

**KAR MOBILES LIMITED**

**74<sup>th</sup>**  
**Annual Report**  
**2010 - 2011**

# KAR MOBILES LIMITED

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## **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
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Plot No.36-B & 37, Hirehalli Industrial Area Tumkur - 572 101
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# 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."

## KAR MOBILES LIMITED

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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

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### 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](mailto: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.

# KAR MOBILES LIMITED

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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

## KAR MOBILES LIMITED

**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	<b>Mr. L Ganesh</b>	<b>Mr. C N Srivatsan</b>
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"> <li>1. Rane Engine Valve Limited</li> <li>2. Rane Brake Lining Limited</li> <li>3. Rane (Madras) Limited</li> <li>4. Rane TRW Steering Systems Limited</li> <li>5. Rane NSK Steering Systems Limited</li> <li>6. Rane Holdings Limited</li> <li>7. Rane Diecast Limited</li> <li>8. EIH Associated Hotels Limited</li> <li>9. EIH Limited</li> <li>10. JMA Rane Marketing Limited</li> </ol>	<ol style="list-style-type: none"> <li>1. Precot Meridian Limited</li> <li>2. Elgi Rubber International Limited</li> <li>3. Astral Consulting Limited</li> <li>4. Rane Engine Valve Limited</li> <li>5. Astral Autoprint Business Solutions P Limited</li> <li>6. SKP Astral Consulting P Limited</li> </ol>
Committee Memberships	<p><b>Chairman - Audit</b></p> <ol style="list-style-type: none"> <li>1. EIH Associated Hotels Limited</li> </ol> <p><b>Member – Audit</b></p> <ol style="list-style-type: none"> <li>1. Rane Holdings Limited</li> <li>2. Rane Brake Lining Limited</li> <li>3. Rane TRW Steering Systems Limited</li> <li>4. Rane NSK Steering Systems Limited</li> <li>5. Kar Mobiles Limited</li> </ol> <p><b>Chairman – Investors' Service</b></p> <ol style="list-style-type: none"> <li>1. Kar Mobiles Limited</li> </ol> <p><b>Member – Investors' Service</b></p> <ol style="list-style-type: none"> <li>1. Rane Engine Valve Limited</li> <li>2. Rane Brake Lining Limited</li> <li>3. Rane Holdings Limited</li> </ol>	<p><b>Chairman - Audit</b></p> <ol style="list-style-type: none"> <li>1. Rane Engine Valve Limited</li> </ol> <p><b>Member – Audit</b></p> <ol style="list-style-type: none"> <li>1. Precot Meridian Limited</li> <li>2. Kar Mobiles Limited</li> <li>3. Elgi Rubber International Limited</li> </ol> <p><b>Remuneration Committee</b></p> <ol style="list-style-type: none"> <li>1. Elgi Rubber International Limited</li> </ol>
No. of Shares held	50	Nil

(By Order of the Board)  
**For Kar Mobiles Limited**

Chennai  
May 19, 2011

**L Ganesh**  
Chairman

# KAR MOBILES LIMITED

## 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.



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.

# KAR MOBILES LIMITED

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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.

## KAR MOBILES LIMITED

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### 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 B.

### 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 C.

For and on behalf of the Board

Chennai  
May 19, 2011

**L Ganesh**  
Chairman

**L Lakshman**  
Director

# KAR MOBILES LIMITED

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## 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, 2011.

#### 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**

Commissioned Sealed Quench Furnace for Heat Treatment of valves.

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

Quality Improvement and consistent output.

- 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**

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For and on behalf of the Board

Chennai  
May 19, 2011

**L Ganesh**  
Chairman

**L Lakshman**  
Director

# KAR MOBILES LIMITED

## Annexure - B to the Report of the Directors

### CORPORATE GOVERNANCE

#### 1. Philosophy on Code of Governance:

Rane Group's time tested philosophy of Governance is based on principles of integrity, transparency and fairness. The Rane businesses seek enhancement to shareholder value within this framework. Employee behaviour is nourished by this culture and is governed through a policy document "Ethical Standards of Behaviour" that regulates employees and directors.

Our belief in good corporate citizenship drives internal processes towards statutory and regulatory compliances.

#### 2. Board of Directors:

As of March 31, 2011, the company has Six Directors with a Non-Executive chairman. Of the Six Non-Executive directors, three (50%) are Independent Directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement entered into with stock exchanges. None of the directors on the Board are members of more than 10 committees or chairman of more than 5 committees across all the companies in which they are Directors. Necessary disclosures regarding committee positions in other public companies as on March 31, 2011 have been made by the Directors.

