

KAR MOBILES LIMITED

74th
Annual Report
2010 - 2011

KAR MOBILES LIMITED

DIRECTORS

L Ganesh - Chairman
K P Balasubramaniam
A Hydari
L Lakshman
V Ramachandran
C N Srivatsan

AUDIT COMMITTEE

L Lakshman - Chairman
L Ganesh
C N Srivatsan

INVESTORS' SERVICE COMMITTEE

L Ganesh
L Lakshman (up to December 22, 2010)
V Ramachandran
K P Balasubramaniam (w.e.f January 20, 2011)

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
visit us at <http://rane.in>

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the **74th Annual General Meeting** of the Shareholders of the Company will be held at **10.30 a.m. on Thursday, the July 21, 2011**, at 'Narada Gana Sabha' (Mini Hall), No.314, TTK Road, Chennai 600 018, 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, 2011 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, 2011, the Profit and Loss Account for the year ended March 31, 2011 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.4/- per equity share declared by the board of directors of the Company on January 20, 2011 on 2,240,000 equity shares of Rs.10/- each fully paid, absorbing a sum of Rs.10.45 million (including dividend distribution tax and cess thereon) paid to the shareholders on February 8, 2011 for the year ended March 31, 2011, be and is hereby approved."

"Resolved further that final dividend of Re.1/- 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, 2011, absorbing an amount of Rs. 2.6 million (including dividend distribution tax and cess thereon) and that the dividend be paid to those shareholders, whose names appears on the Company's Register of Members as on July 21, 2011 and in respect of shares in electronic form to those beneficial owners of the shares as at the end of business hours on July 15, 2011 as per the details furnished by the Depositories for this purpose."

3. To appoint a Director in the place of Mr. L Ganesh, 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 Ganesh, 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. C N Srivatsan, 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. C N Srivatsan, 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."

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SPECIAL BUSINESS:

6. 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 and subject to such other approvals as may be required, the payment and distribution by way of commission to Mr. L Ganesh, Chairman, not exceeding three percent (3%) 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, with effect from April 1, 2011 for a period of three years be and is hereby approved.”

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

(By Order of the Board)

For Kar Mobiles Limited

Chennai
May 19, 2011

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 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 Saturday, July 16, 2011 to Thursday, July 21, 2011 (both days inclusive).
4. Pursuant to the provisions of Section 205A of the Companies Act 1956, dividend for the financial year ended March 31, 2004 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 Registrar and Transfer Agents, for payment in respect of the unclaimed dividend on or after the financial year 2003-04.

5. Ministry of Corporate Affairs (MCA) vide circular no.17/2011 dated April 29, 2011 permitted sending all communications to members by electronic mail (e-mail), as a measure of "Green Initiative in Corporate Governance". In line with the ministry's direction your company intends to send all future communication to members by e-mail including notice of the annual general meeting and annual report, to the e-mail address you have already registered with your respective Depository Participants (DPs). We encourage your participation and expect your support in this initiative. In case you are yet to register your e-mail address, please update the same with your DP. Members holding shares in physical form may register their e-mail address with the Registrar and Share Transfer Agents (RTA) or write to us at investorservices@rane.co.in. All members are entitled to receive the communication in physical form upon request for the same.
6. As a part of 'Green initiative in corporate governance', MCA has enabled shareholders' participation in general meeting through electronic mode i.e., video conference. The company is in support of the initiative, however taking into consideration the infrastructural arrangements required for enabling such participation, the company is not extending this facility for this annual general meeting.
7. Members holding shares in physical form are requested to notify to the Company immediately of any change in their residential and e-mail address to the Registrar and Transfer Agents:

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.

8. 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.
9. Members / Proxies should bring the attendance slip duly filled in for attending the meeting.

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EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Resolution No.6

At the Annual General Meeting held on July 25, 2008, share holders have approved the payment of remuneration to Mr.L Ganesh, Chairman by way of commission not exceeding 3% of the net profits of the Company for a period of three years, with effect from April 01, 2008 to March 31, 2011, in addition to the sitting fee payable to him. This has been approved by Central Government vide their letter dated June 12, 2009.

The Board has approved the extension of payment of commission not exceeding 3% of the net profits of the Company, to Mr. L Ganesh for a period of three years, with effect from April 1, 2011 to March 31, 2014. Ministry of Corporate Affairs (MCA) vide general circular no. 4/2011 has permitted companies to pay remuneration by way of commission to non-whole time directors not exceeding 1% of the net profits of the company if it has a whole time director(s) or 3% of the net profits of the company if it does not have a Managing Director or whole time director(s).

