



# KAR MOBILES LIMITED

Report  Junction.com

## **70<sup>th</sup>** **Annual Report** **2006 - 2007**

## KAR MOBILES LIMITED

---

### DIRECTORS

L. Ganesh	-	Chairman
V. Ramachandran	-	Executive Vice-Chairman
K.P. Balasubramaniam		
A. Hydari		
A.S. Lakshmanan		
L. Lakshman		
V. Srikanth		
C.N. Srivatsan		

### 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
--

# 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 70th Annual General Meeting of the Shareholders of the company will be held at 10.00 a.m. on Friday the 20th July, 2007 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, 2007 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 as an ordinary resolution:

"Resolved that the Audited Balance Sheet as at 31st March 2007, the Profit and Loss Account for the year ended 31st March 2007 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 dividend of Rs 3/- 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, 2007, absorbing a total amount of Rs. 6.72 million and that the dividend be paid to those shareholders, whose names appear on the Company's Register of Members as on July 6, 2007 and in respect of shares in electronic form to those beneficial owners of the shares as at the end of business hours on June 30, 2007 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 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:

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

"Resolved that the vacancy on the Board of Directors of the company due to the retirement by rotation of Mr. V Srikanth, who does not seek re-election, be not filled."

6. To consider and if thought fit, to pass with or without modification the following resolution as an ordinary resolution:

## KAR MOBILES LIMITED

---

"Resolved that Mr. A Hydari who was co-opted as an Additional Director on the Board of the Company under Section 260 of the Companies Act, 1956 and Article 124 of the Articles of Association of the Company and who holds such office upto the date of this Annual General Meeting and in respect of whom the Company has received notice in writing from a member, pursuant to Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company."

7. To consider and if thought fit, to pass with or without modification the following resolution as an ordinary resolution:

"Resolved that Mr. C N Srivatsan who was co-opted as an Additional Director on the Board of the Company under Section 260 of the Companies Act, 1956 and Article 124 of the Articles of Association of the Company and who holds such office upto the date of this Annual General Meeting and in respect of whom the Company has received notice in writing from a member, pursuant to Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company."

### 8. Remuneration to 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) and other applicable provisions, if any, of the Companies Act, 1956 the payment and distribution by way of

commission to Mr. L. Ganesh, Chairman, not exceeding 1 (one) percent of the net profit of the company calculated in accordance with the provisions of sections 198, 349 and 350 of the Companies Act, 1956, in addition to sitting fees, 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 there under 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 2007, 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 the Directors from time to time in such proportion and in such manner as the Board may determine."

"Resolved further that the commission paid at the rate of 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 in addition to the sitting fees to Mr. L. Ganesh, Chairman for the year 01.04.2006 to 31.03.2007 be and is hereby ratified and approved."

By order of the Board  
for KAR MOBILES LIMITED

Bangalore  
25th May, 2007

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 Register of Members of the company will remain closed from 03.07.2007 to 06.07.2007 (both days inclusive).
3. Pursuant to the provisions of Section 205A of the Companies Act 1956, dividend for the financial year ended March 31, 2001 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:
4. 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.
5. Members/bodies corporate/proxies should bring the attendance slip duly filled in for attending the meeting.
6. Members are requested to bring their copies of Annual Report to the meeting.
7. To avail the facility of nomination, members are requested to submit to the company the nomination form, which may be supplied on request.