The Board met 5 times during the year on May 21, 2010, July 22, 2010, October 20, 2010, January 20, 2011 and March 18, 2011. The names and categories of the Directors on the Board, their attendance at Board meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them in other companies are given below:

Name of the Director	Category	No. of Board Meetings attended	Whether attended Last AGM	No. of Directorship in other companies #		No. of Committees @	
				Chairman	Member	Chairman	Member
Mr. L Ganesh	Non-Executive Chairman & Promoter	5	Yes	6	4	2	8
Mr. L Lakshman	Non-Executive Director & Promoter	4	Yes	1	10	5	5
Mr. V Ramachandran	Non-Executive Director & Promoter	5	Yes	-	3	1	3
Mr. K P Balasubramaniam	Independent Non-Executive Director	5	Yes	-	2	1	2
Mr. A Hydari	Independent Non-Executive Director	3	No	-	-	-	-
Mr. C N Srivatsan	Independent Non-Executive Director	5	Yes	-	5	1	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

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

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.

## KAR MOBILES LIMITED

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### 3. Audit Committee :

Overall purpose / objective:

The purpose of the Audit Committee is to assist the Board of Directors (the "Board") in reviewing the financial information which will be provided to the shareholders and others, reviewing the systems of internal controls established in the company, appointing, retaining and reviewing the performance of independent accountants/ internal auditors and overseeing the Company's accounting and financial reporting processes and the audit of the Company's financial statements.

The scope of reference to the committee includes:

1. Discuss the scope of audit and post-audit area of concern, if any, with Statutory Auditors and Internal Auditors.
2. Recommending the appointment of statutory auditor and fixation of audit fee.
3. Review of quarterly / annual financial statements with statutory auditors and management before submission to the Board.
4. Review of internal control systems with the Management, Statutory Auditors and Internal Auditors.
5. Reviewing the adequacy of internal audit function.
6. Review of financial and risk management policies of the Company.
7. Reviewing defaults, if any, in payments to shareholders and creditors.
8. Reviewing the statement of significant related party transactions submitted by the management.
9. Reviewing the management letters/ letters of internal control weaknesses issued by the statutory auditors, if any.
10. Management discussion and analysis of financial condition and results of operation.

The Composition of Audit Committee is as follows:

Mr. L Lakshman	-	Chairman– Non-Executive Director
Mr. L Ganesh	-	Member – Non-Executive Director
Mr. C N Srivatsan	-	Member – Independent Director

All the members of the audit committee are financially literate and possess accounting and related financial management expertise.

The committee met on May 21, 2010, July 22, 2010, October 20, 2010 and January 20, 2011.

Name	No of Meetings Attended
Mr. L Lakshman	3
Mr. L Ganesh	4
Mr. C N Srivatsan	4

The statutory auditors and internal auditors were present as invitees in all the meetings.

The President and the Head of Finance of the Company attended the meetings by invitation. Based on the requirement, other directors attended the meetings by invitation.

In compliance with Clause 41 of the listing agreement, the Audit committee reviews the quarterly unaudited financial results of the Company (other than the last quarter). These results are subjected to limited review by the statutory auditors of the Company. The statutory auditors are eligible to issue limited review report as the audit firm has been subjected to peer review process of Institute of Chartered Accountants of India (ICAI) and holds a valid certificate issued by the Peer Review Board of ICAI.

The audit committee reviews all mandatory information under Clause 49 of the listing agreement.

## KAR MOBILES LIMITED

### 4. Remuneration to Directors:

Apart from reimbursement of actual travel & out of pocket expenses incurred by non-executive directors, sitting fee of Rs.10,000/- for attending Board / Audit Committee meetings and a sitting fee of Rs.1,250/- for meetings of other committees have been paid till January 2011. With effect from March 2011, these sitting fees were revised to Rs.20,000 and Rs.2,500 respectively. No other remuneration is paid to Non-executive directors except commission to Mr. L Ganesh, Chairman. The details of commission paid to Mr. L Ganesh, Chairman for the year 2010-11 are given in Note 4 - Notes on Accounts.

The details of sitting fees paid to the directors during the year 2010-11 are as follows:

Name of Director	Sitting fees (Rs.)
Mr. L Ganesh	105,000
Mr. K P Balasubramaniam	60,000
Mr. A Hydari	40,000
Mr. L Lakshman	83,750
Mr. C N Srivatsan	100,000
Mr. V Ramachandran	63,750

Number of Shares held by the Directors are as follows :

Name of Director	No. of Shares
Mr. L Ganesh	50
Mr. K P Balasubramaniam	650
Mr. V Ramachandran	25,232

None of the other Directors hold any share in the company.

