



# KAR MOBILES LIMITED



## **68<sup>th</sup>** **Annual Report** **2004 - 2005**

## 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 68th Annual General Meeting of the Shareholders of the company will be held at 10.00 a.m. on Friday the 15th July, 2005 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, 2005 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 Audited Balance Sheet as at 31st March 2005, the Profit and Loss Account for the year ended 31st March 2005 together with the Reports of the Directors and the Auditors of the Company thereon, as presented to the meeting be and the same are hereby approved and 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 of Rs.4/- per equity share of Rs.10/- each on 2,240,000 equity shares be and are hereby declared out of the profits of the Company for the year ended March 31, 2005, absorbing a total amount of Rs.8.96 million and that the dividend be paid to those shareholders, whose names appear on the Company's Register of Members as on July 8, 2005 and in respect of shares in electronic form to those beneficial owners of the shares as at the end of business hours on July 1, 2005 as per the details furnished by the Depositories for this purpose".

3. To appoint a Director in place of Mr. K P Balasubramaniam, 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 P Balasubramaniam, who retires by rotation and being eligible for re-appointment, be and is hereby re-appointed as a Director of the Company".

4. To appoint a Director in place of Mr. A S Lakshmanan, 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. A S Lakshmanan, who retires by rotation and being eligible for re-appointment, be and is hereby re-appointed as a Director of the Company".

5. 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 re-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 on such remuneration as may be determined by the Board of Directors of the Company, in addition to reimbursement of travelling and other out-of-pocket expenses actually incurred by them in connection with the audit."

#### Special Business:

6. **Remuneration to Vice-Chairman & Managing Director**

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

## KAR MOBILES LIMITED

"Resolved that in accordance with the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its approval for the re-appointment of Mr V Ramachandran, as Vice-Chairman & Managing Director of the Company with effect from April 1, 2005, for a period of three years, viz, from April 1, 2005 to March 31, 2008, on the following terms:

**a) Salary:**

Rs. 88,000 per month in the scale of  
Rs. 88,000 – 4,000 – 96,000.

**b) Special Allowance:**

Rs.18,650 per month. The special allowance shall not rank for Provident Fund, Gratuity and Pension.

**c) Commission :**

Commission not exceeding 12 months salary for each financial year, provided that the total remuneration of the Managing Director shall not exceed the limit prescribed under the Companies Act, 1956 or such other limit as may be prescribed by the Government from time to time.

**d) Perquisites:**

**1. Housing**

i) Unfurnished residential accommodation will be provided by the Company.

ii) a) the expenditure incurred by the Company on gas, electricity and water, will be evaluated as per Income Tax Rules, 1962.

b) Perquisites in the form of furniture, furnishings and other utilities in accordance with the rules of the Company, the value of which will be evaluated as per Income-tax Rules, 1962.

iii) In case no accommodation is provided by the Company, he shall be entitled to House Rent Allowance equal to 60% of the Salary.

2. Reimbursement of medical expenses actually incurred for self and family in accordance with the rules of the Company.

3. Medical Insurance for self and family as per the Scheme of the Company.

4. Leave Travel Concession for self and family once in a year in accordance with the rules of the Company.

5. Earned / Privilege Leave : On full pay and allowances as per the rules of the Company but not exceeding one month's leave for every 11 months of service, with right to accumulate / encash leave as per the rules of the Company.

6. Fees of clubs, subject to a maximum of two clubs excluding admission and life membership fees.

7. Personal accident insurance of an amount, the annual premium of which does not exceed Rs 10,000.

8. Provident Fund: Company's contribution to Provident Fund shall be as per the scheme of the Company.

9. Pension / Superannuation Fund: Company's contribution to Pension / Superannuation fund shall be in accordance with the scheme of the Company.

10. Gratuity : As per the rules of the Company, not exceeding half a month's salary for each completed year of service.

11. Use of telephone at his residence.

12. Use of car with driver on Company's Business.

"Resolved further that in the event of there being inadequacy or absence of profits in any financial year, during the currency of tenure of the Managing Director, he will be paid remuneration not exceeding the limits specified in Paragraph 1 (B) of Section II of PART II of Schedule XIII to the Companies Act, 1956 or such other limit as may be prescribed by the Government from time to time as minimum remuneration."