Financial Year ended	Date of declaration of dividend	Last date for claiming unpaid dividend	Due date for transfer to Investor Education and Protection Fund
31.03.01	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
31.03.05	15.07.05	12.08.12	11.09.12
31.03.06	19.01.06	25.02.13	25.03.13
( Interim)			
31.03.06 (Final)	20.07.06	17.08.13	16.09.13

By order of the Board  
for KAR MOBILES LIMITED

Bangalore  
25th May, 2007

**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, 6 and 7 ABOVE

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

### Re-appointment: Item No.3

Name of the Director : Mr. K.P.Balasubramaniam  
 Father's Name : Late K.Palani  
 Date of birth : July 15, 1941  
 Date of appointment : May 3, 1989  
 Educational Qualifications :

1. B.Sc.
2. Diploma in Busines Management

#### Other Directorship :

1. Tasty Bite Eatables Limited
2. Jaybear Investment, Finance Pvt Limited
3. EIE Enterprises Pvt Limited
4. Ritz Hotel (Mysore) Limited
5. TMC Enterprises Pvt Limited

#### Committee Memberships :

1. Kar Mobiles Limited:  
Share Transfer / Investors' Service – Member
2. Tasty Bite Eatables Limited:  
Audit Committee - Chairman

### Appointment of Director : Item No.7

Name of the Director : Mr. C.N.Srivatsan  
 Father's Name : Mr. C.R. Natrajan  
 Date of birth : May 25, 1957  
 Date of appointment : July 20, 2006  
 Educational Qualifications :

1. Fellow member of Institute of Chartered Accountants of India.
2. Member of Information Systems Audit and Control Association, USA
3. Member of The Institute of Internal Auditors, USA

#### Other Directorships :

1. Pricol Limited
2. Precot Mills Limited
3. Elgitread (India) Limited
4. Suguna Poultry Farm Limited
5. Astral Consulting Limited
6. Astral Autoprint Business Solutions (P) Limited
7. SKP Astral Consulting (P) Limited

### Appointment of Director : Item No.6 :

Name of the Director : Mr. A.Hydari  
 Father's Name : Mr. I.Hydari  
 Date of birth : April 24, 1944  
 Date of appointment : July 20, 2006  
 Educational Qualifications :

1. B.E. (Mech.)
2. Chartered Engineer - Member Institution of Manufacturing Engineers (UK)

Other Directorships : Nil

Committee Memberships : Nil

#### Committee Memberships :

1. Pricol Limited:  
Audit Committee – Chairman  
Remuneration Committee - Member
2. Precot Mills Limited:  
Audit Committee – Member
3. Suguna Poultry Farm Limited:  
Audit Committee - Chairman
4. Kar Mobiles Limited:  
Audit Committee - Member

---

**KAR MOBILES LIMITED**

---

**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956****Resolution No. 5**

Mr. V Srikanth retires by rotation at this Annual General Meeting. He has expressed his desire not to seek re-election for appointment as director at the meeting. The Board has appreciated the services of Mr.V. Srikanth to the company during his tenure as Director on the Board. The Board has decided not to fill-up the vacancy caused by the retirement of Mr.V Srikanth at the Annual General Meeting. Since this is not an ordinary business as classified in section 173 of the Companies Act, 1956, this item has been taken up as a Special Business.

None of the directors is concerned or interested in the resolution.

The directors commend the resolution for adoption.

**Resolution at Item 6:**

Mr A Hydari was co-opted as an Additional Director on the Board of the Company with effect from 20.07.2006. He holds office upto the date of this Annual General Meeting. Notice under Section 257 of the companies Act, 1956 has been received from a member signifying his intention to propose the candidature of Mr A Hydari for the office of Director of the Company.

Mr A Hydari is presently consultant to auto ancillary units and has vast experience of 25 years in the management of auto ancillary companies.

The Board of Directors considers that the continuance of Mr. A Hydari on the Board of the Company will be beneficial to the Company and recommend the resolution for your approval.

None of the Directors except Mr. A Hydari is concerned or interested in the said resolution.

The directors commend the resolution for adoption.

**Resolution at Item 7:**

Mr C N Srivatsan was co-opted as an Additional Director on the Board of the Company with effect from 20.07.2006. He holds office upto the date of this Annual General Meeting. Notice under Section 257 of the companies Act, 1956 has been received from a member signifying his intention to propose the candidature of Mr C N Srivatsan for the office of Director of the Company.