The Company does not have any Managing Director / whole time director. Hence approval of the members is being sought for payment of commission not exceeding 3% of net profits as detailed in the resolution in terms of Section 309(4)(b) of the Companies Act, 1956, by way of a special resolution.

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

Your directors commend the resolution for adoption.

(By Order of the Board)
For Kar Mobiles Limited

Chennai
May 19, 2011

L Ganesh
Chairman

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Information about directors seeking re-appointment in this annual general meeting in respect of item nos. 3 and 4 above (in accordance with Clause 49 (IV) of the Listing Agreement)

Name of the Director	Mr. L Ganesh	Mr. C N Srivatsan
Father's Name	Mr. L L Narayan	Mr. C R Natarajan
Date of Birth	March 18, 1954	May 25, 1957
Educational Qualification	B.Com., ACA, MBA	C.A., C.I.S.A.,
Experience	As Chairman of Rane Group, he is also closely involved in management of other companies in Rane Group and has over 32 years of industrial experience.	26 years of diverse experience in handling Indian and overseas assignments
Date of Appointment	January 6, 1994	July 20, 2006
Other Directorships	<ol style="list-style-type: none"> 1. Rane Engine Valve Limited 2. Rane Brake Lining Limited 3. Rane (Madras) Limited 4. Rane TRW Steering Systems Limited 5. Rane NSK Steering Systems Limited 6. Rane Holdings Limited 7. Rane Diecast Limited 8. EIH Associated Hotels Limited 9. EIH Limited 10. JMA Rane Marketing Limited 	<ol style="list-style-type: none"> 1. Precot Meridian Limited 2. Elgi Rubber International Limited 3. Astral Consulting Limited 4. Rane Engine Valve Limited 5. Astral Autoprint Business Solutions P Limited 6. SKP Astral Consulting P Limited
Committee Memberships	<p>Chairman - Audit</p> <ol style="list-style-type: none"> 1. EIH Associated Hotels Limited <p>Member – Audit</p> <ol style="list-style-type: none"> 1. Rane Holdings Limited 2. Rane Brake Lining Limited 3. Rane TRW Steering Systems Limited 4. Rane NSK Steering Systems Limited 5. Kar Mobiles Limited <p>Chairman – Investors' Service</p> <ol style="list-style-type: none"> 1. Kar Mobiles Limited <p>Member – Investors' Service</p> <ol style="list-style-type: none"> 1. Rane Engine Valve Limited 2. Rane Brake Lining Limited 3. Rane Holdings Limited 	<p>Chairman - Audit</p> <ol style="list-style-type: none"> 1. Rane Engine Valve Limited <p>Member – Audit</p> <ol style="list-style-type: none"> 1. Precot Meridian Limited 2. Kar Mobiles Limited 3. Elgi Rubber International Limited <p>Remuneration Committee</p> <ol style="list-style-type: none"> 1. Elgi Rubber International Limited
No. of Shares held	50	Nil

(By Order of the Board)
For Kar Mobiles Limited

Chennai
May 19, 2011

L Ganesh
Chairman

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REPORT OF THE DIRECTORS

Your directors are pleased to present their Seventy Fourth Annual Report together with the accounts for the year ended March 31, 2011.

1. Financial Performance

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

(Rs.in Million)		
Particulars	2010-11	2009-10
Sales & Operating Revenues	959.37	833.98
Profit before Tax	47.76	44.43
Provision for Tax	16.41	15.15
Profit after Tax	31.35	29.28
Surplus brought forward	10.34	12.85
Profit Available for Appropriation	41.69	42.12

Sales and Operating revenue was higher by 15%. Domestic Original Equipment Manufacturer sales contributed mainly by Farm Tractors, HCV and Industrial Engines, has grown by 18%. Exports has grown up by 39% mainly on account of recovery of overseas markets especially USA. In the Domestic replacement market sales was lower by 18% over last year due to plants not being able to achieve planned outputs and commitment to service additional OEM requirements.

2. Appropriation

Profit available for appropriation is Rs.41.69 million. The Directors have declared and paid interim dividend of 40% on the equity capital of the company for the year ended March 31, 2011 and are pleased to recommend a further 10% as final dividend, making for a total dividend of 50% for the year. The amount on this account inclusive of tax on distributed profits and surcharge thereon, works out to Rs 13.05 million leaving the company with retained profits of Rs 28.64 million. Out of this, Rs.15 million is being transferred to the General Reserve and Rs. 13.64 million being retained as surplus in the Profit and Loss Account.

