



KAR MOBILES LIMITED

73rd
Annual Report
2009 - 2010

KAR MOBILES LIMITED

DIRECTORS

L Ganesh - Chairman
K P Balasubramaniam
A Hydari
A S Lakshmanan (up to 31.01.2010)
L Lakshman
V Ramachandran
C N Srivatsan

AUDIT COMMITTEE

L Lakshman - Chairman
L Ganesh
A S Lakshmanan (up to 31.01.2010)
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, 1st Phase, Peenya Industrial Area 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
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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the **73rd Annual General Meeting** of the Shareholders of the Company will be held at **10.30 a.m. on Thursday, the July 22, 2010**, 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 March 31, 2010 and the Auditors' report thereon.

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

"Resolved that the Audited Balance Sheet as at March 31, 2010, the Profit and Loss Account for the year ended March 31, 2010 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 interim dividend of Rs.3/- per share declared by the board of directors of the Company on January 22, 2010 on 2,240,000 equity shares of Rs.10/- each fully paid, absorbing a sum of Rs.78,62,064 (including dividend tax and cess thereon) paid to the shareholders in February 2010 for the year ended March 31, 2010, be and is hereby approved."

"Resolved further that final dividend of Rs.1.50 per equity share of Rs.10 each on 2,240,000 equity shares be and is hereby declared out of the profits of the Company for the year ended March 31, 2010, absorbing an amount of Rs.39,18,054 (including dividend distribution tax) and that the dividend be paid to those shareholders, whose names appear on the Company's Register of Members as on July 22, 2010 and in respect of shares in electronic form to those beneficial owners of the shares as at the end of business hours on July 16, 2010 as per the details furnished by the Depositories for this purpose".

3. To appoint a Director in the 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 the place of Mr. Ahsan Hydari, 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. Ahsan Hydari, 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 21, 2010

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 Register of Members of the Company will remain closed from Saturday, July 17, 2010 to Thursday, July 22, 2010 (both days inclusive).
3. Pursuant to the provisions of Section 205A of the Companies Act 1956, dividend for the financial year ended March 31, 2003 and thereafter which remain 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 2002-03.

4. Members holding shares in physical form are requested to notify to the Company immediately any change in address to the following:

M/s. Integrated Enterprises (India) Limited

II Floor, "Kences Towers", No.1, Ramakrishna Street,
North Usman Road, T.Nagar,
Chennai 600 017.

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

5. 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 necessary endorsements.
6. Members / Proxies should bring the attendance slip duly filled in for attending the meeting.

Information about directors seeking 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)

Name of the director	Mr. K P Balasubramaniam	Mr. Ahsan Hydari
Father's Name	Late Mr. K Palani	Mr. I Hydari
Date of birth	July 15, 1941	April 24, 1944
Educational Qualifications	B.Sc. Diploma in Business Management	B.E. (Mech.) C Engg. M I Mfg. E (U.K)
Date of appointment	May 3, 1989	July 20, 2006
Other Directorships	Tasty Bite Eatables Ltd Jaybear Investment & Finance Pvt Ltd. EIE Enterprises Pvt Ltd. Ritz Hotel (Mysore) Ltd. TMC Enterprises Pvt Ltd	NIL
Committee Memberships	Chairman - Audit Tasty Bite Eatables Ltd	NIL
No. of shares held	650	NIL

(By Order of the Board)
For Kar Mobiles Limited

Chennai
May 21, 2010

L. Ganesh
Chairman

KAR MOBILES LIMITED

REPORT OF THE DIRECTORS

Your Directors are pleased to present their Seventy Third Annual Report together with the accounts for the year ended March 31, 2010.

1. Financial Performance

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

(Rs.in Million)

Particulars	2009-10	2008-09
Sales & Operating Revenues	833.90	970.98
Profit before Tax	44.43	15.30
Provision for Tax	15.15	7.10
Profit after Tax	29.28	8.20
Surplus brought forward	12.85	10.89
Profit Available for Appropriation	42.12	19.09

Sales and operating revenues were lower by 14%. However, the operating profits recorded an impressive growth of 40% due to continuous focus on reduction in input costs and better management of other costs. Domestic Original Equipment Manufacturer (OEM) sales had grown by 23 % contributed mainly by farm tractors, Heavy Commercial Vehicle and Industrial engines. Replacement Market has shown robust growth of 24% during the year. Exports were lower in OEM & Aftermarket segments due to lower off take and reduction of inventory by dealers in US and Europe.