Mr C N Srivatsan is an eminent Chartered Accountant and is presently engaged in practice. He has specialised in Information Systems audit, ERP Consultancy, Operations audit, Business Process Re-Engineering, Cost Reduction and Cost Control techniques etc.

With his vast experience of 25 years, The Board of Directors considers that the continuance of Mr. C N Srivatsan on the Board of the Company will be beneficial to the Company and recommend the resolution for your approval.

None of the Directors except Mr C N Srivatsan is concerned or interested in the said resolution.

The directors commend the resolution for adoption.

## KAR MOBILES LIMITED

---

### Resolution at Item 8 :

At the Annual General Meeting of the Company held on July 19, 2004, the shareholders had approved payment of commission and sitting fees to extent of 1% of the net profits of the company for a period of 3 years with effect from 01.04.2004 to 31.03.2007 to Mr.L.Ganesh, Chairman. The company had obtained the approval of the Central Government vide their letter dated 07.04.2005 for payment of commission at the rate of 1% of the net profits of the company in addition to the sitting fees. In terms of this approval, the company has paid Mr.L. Ganesh, Chairman. Commission at the rate of 1% of the net profits of the Company in addition to the sitting fees for the year 01.04.2006 to 31.03.2007. This needs to be regularized by the shareholders.

Under the guidance of Mr.L.Ganesh, the company is formulating new strategies to improve the profitability of the company. In order to remunerate Mr.L.Ganesh appropriately for the services rendered by him, the Board decided to continue making payment of remuneration by way commission not exceeding 1% of the net profits of the company in addition to sitting fee as may be fixed from time to time for each meeting of the Board of Directors and Committee Meeting attended by him. Payment of remuneration to Mr.L.Ganesh requires the approval of shareholders in a General Meeting.

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 resolution.

Your Directors recommend the resolution for your approval.

Report Junction.com

By order of the Board  
for KAR MOBILES LIMITED

Bangalore  
25th May, 2007

**M K Khaitan**  
Company Secretary



## KAR MOBILES LIMITED

### REPORT OF THE DIRECTORS

Your Directors are pleased to present their Seventieth annual report together with the accounts for the year ended March 31, 2007 :

#### 1. Financial Performance

Particulars	2006-2007 Rs. in million	2005-2006 Rs. in million
Sales and Operating Revenues	704.53	736.43
Profit before Tax	44.51	57.76
Provision for Tax	19.34	21.29
Profit after Tax	25.17	36.47
Surplus brought forward	17.14	10.89
Profit Available for Appropriation	42.31	47.36

The Company's financial performance has been adversely impacted due to lower levels of production performance.

#### 2. Appropriation

Profit available for appropriation is Rs.42.31 million. Your Directors are pleased to recommend a dividend of 30%. The amount on this account inclusive of tax on distributed profits and surcharge thereon, works out to Rs.7.86 million leaving the company with retained profits of Rs.34.45 million. Out of this, Rs.20 million is being transferred to the General Reserve and Rs.14.45 million being retained as surplus in the Profit and Loss Account.

### 3. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

#### a) Financial and Operational Performance

The Company's financial performance has been adversely impacted due to lower levels of production performance. The operations management at both the plants are being revamped to improve performance and to further capitalize on export opportunities. These changes we believe will bring the operations back to a sound and sustainable level of performance although it may require sacrifice of short term results.

#### b) Industry Structure and Developments

The year under review has seen continued buoyancy in the OEM markets.

The table below highlights the segmental growth of the Indian Automotive Industry

Growth	SEGMENTS	% Age
2005-06		2006-07
9	Passenger cars	19
7	Utility Vehicles	13
23	Light Commercial Vehicles	7
—	SCV (One T & Below)	146
4	Medium and Heavy Commercial Vehicles	34
15	Farm Tractors	15
17	Three Wheelers	28
18	Two Wheelers	11

Source: Society of Indian Automobile Manufacturers and Tractor Manufacturers Association.