By order of the Board  
for KAR MOBILES LIMITED

Bangalore  
4th June, 2005

**M K Khaitan**  
Company Secretary

## 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 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 02.07.2005 to 08.07.2005 (both days inclusive).
4. Pursuant to the provisions of Section 205A of the Companies Act 1956, dividend for the financial year ended March 31, 1999 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.
5. 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.
6. Members/bodies corporate/proxies should bring the attendance slip duly filled in for attending the meeting.
7. Members are requested to bring their copies of Annual Report to the meeting.
8. 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  
4th June, 2005

**M K Khaitan**  
Company Secretary

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
31.03.99	30.07.99	08.09.06	07.10.06
31.03.00	22.03.00	01.05.07	30.04.07
31.03.01	20.07.01	17.08.08	16.09.08
31.03.02	19.07.02	16.08.09	15.09.09
31.03.03	18.07.03	15.08.10	14.09.10
31.03.04	19.07.04	16.08.11	15.09.11

# KAR MOBILES LIMITED

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

### Resolution at Item 6:

At the Annual General Meeting of the Company held on July 19, 2002, Mr V Ramachandran was reappointed as Managing Director of the Company for a period of 3 years with effect from 01.04.2002 to 31.03.2005.

Your directors at their meeting held on March 16, 2005, approved the reappointment of Mr V Ramachandran as Managing Director for a period of 3 years with effect from 01.04.2005 on the remuneration approved by the Remuneration Committee which is detailed in the resolution.

As required under the Provisions of Schedule XIII to the Companies Act, 1956, the following information is provided.

### I. General Information:

The Company is engaged in manufacture and sale of Valves for I/C Engines which falls under auto component industry. The Company is in existence for 68 years. The financial performance of the company for the year ended March 31, 2005 is given below:

	Rs in Million
Sales & Operating Revenues	699.32
Profit Before Tax	51.12
Provision for Tax	18.32
Profit After Tax	32.80

Exports (FOB Value) during the year	340.64
Net Foreign Exchange Earnings	214.49

NRI/OCB holdings in the Company	0.25%
The Company has a technical collaboration with TRW Inc., USA.	

### II. Information about the appointee Mr V Ramachandran:

Background Details	B.E. with around 35 years experience
Past Remuneration (for 2004-05)	Rs in '000

Salary	1626
Contribution to Provident & Other Funds	290
Perquisites	791
Commission	326
Total	3033

Recognition of Awards

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Job Profile and his suitability

Overall Management of the Company. Given his qualification and experience, Mr V Ramachandran is considered well suited for the position.

Comparative remuneration profile with respect to the industry

The proposed remuneration package of the appointee is in line with the prevailing remuneration package in the industry, size of the company, profile of the position, etc.

Remuneration proposed

Detailed in the resolution. The remuneration proposed is commensurate with the responsibilities of the appointee and is in line with the remuneration practices in the auto component industry.

Mr V Ramachandran does not have any pecuniary relationship with the company. He is related to Mr V Srikanth, non-executive director.

Mr. V Ramachandran is interested in the resolution and Mr. V Srikanth, being a relative of Mr. V Ramachandran 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  
4th June, 2005

**M K Khaitan**  
Company Secretary

## KAR MOBILES LIMITED

### INFORMATION ABOUT DIRECTORS SEEKING APPOINTMENT/ RE-APPOINTMENT IN THIS ANNUAL GENERAL MEETING IN RESPECT OF ITEM NO. 3 AND 4 ABOVE

(in accordance with Clause 51 (VII) (F) of the Listing Agreement with Bangalore Stock Exchange)

#### Re-appointment:

Name of the Director	Mr. K P Balasubramaniam	Mr. A S Lakshmanan
Father's Name	Late K Palani	A G Senapathy
Date of birth	July 15, 1941	June 12, 1931
Educational Qualifications	B.Sc., Diploma in Business Management	B.E. (Electrical), Fellow of Institute of Engineers, India
Date of appointment	May 3, 1989	July 8, 1988
Other Directorships	Tasty Bite Eatables Ltd MBL Property Developers Ltd. MBL (AP) Breweries Ltd. South African Breweries (I) Ltd. Mysore Breweries Ltd. Ritz Hotel (Mysore) Ltd. Shaw Wallace Breweries Ltd. Skol Breweries Ltd. Canbank Venture Capital Fund Ltd. MBL Investment Ltd. Deccan Breweries Ltd. Jaybeer Investment & Finance Pvt Ltd. Engg. & Indl. Eqpt. India (P) Ltd. Tamilnadu Marketing Company Pvt. Ltd.	GlaxoSmithKline Pharmaceuticals Ltd. NTTF Industries Ltd. Toyama Electric Ltd. GlaxoSmithKline Consumer Healthcare Ltd. Kaytee Switchgear Ltd. Senapathy Whiteley Pvt. Ltd. Senapathy Symons Indulstions Ltd. Lakshmanan Isola Pvt. Ltd. Meher Capacitors Pvt. Ltd. John Fowler India Pvt. Ltd. Barton, Son and Co. Pvt. Ltd. R. B. Associates Pvt. Ltd. Unitech Systems (India) pvt. Ltd. Von Roll Isola India Holdings Pvt. Ltd. Golden Kitchens Pvt. Ltd.
Committee Memberships	Kar Mobiles Limited: Share Transfer / Investor Services Committee Remuneration Committee Debt Substitution Committee Mysore Breweries Ltd : Audit Committee – Chairman Tasty Bite Eatables Ltd. : Audit Committee – Chairman	Kar Mobiles Limited: Share Transfer/Investors' Grievance Committee, Remuneration Committee GlaxoSmithKline Consumer Healthcare Limited: Audit Committee GlaxoSmithKline Pharmaceuticals Ltd.: Investment/Share Holders Grievance Committee - Chairman Audit Committee Toyama Electric Limited: Audit Committee – Chairman Investor Grievance Committee Kaytee Switchgear Limited: Audit Committee

