



KAR MOBILES LIMITED

75th
Annual Report
2011- 2012

KAR MOBILES LIMITED

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

C N Srivatsan	-	Chairman
L Lakshman		
K P Balasubramaniam		

INVESTORS' SERVICE COMMITTEE

L Ganesh

V Ramachandran

K P Balasubramaniam

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 **75th Annual General Meeting** of the Shareholders of the Company will be held at **10.30 a.m. on Tuesday, July 24, 2012**, 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, 2012 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, 2012, the Profit and Loss Account for the year ended March 31, 2012 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. 5/- per equity share declared by the board of directors of the Company on January 23, 2012 on 22,40,000 equity shares of Rs. 10/- each fully paid, absorbing a sum of Rs.1,30,16,920 (including dividend distribution tax and cess thereon) paid to the shareholders on February 7, 2012 for the year ended March 31, 2012, be and is hereby approved."

"Resolved further that final dividend of Rs. 3.50 per equity share of Rs.10 each on 22,40,000 equity shares be and is hereby declared out of the profits of the Company for the year ended March 31, 2012, absorbing an amount of Rs. 91,11,844 (including dividend distribution tax and cess thereon) and that the dividend be paid to those shareholders, whose names appear in the Company's Register of Members as on July 24, 2012 and in respect of shares in electronic form to those beneficial owners of the shares as at the end of business hours on July 13, 2012 as per the details furnished by the Depositories for this purpose."

3. To appoint a Director in the place of Mr. L Lakshman, who retires by rotation under Article 116 and 118 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."

4. To appoint a Director in the place of Mr. V Ramachandran, who retires by rotation under Article 116 and 118 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."

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 (Registration No. 04532S with The Institute of Chartered Accountants of India), 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

Place : Chennai
Date : May 21, 2012

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 14, 2012 to Tuesday, July 24, 2012** (both days inclusive).
3. Pursuant to the provisions of Section 205A of the Companies Act 1956, dividend for the financial year ended March 31, 2005 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.

The Company has sent reminders to all those members whose dividend payments during the last seven years remain unpaid as per Company records. 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 2004-05.

4. 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 registered with your respective Depository Participants (DPs). We encourage your participation and expect your support in this green initiative. To receive communications from the Company in electronic form, please register your e-mail address with your DP/ 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.
5. 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 their residential and e-mail 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 into 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

Place : Chennai
Date : May 21, 2012

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)

	Item No. 3	Item No. 4
Name of the Director	Mr. L. Lakshman	Mr. V. Ramachandran
Father's Name	Mr. L. L. Narayan	Mr. S. Venkataraman
Date of Birth	July 17, 1946	January 26, 1948
Educational Qualification	B.E., Executive MBA from London Business School	B.E.,
Experience	Mr. Lakshman has been spearheading the business of different companies in Rane Group and has more than 41 years of industrial experience.	Mr. Ramachandran has been the Executive Vice Chairman of the Company till March 31, 2008. He has over 40 years of experience in the business relating to automotive components.
Date of Appointment	July 30, 1999	May 29, 1992
Other Directorships	<ol style="list-style-type: none"> 1. Rane (Madras) Limited 2. Rane Engine Valve Limited 3. Rane Holdings Limited 4. Rane NSK Steering Systems Ltd. 5. Rane TRW Steering Systems Ltd. 6. Rane Brake Lining Limited 7. JMA Rane Marketing Limited 8. Force Motors Limited 9. DCM Engineering Limited 10. Automotive Stampings and Assemblies Limited 11. Tata AutoComp Systems Limited 12. SRF Limited 	<ol style="list-style-type: none"> 1. The Vellore Electric Corporation Ltd. 2. El Forge Ltd. 3. VST Tillers Tractors Ltd. 4. Sasyaka Engineering Solutions Pvt. Ltd.
Committee Memberships	<p>Chairman - Audit</p> <ol style="list-style-type: none"> 1. Rane TRW Steering Systems Ltd. 2. Rane NSK Steering Systems Ltd. <p>Member – Audit</p> <ol style="list-style-type: none"> 1. Rane (Madras) Limited 2. Rane Engine Valve Limited 3. Kar Mobiles Limited 4. Automotive Stampings and Assemblies Limited 5. Tata AutoComp Systems Limited <p>Chairman – Investors' Service</p> <ol style="list-style-type: none"> 1. Rane (Madras) Limited 2. Rane Engine Valve Limited <p>Member – Investors' Service</p> <ol style="list-style-type: none"> 1. Rane Holdings Limited 	<p>Member – Investors' Service</p> <ol style="list-style-type: none"> 1. Kar Mobiles Ltd. 2. VST Tillers Tractors Ltd. <p>Member – Audit</p> <ol style="list-style-type: none"> 1. El Forge Ltd. 2. VST Tillers Tractors Ltd.
No. of Shares held	Nil	25,232

