



KAR MOBILES LIMITED

Report  Junction.com

72nd
Annual Report
2008 - 2009

KAR MOBILES LIMITED**DIRECTORS**

L Ganesh

- Chairman

K P Balasubramaniam

A Hydari

A S Lakshmanan

L Lakshman

V Ramachandran

C N Srivatsan

AUDIT COMMITTEE

L Lakshman

- Chairman

L Ganesh

A S Lakshmanan

C N Srivatsan

INVESTORS' SERVICE COMMITTEE

L Ganesh

L Lakshman

V Ramachandran

AUDITORS

M/s Varma & Varma

BANKERS

State Bank of India

REGISTERED OFFICE

" Maithri"

132, Cathedral Road,

Chennai - 600 086

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: "Maithri" 132, Cathedral Road, Chennai - 600 086
visit us at <http://rane.in>

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the **72nd Annual General Meeting** of the Shareholders of the Company will be held at **10.30 a.m. on Thursday, the July 23, 2009**, at **"The Music Academy, (Mini Hall), New No.168, TTK Road, Royapettah, Chennai 600 014."** to transact the following:

Ordinary Business:

1. To receive, consider and adopt the Directors' Report, the audited accounts of the Company for the year ended 31st March, 2009 and the Auditors' report thereon.

To consider adoption of the following resolution, as an ordinary resolution :

"Resolved that the Audited Balance Sheet as at 31st March 2009, the Profit and Loss Account for the year ended 31st March 2009 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 the dividend of Rs.2/- 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 31st March, 2009 absorbing a total amount of Rs. 5.24 million and that the dividend be paid to those shareholders, whose names appear on the Company's Register of Members as on July 23, 2009 and in respect of shares in electronic form to those beneficial owners of the shares as at the end of business hours on July 17, 2009 as per details furnished by the Depositories for this purpose"

3. To appoint a Director in place of Mr.V. 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.V. Ramachandran, 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. 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, 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 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."

(By Order of the Board)
For Kar Mobiles Limited

Chennai
May 18, 2009

L Ganesh
Chairman

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. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Registered office of the Company has been shifted from the State of karnataka to the State of Tamilnadu with effect from May 18, 2009 and is located at the following address :
"Maithri"
132, Cathedral Road,
Chennai - 600 086.
3. The Register of Members of the Company will remain closed from Saturday July 18, 2009 to Thursday, July 23, 2009 (both days inclusive).
4. Pursuant to the provisions of Section 205A of the Companies Act 1956, dividend for the financial year ended March 31, 2002 and thereafter which remains unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government.

Members are requested to contact the Company's Registrars and Transfer Agents, for payment in respect of the unclaimed dividend on or after the financial year 2001-02.
5. Members holding shares in physical form are requested to notify to the Company immediately any change in address to the following:

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

Members holding shares in Dematerialized 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 in to one account. The Share certificate (s) will be returned to the members after necessary endorsements.
7. Members / Proxies should bring the attendance slip duly filled in for attending the meeting

(By Order of the Board)
For Kar Mobiles Limited

Chennai
May 18, 2009

L. Ganesh
Chairman

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 49 (IV) of the Listing Agreement)

Re-appointment: (item nos. 3 & 4)