**KAR MOBILES LIMITED**

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

**68th Annual General Meeting at 10.00 a.m. on Friday, July 15, 2005 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**

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 **68th Annual General Meeting** of the Company to be held at  
10.00 a.m. on Friday, July 15, 2005 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

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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-eighth annual report together with the accounts for the year ended March 31, 2005.

### 1. Financial Performance

Particulars	2004-2005 Rs. in million	2003-2004 Rs. in million
Sales and Operating Revenues	699.32	603.94
Profit before Tax	51.12	80.50
Provision for Tax	18.32	26.95
Profit after Tax	32.80	53.55
Surplus brought forward	8.30	4.86
Profit Available for Appropriation	41.10	58.41

Although the company's sales grew by 16% compared to last year, the profits have declined. This was mainly due to steep increase in raw materials. There was also a mismatch in capacity due to bunching of certain export requirements during the 2nd quarter. This resulted in sub-contracting certain operations on a temporary basis.

### 2. Appropriation

Profits available for appropriation being Rs. 41.10 million, your directors are pleased to recommend dividend of 40% on the equity capital for the year ended March 31, 2005. The amount on this account inclusive of tax, surcharge and cess thereon on distributed profits works out to Rs.10.22 million, leaving the company with retained profits of Rs.30.88 million of which Rs.20.00 million is being transferred to the General Reserve and Rs.10.88 million retained as surplus in the Profit and Loss Account.

### 3. Deposits

Deposits outstanding as on March 31, 2005 amounted to Rs 6.88 million. All deposits that matured during the year were repaid/ renewed except for a sum of Rs. 0.29 million for which claims were not lodged with the Company.

### 4. Board of Directors

Messrs. K P Balasubramaniam & AS Lakshmanan retire by rotation and being eligible offer themselves for re-election.

### 5. Conservation of energy

During the year various initiatives taken in the Machine Shop have resulted in reduced consumption of energy.

### 6. Research & Development Activities

R & D efforts to upgrade products/processes have continued to yield good results. 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.

### 7. Foreign Exchange Earnings and Outgo

Foreign exchange earned (FOB) during 2004-2005 is Rs. 340.64 million and foreign exchange outgo is Rs. 126.15 million.

### 8. 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.

### 9. 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 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 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.

### 10. Management Discussion & Analysis and Corporate Governance Reports

The publication of the Management Discussion & 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

## KAR MOBILES LIMITED

spirit of providing greater transparency and following prudent corporate management practice, detailed reports on Management Discussion & Analysis and Corporate Governance are separately attached.

224(1B) of the Companies Act, 1956 has been received from them.

For and on behalf of the Board

### 11. Auditors

M/s Varma & Varma, Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for reappointment. The declaration under Section

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

Bangalore  
4th June, 2005

## 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, 2005.

### Research & Development Activities:

Value engineering has resulted in improved yield of raw material. In addition thrust has been given in the areas like induction hardening, PTA and projection welding to upgrade the technology.

### Technology Absorption, Adaptation and Innovation:

The Company has built low cost machines with emphasis on low cost automation. Besides, many conventional machines have been upgraded by replacing mechanical drives with PLC/CNC drives. These actions have resulted in improving productivity and product quality apart from reducing outsourcing cost significantly.

During the year the Company was accredited with TS 16949 certification for both the manufacturing locations.

These steps have enabled the Company to enhance the competitiveness thereby maintaining the market share and growth in global market.

For and on behalf of the Board

Bangalore  
4th June, 2005

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