(By Order of the Board)
For Kar Mobiles Limited

Place : Chennai
Date : May 21, 2012

L. Ganesh
Chairman

KAR MOBILES LIMITED

REPORT OF THE DIRECTORS

Your directors are pleased to present their Seventy Fifth Annual Report together with the accounts for the year ended March 31, 2012.

1. Financial Performance

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

	(Rs.in Crores)	
Particulars	2011-12	2010-11
Sales & Operating Revenue	120.43	95.94
Profit before Tax	7.68	4.78
Provision for Tax	2.46	1.64
Profit after Tax	5.22	3.14
Surplus brought forward	1.37	1.03
Profit Available for Appropriation	6.58	4.17

During the year, the Company's sales and operating revenues grew by 25% in comparison to the previous year. The Profit Before Tax improved by 60% over the previous year due to cost reduction efforts and profit of Rs.0.85 crores earned on sale of surplus land at Tumkur plant. Earnings per share was higher at Rs.23.32 as against Rs.13.99 in the previous year.

2. Appropriation

Profit available for appropriation is Rs. 6.58 crores. The Directors have declared and paid an interim dividend of 50% on the equity capital of the Company for the year ended March 31, 2012 and have recommend a further 35% as final dividend, making for a total dividend of 85% for the year. The amount on this account inclusive of tax on distributed profits and surcharge thereon, works out to Rs. 2.22 crores leaving the Company with retained profits of Rs. 4.37 crores. Out of this, Rs. 2.50 crores is being transferred to the General Reserve and Rs. 1.87 crores being retained as surplus in the Profit and Loss Account.

3. Management Discussion and Analysis

Your Company is engaged in the manufacturing and marketing of auto components for transportation industry. A detailed analysis of the automotive industry, your Company's performance etc. are discussed in the report on 'Management Discussion and Analysis' which forms part of this report and annexed as Annexure A.

4. Fixed 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 Lakshman and Mr. V Ramachandran retire by rotation at this Annual General Meeting and being eligible offer themselves for re-election. The notice convening the ensuing Annual General Meeting includes the proposal for their re-appointment as directors.

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

During the year, the Company has not carried out any research & development activity. 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 B.

8. Foreign Exchange Earnings and Outgo

Strategic initiatives are undertaken to increase export business in terms of Customers, Product and Geographical location by identifying new business opportunities.

Foreign exchange earned (FOB) during 2011-12 was Rs. 51.62 crores and foreign exchange outgo was Rs. 23.64 crores.

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.

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10. Auditors

M/s Varma & Varma, Chartered Accountants, the auditors of the Company 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. M/s Varma & Varma, has submitted the Peer Review Certificate issued to them by The Institute of Chartered Accountants of India (ICAI).

The notice of the ensuing Annual General Meeting contains necessary resolution in this regard. Your directors recommend the re-appointment of M/s Varma & Varma, as Statutory Auditors.