### 5. Code of Conduct :

The Board of Directors has laid down a code of conduct for all Board Members and Senior Management of the Company. The same has also been posted on the website of the Company, viz. URL: <http://www.rane.co.in/pdf/coc.pdf>. The Board Members and Senior Management Personnel have affirmed their compliance with the code of conduct for the year under review. Declaration from the Chief Executive Officer to this effect forms part of this report.

The Board of Directors has also laid down a code of conduct for prevention of insider trading. The designated persons have affirmed compliance with the code.

### 6. Investors' Service Committee:

The Composition of the Committee is as follows :

Mr. L Ganesh - Chairman

Mr. V Ramachandran - Member

Mr. L Lakshman – Member •

Mr. K P Balasubramaniam – Member @

The Committee met three times during the year on July 22, 2010, October 20, 2010 and January 20, 2011.

Name of the Director	No. of Meetings Attended
Mr. L Ganesh	3
Mr. V Ramachandran	3
Mr. L Lakshman •	2
Mr. K P Balasubramaniam @	-

• Ceased to be the member of the committee w.e.f. December 22, 2010

@ Appointed as member w.e.f. January 20, 2011

During the year, the Company received 4 complaints from the investors and all of them were resolved to the satisfaction of the shareholders. The complaint pertains to non – receipt of dividend and non-receipt of Annual Report. No complaint was received from Stock Exchanges/ SEBI / Ministry of Corporate Affairs.

## KAR MOBILES LIMITED

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### 7. General Body Meetings :

Details of last three Annual General Meetings are as follows :

Date of AGM	Time	Venue	Special Resolutions Passed
July 22,2010	10.30 a.m	The Music Academy (Mini Hall), New No. 168, T.T.K Road, Royapettah, Chennai 600 014	No special resolution was passed
July 23, 2009	10.30 a.m	The Music Academy (Mini Hall), New No. 168, T.T.K Road, Royapettah, Chennai 600 014	No special resolution was passed
July 25, 2008	10.00 a.m	Rotary House of Friendship No.20, Lavelle Road, Bangalore - 560 001	Approval of payment of Commission to Chairman.

There were no resolutions that were required to be passed by means of postal ballot by the members of the company during the year 2010-11.

### 8. Disclosures:

During the year, the Company had not entered into any transaction of material nature with any of the promoters, directors, management or relatives etc., which was in conflict with the interest of the Company. The details of the related party transactions, as stated in Note 18 – Notes on Accounts, have been reviewed by the Audit Committee.

There was no instance of non-compliance by the Company on any matters relating to the capital markets, nor was there any penalty / strictures imposed by the stock exchanges or SEBI or any other statutory authority on such matters.

The Company has complied with all the mandatory requirements prescribed under revised Clause 49 of the Listing Agreement. The Company has complied with the following non-mandatory requirements:-

- i. maintaining an office for the Chairman at “Maithri”, 132, Cathedral Road, Chennai – 600 086
- ii. adopting the best practices to ensure a regime of unqualified financial statements.
- iii. individual communication of half-yearly results to shareholders.

No remuneration committee meeting was required to be held during the year. The Company has not adopted a formal Whistle Blower policy. However, being a transparent organisation, the Company permits access to its employees to approach the top management on any critical issue. The present board consists of professional and well-experienced members, hence training and evaluation of the performance of the non-executive directors are not practiced.

### 9. Means of Communication :

The quarterly / annual financial results are published in “Business Standard” and “Dinamani” (Tamil). The financial results are also uploaded in the website of the Company viz. <http://rane.in>. During the year, a presentation was made to analysts/institutional investors and was published in the website of the Company. A Management Discussion and Analysis report is part of the annual report.