2. Appropriation

Profit available for appropriation is Rs.42.12 million. The Directors have declared and paid interim dividend of 30% on the equity capital of the company for the year ended March 31, 2010 and are pleased to recommend a further 15% as final dividend, making for a total dividend of 45% for the year. The amount on this account inclusive of tax on distributed profits and surcharge thereon, works out to Rs. 11.78 million leaving the company with retained profits of Rs. 30.34 million. Out of this, Rs. 20 million is being transferred to the General Reserve and Rs. 10.34 million being retained as surplus in the Profit and Loss Account.

3. Management Discussion and Analysis

a) Industry Structure and Developments:

Segments	Growth in %	
	2009-10	2008-09
Passenger Cars	28	5
Utility Vehicles	24	-11
Small Commercial Vehicles (one Ton & below)	8	12
Light Commercial Vehicles	77	-24
Medium and Heavy Commercial Vehicles	30	-35
Three Wheelers	25	-1
Two Wheelers	25	4
Farm Tractors	27	-7

Source : Society of Indian Automobile Manufacturers

Current year domestic market has been very buoyant and most segments grew in double digits. Heavy Commercial Vehicle and Light commercial vehicle have a dramatic turnaround and high growth was witnessed. Farm Tractor segment achieved its highest ever production in the current financial year having crossed Four Hundred Thousand numbers.

Your company took appropriate measures and focused on institutional sales which were least effected during the year. Efforts were made to increase the share of business with existing OEMs like Ashok Leyland, TMTL and International Tractors etc., and increase sales in After Market.

The year was difficult due to the effects of slowdown in the US and European markets. Besides lower consumption, there were inventory corrections by customers that affected our sales. There were some signs of improvement from December 2009 onwards and we expect some good recovery in the current year. The company has added few more potential customers as a risk mitigation of high dependency on few customers and the full benefit of this initiative would be seen in the coming years.

b) Financial and Operational Performance

Your Company operates in a single business segment viz., Automotive industry. The operating result for the year was higher compared to previous year mainly due to reduction in Raw material cost and Employee cost. Better management of inventories and receivables has contributed in reduction in interest cost. Prices of commodities like steel and oil have shown stable trend. Your company took various remedial measures to mitigate exchange risk and implement productivity and yield improvement projects to contain employee and raw material costs.

KAR MOBILES LIMITED

Your company has established good export business base with customers in US and Europe. The business in the current year was badly affected as most of the big buyers especially in Locomotive and Off Road vehicle business started controlling inventory. Export markets showed some sign of improvements from December 2009 onwards and we expect some good recovery in the next year. Even during the recessionary year we could add a few more potential customers. This should help in the future growth of this segment.

c) Outlook

Domestic market is expected to continue the robust growth next year. The passenger car manufacturers are planning further new product launches and all the leading manufacturers are going for capacity expansions. Light and Heavy commercial vehicles along with tractors are expected to continue with positive growth. The Aftermarket is also showing signs of good demand.

Export market, which has also shown positive signs, is likely to improve further in the current year and your company is well placed to further grow in this segment.

Prices of commodities like steel and oil have started hardening but the general expectation is that the increases will be moderate. The recent trend of strengthening of the Indian currency is of concern. The continuance of subsidised exports from China and the maintenance of an artificial peg on their currency could adversely affect Indian exports in the medium term.

Your company will continue to focus on improving productivity and quality and seek niche markets to sustain growth.

d) Opportunities, Threats and Risk

India has averted the effects of the global slump and continues to grow at a healthy 7-8 %. More and more multinational companies are now targeting India as the hub for manufacturing and exporting. Many global Automobile manufacturers have set up bases here and actively pursuing sourcing from here. This provides good opportunity to component manufacturer for accelerated growth.

The main threats are as follows:

- Dumping from China and cheaper imports from other low cost countries.
- Strengthening of Rupee affecting exports.
- More competition since there are no growth opportunities for MNCs elsewhere.

e) Internal Control Systems and Risk Management

Your Company continues to engage 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 significant importance to Human Resource Development (HRD) and harmonious industrial relations. The management is continuously working on the development of human capital, which is very vital for achieving the goals and realizing the Vision of the Company in an ever-changing and challenging business environment. "Rane Institute for Employee Development" is a group resource that imparts training for enhancing leadership and managerial skills. On an average each employee across all segments and divisions is trained for 3.51 days.