3. Management Discussion and Analysis

a) Industry Structure, Developments and Segment-wise Performance

Your Company operates in single segment, viz., components for transportation industry. The growth in automobile industry was as follows:-

Volume Growth in %

Industry Segments	2010-11	2009-10
Passenger Cars	27	28
Utility Vehicles	17	24
Small Commercial Vehicles (one Ton & below)	36	8
Light Commercial Vehicles	22	77
Medium and Heavy Commercial Vehicles	38	30
Three Wheelers	29	25
Two Wheelers	27	25
Farm Tractors	22	27

Source : Society of Indian Automobile Manufacturers

Domestic market continued its robust growth across all segments and this required ramping up capacity. The emphasis on capacity increase and improvement of delivery continued throughout the year.

Exports

In the export market, the recovery in volumes from the later part of the year 2009 - 2010, continued in the year 2010 - 2011. The recovery of US Market helped your company to perform better and the increase in volumes complemented the growth in domestic volumes to help your Company achieve the higher sales performance.

The United States Dollar, a currency on which your Company's exports are mostly dependent on was relatively stable. The strengthening of the rupee was marginal and such fluctuations were handled through conservative policy of hedging.

OEM & Aftermarket

Tractor segment in which your company is mainly focused for domestic OEM sales continued on a growth trajectory. Industrial Engines segment also did well.

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Aftermarket continued to grow although the potential could not be fully serviced due to higher than planned OEM Sales and underperformance of plants on planned outputs.

b) Operational and Financial Performance

The PBT for the year under review was Rs. 47.76 million as against Rs.44.43 Million for the previous year. Persisting inflation across the country has resulted in higher input costs like Steel, Oil, consumables and employee cost. Your company took various remedial measures to mitigate exchange risk and implement productivity and yield improvement projects to contain employee and raw material costs.

c) Outlook

The Domestic Vehicle Industry is expected to continue its growth in the coming years in view of steady growth rate of our GDP, rising number of middle class and higher disposable income. With a favourable forecast of the monsoon, Farm Tractors Segment is likely to continue its growth and will be closely monitored by your company for timely ramping up of Capacity.

Prices of commodities like steel have already hardened and the cascading effect would impact on all commodity prices. Increase in the interest rates and tightening in the liquidity in the market could moderate the buoyancy in the growth seen hitherto.

A new production line is under implementation in Tumkur plant and is expected to go on stream by August 2011. This will give additional capacity to help your company improve the service levels to our existing and new customers.

Focus on Capacity Utilisation, optimal cost structure; quality and productivity are the key areas for your Company to improve the performance further. The contracts remaining to be executed on Capital account will result in enhancement of our capacity to meet the customer demand.

d) Opportunities & Threats

India's process engineering skills applied to the redesigning of production processes, raw material availability, quality assurance and technically skilled manpower has provided a

distinct global advantage of cost and quality. This has helped India becoming a major auto components outsourcing hub for several automobile manufacturers. This has provided your company an opportunity for accelerated growth.

Your company's preparedness in development of new products and meeting capacity requirements in time are key in realising the full benefits of the opportunity.

The main threats your Company likely to face are:-

- increasing price pressure from OEMs from whom the major portion of the future growth is likely to come,
- increase in commodity prices arising out of natural calamities in Japan and Australia and political instability in certain parts of the world,
- volume increase that requires ramp up of capacities in a short span of time, affecting profitable growth,
- dumping of Chinese products at a lower price.

e) Internal Control Systems and Risk Management

An independent agency carries out internal audit of all the Company locations across the country. 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 utilization 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. Internal audit focuses on these risks at all sub-process levels. Mitigative measures have been put in place in respect of these risks. These would be periodically reviewed by the Board of Directors.

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f) Human Resource Development and Industrial Relations

Your Company gives significant importance to Human Resource Development (HRD) and stable 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 2% of their working time.

Total Employee Involvement is a key element of Total Quality Management (TQM) that enables continuous improvement to all business processes. New strategies like multi skilling, competency enhancement programs and enhancing managerial depth are being progressively implemented to optimise employee costs and improve productivity.

In our journey towards becoming an Employer of Choice, your Company is implementing a number of initiatives. The outcome is shared with the employees, deliberated and acted upon. Specific HR initiatives are rolled out to enhance employee engagement. During the year a unique Strategic Leadership Program was co-created with and delivered by IIM Bangalore for the leadership team of your company.

Rane Group won the prestigious National Award for "Excellence in Training" from the Employer Branding Institute and figures in the top forty Best Employers for the year 2010 – 2011.

As at the end of March 31, 2011, the total number of employees stood at 454.

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. L Ganesh and Mr. C N Srivatsan retire by rotation at this Annual General Meeting and being eligible offer themselves for re-election.

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

No research & development activity is carried out. However, upgrade of products / processes are carried out on regular basis. 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 2010-11 was Rs.372.91 million and foreign exchange outgo was Rs.138.16 million.

9. Employees

There was no employee for whom the particulars as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is applicable.

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.