Name of the Director	Mr. V. Ramachandran	Mr. L. Lakshman
Father's Name	Mr. S. Venkataraman	Mr. L. L. Narayan
Date of Birth	January 26, 1948	July 17, 1946
Educational Qualifications	B.E	B.E., Executive MBA from London Business School
Experience	Mr. V Ramachandran has been instrumental in the running of the Company as Executive Vice-Chairman for a long period of time. He has over 40 years of experience in automotive components.	Mr. L Lakshman has been spearheading the business of different companies in Rane Group and has more than 39 years of industrial experience.
	Date of Appointment	May 29, 1992 July 30, 1999
Other Directorships	<ol style="list-style-type: none"> 1. The Vellore Electric Corp. Ltd. 2. EL Forge Ltd. 3. VST Tillers Tractors Ltd. 4. Sasyaka Engineering Solutions Pvt. Ltd. 	<ol style="list-style-type: none"> 1. Rane Engine Valve Ltd. 2. Rane (Madras) Ltd. 3. Rane TRW Steering Systems Ltd. 4. Rane NSK Steering Systems Ltd. 5. Rane Brake Lining Ltd 6. Rane Holdings Ltd. 7. Rane Investments Ltd. 8. JMA Rane Marketing Ltd. 9. Force Motors Ltd 10. DCM Engineering Ltd
Committee Memberships	<p>Member - Investors' Service</p> <ol style="list-style-type: none"> 1. Kar Mobiles Ltd. <p>Member - Shareholders Investors' Grievances</p> <ol style="list-style-type: none"> 1. VST Tillers Tractors Ltd. <p>Member - Audit</p> <ol style="list-style-type: none"> 1. El Forge Ltd. 2. VST Tillers Tractors Ltd. 	<p>Chairman - Audit</p> <ol style="list-style-type: none"> 1. Kar Mobiles Ltd. 2. Rane TRW Steering systems Ltd. 3. Rane NSK Steering Systems Ltd. <p>Members - Audit</p> <ol style="list-style-type: none"> 1. Rane (Madras) Ltd. 2. Rane Engine Valve Ltd. <p>Chairman - Investors' Service</p> <ol style="list-style-type: none"> 1. Rane (Madras) Ltd. 2. Rane Engine Valve Ltd. <p>Member - Investors' Service</p> <ol style="list-style-type: none"> 1. Rane Brake Lining Ltd. 2. Rane Holdings Ltd. 3. Kar Mobiles Ltd.
Number of shares held	25,232	Nil

(By Order of the Board)
For Kar Mobiles LimitedChennai
May 18, 2009**L Ganesh**
Chairman

KAR MOBILES LIMITED

REPORT OF THE DIRECTORS

Your Directors are pleased to present their Seventy Second Annual Report together with the accounts for the year ended March 31, 2009.

1. Financial Performance

The financial highlights for the year under review are as follows:

(Rs.in Million)

Particulars	2008-09	2007-08
Sales & Operating Revenues	971.02	900.82
Profit before Tax	15.30	45.33
Provision for Tax	7.10	18.40
Profit after Tax	8.20	26.93
Surplus brought forward	10.89	14.45
Profit Available for Appropriation	19.09	41.38

2. Appropriation

Profit available for appropriation is Rs.19.09 million. The directors are pleased to recommend a dividend of 20% The amount on this account inclusive of tax on distributed profits and surcharge thereon, works out to Rs.5.24 million leaving the company with retained profits of Rs.13.85 million. Out of this, Rs.1.00 million is being transferred to the General Reserve and Rs.12.85 million being retained as surplus in the Profit and Loss Account.

3. Shifting of Registered Office of the Company

Your company has obtained the approval of the share holders by means of a postal ballot on December 15, 2008 for shifting the Registered Office of the Company from the State of Karnataka to the State of Tamil Nadu and for amending the Clause II of the Memorandum of Association of the Company.

Your company had made a petition to Company Law Board and obtained its approval vide Order dated April 06, 2009, for shifting the Registered Office from the State of Karnataka to the State of Tamil Nadu. The necessary formalities with the Registrar of Companies, Chennai have been complied with.

4. Management Discussion and Analysis

a) Industry Structure and Developments:

		Growth in %
2007-08		2008-09
16	Passenger Cars	5
10	Utility Vehicles	-11
26	Small Commercial Vehicles (one Ton & below)	12
-6	Light Commercial Vehicles	-24
0	Medium and Heavy Commercial Vehicles	-35
-10	Three Wheelers	-1
-5	Two Wheelers	4
2	Farm Tractors	-7

Source : Society of Indian Automobile Manufacturers

According to Centre for Monitoring Indian Economy's (CMIE) estimate, the country's industrial output would register a growth rate of less than 5% during 2008-09 after an impressive performance in the previous five years due to a combination of factors including liquidity crisis, high interest rates, contraction in domestic demand, global recession etc. As the above table indicates, automobile industry was one of the worst affected with most of the segments witnessing negative growth. While the medium and Heavy Commercial Vehicles declined by 35%, the Light Commercial Vehicles and utility vehicles also declined in double digits resulting in severe recession not witnessed by the industry in the recent past.

b) Operational and Financial Performance

Despite such adverse situation, your company had posted sales growth of 9%. The company's OEM performance in both domestic and export markets were affected towards second half of the year. The replacement sales in both markets were satisfactory although signs of inventory correction in the export market affected sales in fourth quarter.