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 Social Responsibility (CSR)

The vision on Corporate Social Responsibility (CSR) is, **"To be a socially and environmentally responsible organization committed to improve quality of life within and outside"**. CSR activities of Rane Group are channelized through Rane Foundation, a

public charitable and educational trust, in the social and environmental spectrum. The focus of Rane's social development initiatives has been in the three specific areas of (a) Education (b) Healthcare and (c) community development. The following social development initiatives were undertaken by your Company in this year.

The specific CSR initiatives taken by your Company are as follows:

- ❖ Contribution of funds towards establishment of Polytechnic College at Trichy by Rane Foundation by way of donation and interest free loans.
- ❖ Provided uniform cloths to the Government Primary school children.
- ❖ Provided uniform cloths to the children at Orphanage.
- ❖ Conducted Health and blood donations camps.

13. Corporate Governance Report

Your Company has complied with the Corporate Governance requirements as stipulated under Clause 49 of the listing agreement. Detailed report on the compliance and a certificate by the Statutory Auditors forms part of this report 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

Place : Chennai
Date : May 21, 2012

L Ganesh **L Lakshman**
Chairman Director

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Annexure - A to Report of the Directors

Management Discussion and Analysis

Overview

The Company is engaged in the manufacture and marketing of engine valves, collets and guides for applications in internal combustion engines.

a) Industry Structure, Developments and Performance

Domestic automobile market had a mixed year in 2011-12 with only select vehicles reaching the expected industry growth estimates. Overall the market grew by 14%. Though the Passenger Car and Medium & Heavy Commercial Vehicles (M&HCV) showed a sluggish growth during the year due to continuous increase in the interest rates, the gap was made up by the growth in other categories like Small Commercial Vehicles and Light Commercial Vehicles.

b) Industry Growth

During the year under review the growth in automotive industry is as given below:-

Vehicles	Volume Growth in %	
	2011-12	2010-11
Passenger Cars	2	27
Utility Vehicles	17	17
Small Commercial Vehicles	27	36
Light Commercial Vehicles	28	22
Medium & Heavy Commercial Vehicles	11	38
Three Wheelers	10	29
Two Wheelers	16	27
Farm Tractors	12	22

Source : Society of Indian Automobile Manufacturers

Domestic

The stable growth in the domestic market necessitated the Company to optimize and scale up the operations. The Company was well prepared to meet the increase in demand and achieved an overall growth of 25%.

OEM and Aftermarket

The sales to OEM had a moderate growth, while the growth in the aftermarket was significant. The performance of the Company in the OEM and aftermarket is given below:

(Rs. in Crores)

REVENUES	OEM			Aftermarket		
	2011-12	2010-11	Growth in %	2011-12	2010-11	Growth in %
	30.30	29.36	3	32.05	25.18	27

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The Company has met the continuing demand of the OEM tractor and industrial engine manufacturers. The sales from the OEM marginally improved by 3% over the previous year due to lower offtake by Indian Medium & Heavy Commercial Vehicles and Farm Tractor manufacturers. The improved productivity helped regain the lost aftermarket sales, leading to a growth of 27% over the previous year.

Exports

The overall economic activity marginally improved in the United States and parts of European Union in the year 2011. The total export turnover was Rs. 53.05 crores, which is 41% higher than the previous year. The United States Dollar, the currency in which the Company exports were made, gained substantially against the rupee and the rupee remained weak for most part of the year. The impact of exchange rate volatility and weak rupee was minimised with robust Forex policy adopted by the Company.

Operational and Financial Performance

Financial Review:

In the fiscal year ended March 2012, the Company registered net sales of Rs. 115.41 crores, an increase of 25% over the previous year with the Profit Before Tax of Rs. 7.68 crores, a growth of 61% from the previous year. The sales from the new products generated 15% of the revenues, an increase of 30% from the previous year. Despite higher input costs, the Company has continued to earn profit through optimization of the cost structure and improvisation of the operational efficiencies.