#### c) Outlook

Sustained spending on infrastructure and the continuing general economic growth, are beneficial factors that should aid business growth in the medium and long term.

However, measures enunciated to curb Inflation spurred by commodity prices coupled with hardening of interest rates and sustained higher level of crude prices could dampen growth and impact margins.

Exports continue to be a focus area and your company will enhance capacities to meet growing demand from overseas customers.

#### d) Opportunities, Threats and Risks

The continued attractiveness of the Indian Auto Component industry as an outsourcing hub, presents opportunities for growth.

The main threats continue to arise out of:

- Volatility in commodity prices - steel and other inputs
- Strengthening Rupee
- Apprehended temporary slow down of the Economy

#### e) Internal Control systems and Risk Management

Your Company engaged the services of an independent agency to carry out internal audit of all the Company locations across the country.

## KAR MOBILES LIMITED

The Audit Committee of the Board approves the audit plan in the beginning of the financial year in consultation with the internal auditors, the statutory auditors and the operating management. The findings of the internal auditors are placed before the Audit Committee for review. The response of the operating management and counter measures proposed are discussed at the Audit Committee meetings. The process not only seeks to ensure the reliability of control systems and compliance with laws and regulations but also covers resources utilisation and system efficacy.

Risk Management is an integral part of the business process. With the help of experts, the Company mapped the risks at the business processes and enterprise levels and evolved a risk management framework. Mitigative measures have been identified in respect of the latter. These would be periodically reviewed by the Board of Directors.

### f) Human Resources

Your company attaches considerable importance to Human Resource Development (HRD) and harmonious industrial relations.

The management is continuously working on the development of human capital, vital in an ever changing business environment towards achieving the goals and realizing the Vision of the company. "Rane Institute for Employee Development" is a group resource that imparts training towards continuous enhancement of technical and managerial skills. On an average, 2.5 mandays of training per employee was imparted during the year across employee segments and divisions.

Total Employee Involvement is a key element of Total Quality Management (TQM) that enables continuous improvement to all business processes. The company conducts regular Employee Opinion Surveys, the outcome of which is deliberated and acted upon.

As at the end of 31st March 2007, the total number of employees stood at 510.

### g) Cautionary Statement

The information and opinion expressed in this report may contain certain forward looking statements which the management believe are true to the best of its knowledge at the time of its preparation. Actual results may differ materially from those either expressed or implied in this report.

### 4. Deposits

Deposits outstanding as on March 31, 2007 amounted to Rs 0.44 millions. All deposits that matured during the year were repaid/ renewed except for a sum of Rs. 40K for which claim was not lodged with the Company.

### 5. Board of Directors

Mr.V. Srikanth, who retires by rotation at the ensuing Annual General Meeting, has expressed his desire not to seek re-appointment. The Board records its appreciation for the valuable services rendered by Mr. V. Srikanth during his tenure as Director. The Board has decided not to fill-up the vacancy caused by the retirement of Mr.V. Srikanth at the Annual General Meeting.

Mr. K.P. Balasubramaniam is retiring by rotation at this Annual General Meeting and being eligible, offers himself for re-election.

Mr.C.N. Srivatsan and Mr.A.Hyadri were co-opted to the Board as Additional Directors with effect from July 20, 2006 to hold office up to the ensuing Annual General Meeting. The Company has received notices from two members under the Companies Act, 1956 signifying their intention to propose the appointment of Mr.C.N.Srivatsan and Mr.A.Hydari as directors of the Company, at the ensuing Annual General Meeting.

### 6. Conservation of energy

During the year various initiatives taken in both the plants have resulted in reduced consumption of energy.

### 7. 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 as Annexure A.

### 8. Foreign Exchange Earnings and Outgo

Foreign exchange earned (FOB) during 2006-2007 is Rs. 330.79 millions and foreign exchange outgo is Rs. 166.73 millions.

### 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 as Annexure B.