Profit Before Tax at Rs.15.30 million had declined by 66% for the year under review despite increase in sales. Adverse foreign currency fluctuations on imports, increase in material cost, higher material wastages coupled with increase in wage cost on account of provision for Long Term Settlement and temporary disruption of production in Tumkur Plant contributed to the decline in profits. Interest cost had increased substantially by 86% due to hardening of interest rates as well as increased borrowings for meeting capital expenditure requirements during the year under review.

KAR MOBILES LIMITED

Your company had taken various remedial measures including recovering price increases from Customers, reducing operating costs like power, consumable stores, other manufacturing and administration overheads apart from rationalizing temporary workforce but for which the profitability of your company would have been more adversely affected.

c) Outlook

In the last quarter of 2008-09, the automobile industry in India witnessed some recovery except in Commercial Vehicles. It is too early to predict if the slowdown has bottomed and the recovery is sustainable. The company has made a conservative operating plan for the year ahead with continued focus on cost management. The expectation is that Commodities and Foreign exchange rates will be less volatile this year.

d) Opportunities, Threats and Risk

The main threats arise out of:

- Further slow down in the domestic economy may result in lower off take by OE/OES & Institutional customers.
- Worsening of global recession especially in US and Europe may adversely affect export market.
- Volatility in Commodities and Exchange rates.
- Cheaper imports from China and other low cost countries.

Your company is exploring growth opportunities while retaining current customers who are likely to recover once economic scenario recovers in USA and Europe.

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. 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 resource utilisation and system efficacy.

Risk Management is an integral part of the business

process. The Company has mapped the risks at the business processes and enterprise levels and has evolved a risk management framework. Mitigative measures have been put in place in respect of these risks. These would be periodically reviewed by the Board of Directors.

f) Human Resource Development and Industrial Relations

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 and building managers for the future. On an average, three man-days 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. High employee costs and low productivity is being addressed and new strategies being put in place to overcome it in the medium term.

As at the end of March 31, 2009 the total number of employees stood at 481.

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.

5. Deposits

The Company has not accepted any deposit falling under the provisions of Section 58 A of the Companies Act, 1956 and the rules framed there under.

KAR MOBILES LIMITED

6. Board of Directors

Mr. V. Ramachandran and Mr. L. Lakshman retire by rotation at this Annual General Meeting and being eligible offer themselves for re-election.

7. Conservation of energy

During the year, various initiatives taken in both the plants have resulted in reduced consumption of energy. Employee involvement in conserving electricity both in shop floors and offices by switching off power whenever not in use also contributed to reduction in consumption of power.

8. Research & Development Activities

Research and Development 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.

9. Foreign Exchange Earnings and Outgo

Foreign exchange earned (FOB) during 2008-09 was Rs.460.27 million and foreign exchange outgo was Rs.209.44 million. Your company continued to remain a substantial net foreign exchange earner.

10. 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 Annexure B, which forms part of this report.

11. Auditors

M/s Varma & Varma, Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for re-appointment. The declaration under Section 224(1B) of the Companies Act, 1956 has been received from them.

12. 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.

13. Corporate Governance Report

A detailed report on Corporate Governance is attached as Annexure C.

14. Compliance Certificate

As required under Section 383A of the Companies Act, 1956 ("the Act") read with Companies (Appointment & Qualifications of Secretary) Rules, 1988 the Company has obtained certificate from a Secretary in whole-time practice confirming that the Company has complied with all the provisions of the Act and a copy of the certificate is annexed to this Report as Annexure D.