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 shared with the employees, deliberated and acted upon. New strategies like multi skilling, competency enhancement initiatives and enhancing managerial depth and bandwidth are being progressively implemented to optimise employee costs and improve productivity.

As at the end of March 31, 2010, the total number of employees stood at 460.

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

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

5. Board of Directors

Mr. K P Balasubramaniam and Mr. Ahsan Hydari retire by rotation at this Annual General Meeting and being eligible offer themselves for re-election.

During the year, Mr. A S Lakshmanan resigned as director from the Company. The Board places on record its appreciation for the services rendered by Mr. A S Lakshmanan during his tenure of office with the Company.

6. 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.

7. 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.

8. Foreign Exchange Earnings and Outgo

Foreign exchange earned (FOB) during 2009-10 was Rs.256.27 Million and foreign exchange outgo was Rs. 115.89 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 Annexure B, which forms part of this report.

10. 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.

11. Directors' Responsibility Statement

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

- i. Followed the applicable accounting standards in the preparation of the annual accounts;
- ii. 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;
- iii. 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;
- iv. Prepared the accounts for the financial year on a 'going concern' basis.

12. Corporate Governance Report

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

13. 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 21, 2010

L Ganesh
Chairman

L Lakshman
Director

KAR MOBILES LIMITED

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, 2010.

RESEARCH AND DEVELOPMENT (R & D)

1. Specific areas in which R& D is carried by Company

NIL

2. Benefits derived as a Result of R & D and Future plan of action

Not applicable

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief

Established in house facility for Induction hardening.

2. Benefits derived as a result of the above efforts technology absorption:

Customer satisfaction.

- 3. (a) Technology Imported : (Technology imported during the last 5 years reckoned from the beginning of the financial year). : NIL**
- (b) Year of Import : Not Applicable**
- (c) Has technology been fully absorbed : Not Applicable**
- (d) Areas where technology not fully absorbed, reason and future plan of action : Not Applicable**

Chennai
May 21, 2010

For and on behalf of the Board
L Ganesh **L Lakshman**
Chairman Director

Annexure - B**Annexure to Report of the Directors (Contd.)**

Particulars as per 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, 2010.

Employed throughout the year and in receipt of remuneration aggregating Rs.2,400,000/- per annum.

Sl No.	Name	Age (Years)	Designation/ Nature of Duties	Date of Commencement of Employment	Remuneration Rs. (000's)	Qualification	Experience (Years)	Particulars of last Employment
1.	S. Krishnamurthy	54	President	01.01.2008	3964	B.Tech GDMM	32	Vice President Rane Engine Valve Limited Chennai

Notes : 1. Remuneration as shown above includes salary, house rent and other allowances, contribution to provident and other funds and perquisites evaluated as per Income Tax Rules.

2. The services of employee is contractual in nature.

3. Mr. S Krishnamurthy is not related to any directors.

4. No employee of the Company is covered by the provision of section 217(2A)(a)(iii) of the Companies Act, 1956.

Chennai
May 21, 2010

For and on behalf of the Board

L. Ganesh
Chairman

L. Lakshman
Director

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
Mr. L Lakshman
Mr. V Ramachandran

Independent & Non- executive Directors:

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

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 18, 2009, July 23, 2009, October 19, 2009, January 22, 2010 and March 18, 2010.

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	10	10	2
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	3	-
Mr. C N Srivatsan	5	Yes	4	3	1

* Ceased to be a director w.e.f. February 1, 2010.

\$ 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.

The information as required under annexure IA to clause 49 of the listing agreement such as annual operating plans and budgets, quarterly results for the company, minutes of meetings of audit committee and other committees of the board, quarterly details of foreign exchange exposures, risk management and mitigation measures etc., are placed before the Board of Directors.

The Institute of Company Secretaries of India (ICSI) has published Standards on secretarial practices relating to meetings of the Board/Committees, General Meetings, Dividends etc. These are recommendatory in nature. The Secretarial and the operating practices of the Company are in line with the above Secretarial Standards.