Operations and Manufacturing Review

The modernisation and expansion of Tumkur plant have commenced. This would pave the way for significant improvements in quality and productivity in next 2-3 years. Total Quality Management (TQM) initiatives have also started with intensive focus. With this, the Company would position as an attractive global auto components manufacturer for customers. The Company has recognized that the active employee participation is the key to implement TQM process. In the year under review, an average of 3 suggestions per employee were received compared to an average of 2 suggestions in the previous year and 20 projects were undertaken during the year compared to 12 projects in the previous year. The Company has received many awards and certifications for its eminence in manufacturing and quality. Some of them include:

- ❖ Winning of silver medal in QCC competition conducted by Quality Circle Forum of India.
- ❖ Best vendor award received from Escorts Limited for suggestion – VA/VE.
- ❖ Best vendor award from Preeth Tractors.

Outlook

The Company is cautiously optimistic about the stable growth in the automotive industry, especially in the passenger car and commercial vehicle markets. The demand for the large engine valve is expected to moderately increase. The modernisation and expansion efforts in Tumkur plant would enable the Company to scale up the operations to fulfil both OEM and aftermarket volumes.

The Company is focussing on key products and customers that could garner more market share, paving way for higher revenues. More focus is given to upgrade technology to manufacture large and extra-large valves. Through product diversification, the Company anticipates to provide range of products to the customers under one roof.

The concerns of liquidity, high inflation, weak rupee, volatile oil price and high interest rate may negatively affect the growth sentiments of the auto industry. The Company is well placed to evaluate these conditions and to address any specific issue affecting the growth.

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Opportunities & Threats

India has the largest engineering talent pool with acclaimed designing and process engineering skillsets. In addition to the human resources, India has abundant raw material resources and quality manufacturing facilities on par with the world class quality testing centres elsewhere on the globe. These advantages have enabled India to position as a global resource hub for OEM and auto components manufacturers.

India's distinct global cost and quality advantages have augmented the growth of your Company.

Your Company's strength continues in areas of:-

- ❖ Market Leadership
- ❖ Brand Equity
- ❖ Human Resources
- ❖ Technical capability in designing and manufacturing of large engine valves
- ❖ Ability to scale up operations

The Company would endeavor to further develop and improve its strengths.

The main threats to which auto component industry is exposed to are:-

- ❖ Unceasing cost reduction initiatives from OEMs from whom the major portion of the future growth is likely to come.
- ❖ Spiralling commodity prices affecting the input costs structure.
- ❖ Dumping from China.
- ❖ Apprehension about weak economic expansion in the developed countries.

Internal Control Systems and Risk Management

The Company has engaged an independent agency to carry out internal audit at all its locations across the country. The Audit Committee and the Board in consultation with the internal auditor, statutory auditor and operating management approve annual internal Audit plan. The findings of the internal auditors in their quarterly audit are placed before the Audit Committee at each of its quarterly meeting for review. The response of the operating management and counter measures proposed are discussed in the Audit Committee meetings. This process not only seeks to ensure the reliability of internal control systems and compliance with laws and regulations but also covers resource utilization and system efficacy.

During the year, the Company revisited the risks associated with each of the business processes and the sub-processes. The risks are broadly classified into strategic risks, operational risks, financial risks and statutory compliance risks. These risks are rated based on factors such as past year experience, probability of occurrence, probability of non-detection and its impact on business. Every quarter the top management reviews the strategic risks, the risks with high probability and high impact and presents its report to the Board of Directors together with the risk mitigation plan on half-yearly basis. The strategic risks are taken into consideration in the annual planning processes. Other risks are covered as part of internal audit process and presented to the Audit Committee every quarter. The risk ratings are revalidated with the top management as part of the internal audit process every quarter. The overall re-assessment of risks at company level is carried out and presented to the Board once in two years for their review.