For and on behalf of the Board

Chennai
May 18, 2009

L Ganesh
Chairman

L Lakshman
Director

Annexure - A to the Report of the Directors

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 March 31, 2009.

Research & Development Activities :NIL

Technology Absorption, Adaptation and Innovation :

- Established Friction welding of material with no axes shift and reduced the cost of raw material.

For and on behalf of the Board

Chennai
May 18, 2009

L Ganesh
Chairman

L Lakshman
Director

Annexure - B**Annexure to Report of the Directors**

Statement under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 annexed to and forming part of the Directors' Report for the year ended March 31, 2009.

Employed throughout the year and in receipt of remuneration aggregating Rs.24,00,000/- per annum.

Sl No.	Name of the Employee	Age (Years)	Designation/ Nature of Duties	Remuneration Rs.(000's)	Nature of Employment	Qualification	Experience (Years)	Date of Commencement of employment	Particulars of last Employment	
									Designation	Employer
1.	S. Krishnamurthy	53	President	3765	Full time Regular Employment	B.Tech GDMM	31	01.01.2008	Vice President	Rane Engine Valve Limited Chennai

- Note :**
1. Remuneration as shown above includes salary, other allowances, contribution to provident and other funds and perquisites evaluated as per Income Tax Rules.
 2. Mr. S. Krishnamurthy is not related to any directors.

For and on behalf of the Board

L Ganesh
Chairman

L Lakshman
Director

Chennai
May 18, 2009

KAR MOBILES LIMITED

Annexure - C to the Report of the Directors

CORPORATE GOVERNANCE

1. Philosophy on Code of Governance:

The cornerstone of the Philosophy of Governance adopted by the Board has at all times been based on integrity, transparency and fairness in all its dealings. The Company will continue to seek enhancement to shareholder value within the framework of business ethics, regulatory compliances and contribution to society. The Company has a clearly defined policy documented "Ethical Standards of Behaviour" that defines obligations of each of its employees to the Company expectations of value driven behaviour.

2. Board of Directors:

The composition of the Board is as follows :

Promoter Group:

Mr. L Ganesh	-	Chairman, Non-executive Director
Mr. L Lakshman	-	Non-executive Director
Mr. V Ramachandran	-	Non-executive Director

Independent & Non- executive Directors:

Mr. K P Balasubramaniam
Mr. A S Lakshmanan
Mr. A Hydari
Mr. C N Srivatsan

Mr. L Lakshman and Mr. L Ganesh are related to each other.

3. Details of attendance at Board Meetings and last AGM and details of memberships in other Boards & Board Committees:

The Board met 5 times during the year on May 23, 2008, July 25, 2008, October 23, 2008, January 22, 2009 and March 25, 2009.

Name of the Director	No. of Board Meetings attended	Whether attended last AGM	Membership in other Boards	Committee @	
				Membership \$	Chairmanship
Mr. L Ganesh	5	Yes	11	10	3
Mr. V Ramachandran	5	Yes	3	4	1
Mr. K P Balasubramaniam	4	Yes	2	1	1
Mr. A Hydari	5	Yes	-	-	-
Mr. L Lakshman	5	Yes	10	10	5
Mr. A S Lakshmanan	4	Yes	3	2	-
Mr. C N Srivatsan	5	Yes	4	3	-

\$ Excludes companies exempted under Section 278 of the Companies Act, 1956 and foreign companies.

@ Membership in Audit Committee and Investors' service / Grievance Committee only is considered.

4. Audit Committee :

The Company is not required to constitute an Audit Committee under the provisions of the Companies Act, 1956 or under Clause 49 of the Listing Agreement. However, the Company has on its own volition constituted an Audit Committee. The Audit Committee consists of the following directors:

Name	Status	No. of Meetings Attended
Mr. L Lakshman	Chairman	4
Mr. L Ganesh	Member	4
Mr. A S Lakshmanan	Member	3
Mr. C N Srivatsan	Member	4

The Company Secretary is the Secretary to the committee.