.L. Ganesh requires the approval of shareholders in a General Meeting. The payment of commission is also subject to the approval of Central Government.

Mr. L Ganesh is interested in the resolution and Mr. L Lakshman, being a relative of Mr. L Ganesh is also deemed to be interested in the resolution. No other director is concerned or interested in the resolution.

Your directors recommend the resolution for your approval.

By Order of the Board
for KAR MOBILES LIMITED

Bangalore
28th May, 2004

M K Khaitan
Company Secretary

INFORMATION ABOUT DIRECTORS SEEKING APPOINTMENT/ RE-APPOINTMENT IN THIS ANNUAL GENERAL MEETING IN RESPECT OF ITEM NO. 3 (a) AND (b) ABOVE (in accordance with Clause 51 (VII) (F) of the Listing Agreement with Bangalore Stock Exchange)

Re-appointments :

Name of the director	Mr. T M Ramachandran	Mr. K Vishnumurthy Yerkadithaya
Father's Name	Mr T R Muthuswami Iyer	Mr K Subbaraya Yerkadithaya
Date of birth	September 26, 1939	June 11, 1922
Educational Qualifications	-	Under Graduate in Science Fellow of Indian Institute of Bankers Fellow of The Institute of Bankers of Malaysia
Date of appointment	September 30, 1974	January 25, 1990
Other Directorships	NIL	M K Raju Consultants P Ltd Moolaa Technologies Pvt Ltd* Moolaa Tools Pvt Ltd* Bangalore Audio Labs (P) Ltd Bangalore Softworks (P) Ltd
Committee Memberships	NIL	Kar Mobiles Limited : Audit Committee, Remuneration Committee, Share Transfer / Investor' Grievance Committee

* As Chairman.

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

Your directors are pleased to present their Sixty-seventh annual report together with the accounts for the year ended March 31, 2004.

1. Financial Performance

Particulars	2003-2004 Rs. in million	2002-2003 Rs. in million
Sales and Operating Revenues	603.94	460.71
Profit before Tax	80.50	22.75
Provision for Tax	26.95	6.27
Profit after Tax	53.55	16.48
Surplus brought forward	4.86	3.43
Profit Available for Appropriation	58.41	19.91

The manufacturing sector, especially the OEMs in the automotive sector, has shown continued growth surpassing the industry expectations. A favourable monsoon during 2003 triggered a revival of the tractor industry, which we expect would sustain during the current year. With the major increase in OEM exports, current year sales improved by 31% over last year.

The TQM initiatives in cost management coupled with higher capacity utilization have resulted in higher operating profitability during the year.

2. Appropriation

Profits available for appropriation being Rs.58.41 million, your directors are pleased to recommend dividend of 40% on the equity capital for the year ended March 31, 2004. The amount on this account inclusive of tax and surcharge thereon on distributed profits works out to Rs.10.11million, leaving the company with retained profits of Rs.48.30 million of which Rs.40.00 million is being transferred to the General Reserve and Rs.8.30 million retained as surplus in the Profit and Loss Account.

3. Share Capital

The share capital of the company stood at Rs.22.40 million consequent upon issue and allotment of 1,120,000 equity shares, in the ratio of 1:1 as fully paid-up bonus shares, by capitalising Share Premium and General Reserve.

4. Deposits

Deposits outstanding as on March 31, 2004 amounted to Rs 13.45 million. All deposits that matured during the year were repaid/renewed except for a sum of Rs.0.35 million for which claims were not lodged with the Company.

5. Board of Directors

Messrs. T.M. Ramachandran & K. Vishnumurthy Yerkadithaya 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 2003-2004 is Rs 267.21 million and foreign exchange outgo is Rs.54.48 million

9. Employees

The particulars of employees as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are given in the annexed statement which forms part of this report.

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;

KAR MOBILES LIMITED

- iv. Prepared the accounts for the financial year on a 'going concern' basis.

11. Secretarial Compliance Report

Since the paid-up share capital of the company has increased beyond Rs.20 million after the allotment of bonus shares during the year, the requirement to annex the Secretarial Compliance Certificate under Section 383(A) of the Companies Act, 1956 has ceased. However, as a good secretarial practice the said certificate is annexed herewith.

12. Management Discussion and Analysis and Corporate Governance Reports.

The publication of the Management Discussion and Analysis and Corporate Governance details would be applicable only to companies having paid-up share capital of Rs.30 million and above as per listing agreement with stock exchanges. However, in the spirit of providing greater transparency and following prudent corporate management practice,

detailed reports on Management Discussion and Analysis and Corporate Governance are separately attached.

13. Auditors

M/s. Varma & Varma, Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for reappointment. The declaration under Section 224(1B) 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
28th May, 2004



FORM - B

Information as per section 217 (1)(c) 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, 2004 :

Research & Development Activities:

The company has during the year successfully implemented import substitution plans and efforts to further localise and save on material costs continue.

Technology Absorption:

The Company has embarked on low cost automation and introduction of special purpose machines targeted at improving product quality and productivity.

For and on behalf of the Board

Bangalore
28th May, 2004

L Ganesh
Chairman

V Ramachandran
Vice-Chairman & Managing Director

Annexure to Report of the Directors

Particulars as per Section 217 (2A) of the Companies Act, 1956, attached to and forming part of the Directors' Report for the year ended March 31, 2004.

Sl No.	Name of the Employee	Age (Years)	Designation	Remuneration Rs.(000's)	Nature of Duties	Qualification	Experience (Years)	Date of Commencement of employment	Particulars of last Employment	
									Designation	Employer
EMPLOYED THROUGHOUT THE YEAR										
1.	V.Ramachandran	56	Vice-Chairman and Managing Director	2,924	Chief Executive	B.E	34	01.05.1973	Management Trainee	Engine Valves Limited Chennai

Notes :**1. Nature of employment and terms of service :**

Nature of employment of Mr.V.Ramachandran, Vice Chairman and Managing Director is on Contractual basis, approved by the share holders.

2. Remuneration as shown above includes salary, commission and other allowances, contribution to provident and other funds and perquisites evaluated as per Income Tax Rules.

3. Mr.V.Ramachandran is related to Mr.V.Srikanth, Director

For and on behalf of the Board

L Ganesh
Chairman

V Ramachandran
Vice-Chairman & Managing Director

Bangalore
28th May, 2004