## KAR MOBILES LIMITED

### 10. General Shareholder Information :

#### (i) Information about director seeking re-appointment in this Annual General Meeting

Name of the Director	<b>Mr. L Ganesh</b>	<b>Mr. C N Srivatsan</b>
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"> <li>1. Rane Engine Valve Limited</li> <li>2. Rane Brake Lining Limited</li> <li>3. Rane (Madras) Limited</li> <li>4. Rane TRW Steering Systems Limited</li> <li>5. Rane NSK Steering Systems Limited</li> <li>6. Rane Holdings Limited</li> <li>7. Rane Diecast Limited</li> <li>8. EIH Associated Hotels Limited</li> <li>9. EIH Limited</li> <li>10. JMA Rane Marketing Limited</li> </ol>	<ol style="list-style-type: none"> <li>1. Precot Meridian Limited</li> <li>2. Elgi Rubber International Limited</li> <li>3. Astral Consulting Limited</li> <li>4. Rane Engine Valve Limited</li> <li>5. Astral Autoprint Business Solutions P Limited</li> <li>6. SKP Astral Consulting P Limited</li> </ol>
Committee Memberships	<p><b>Chairman - Audit</b></p> <ol style="list-style-type: none"> <li>1. EIH Associated Hotels Limited</li> </ol> <p><b>Member – Audit</b></p> <ol style="list-style-type: none"> <li>1. Rane Holdings Limited</li> <li>2. Rane Brake Lining Limited</li> <li>3. Rane TRW Steering Systems Limited</li> <li>4. Rane NSK Steering Systems Limited</li> <li>5. Kar Mobiles Limited</li> </ol> <p><b>Chairman – Investors' Service</b></p> <ol style="list-style-type: none"> <li>1. Kar Mobiles Limited</li> </ol> <p><b>Member – Investors' Service</b></p> <ol style="list-style-type: none"> <li>1. Rane Engine Valve Limited</li> <li>2. Rane Brake Lining Limited</li> <li>3. Rane Holdings Limited</li> </ol>	<p><b>Chairman - Audit</b></p> <ol style="list-style-type: none"> <li>1. Rane Engine Valve Limited</li> </ol> <p><b>Member – Audit</b></p> <ol style="list-style-type: none"> <li>1. Precot Meridian Limited</li> <li>2. Kar Mobiles Limited</li> <li>3. Elgi Rubber International Limited</li> </ol> <p><b>Remuneration Committee</b></p> <ol style="list-style-type: none"> <li>1. Elgi Rubber International Limited</li> </ol>
No. of Shares held	50	Nil

## KAR MOBILES LIMITED

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- (ii) **Annual General Meeting** : Thursday, July 21, 2011 at 10.30 a.m  
'Narada Gana Sabha' (Mini Hall),  
No.314, TTK Road,  
Chennai 600 018.

- (iii) **Financial year - 1st April to 31st March**

Financial Calender :

<b>Board Meeting for approval of</b>	<b>Tentative Date</b>
Annual Accounts for the year ended March 31, 2011	May 19, 2011
Un-audited results for the 1st quarter ending June 30, 2011	July 21, 2011
Un-audited results for the 2nd quarter ending September 30, 2011	October 24, 2011
Un-audited results for the 3rd quarter ending December 31, 2011	January 23, 2012
Annual Accounts for the year ending March 31, 2012	Fourth week of May 2012

- (iv) **Book Closure & Dividend**

The book closure period is from July 16, 2011 (Saturday) to July 21, 2011 (Thursday), both days inclusive.

**Dividend**

During the year, the Board of Directors declared an interim dividend of Rs.4/- per equity share and the same was paid on February 8, 2011 to all eligible shareholders whose name appeared in the Register of Members of the Company on February 2, 2011.

The Board of directors at its meeting held on May 19, 2011, has recommended a final dividend of Re.1 per equity share. The dividend, if declared by the shareholders, will be paid on July 27, 2011 to all those members whose name appear in the 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.

- (v) **Listing on Stock Exchanges :**

<b>Stock Exchange</b>	<b>Stock Code</b>
<b>Bangalore Stock Exchange Ltd.</b> Stock Exchange Towers, 51, 1st Cross, JC Road, Bangalore – 560 027.	KARMOBILES
<b>Madras Stock Exchange Ltd.</b> Second Line Beach, Chennai – 600001.	KMB

Listing Fee: Annual Listing fees for the financial year 2011-12 has been paid to the above stock exchanges.

- (vi) **BSE IndoNext**

Trading of Equity Shares on BSE IndoNext :

The equity shares of the Company are traded on BSE IndoNext platform of the Bombay Stock Exchange Ltd. with effect from January 31, 2006.

Scrip Code : 590053

Scrip ID : KARMOB

- (vii) **Corporate Identity Number: L85110TN1936PLC071646**

## KAR MOBILES LIMITED

**(viii) Unpaid/Unclaimed Dividends:**

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.

During the year, the company had transferred Rs.144,104 to IEPF, the unclaimed dividend for the financial year ended March 31, 2003.

Information in respect of such unclaimed dividends when due for transfer to the said fund is given below:

Year	Date of declaration	Dividend per share# (Rs.)	Amount outstanding in Unclaimed Dividend Account (as on 31.03.2011) (Rs.)	Last Date for claiming unpaid dividend	Due date for transfer to IEPF u/s 205A(5)
31.03.2004	19.07.2004	4.00	231,375.00	16.08.2011	14.09.2011
31.03.2005	15.07.2005	4.00	202,148.00	12.08.2012	10.09.2012
31.03.2006 (interim)	19.01.2006	2.50	137,457.50	16.02.2013	17.03.2013
31.03.2006 (final)	20.07.2006	1.50	80,251.50	31.08.2013	29.09.2013
31.03.2007	20.07.2007	3.00	182,949.00	17.08.2014	15.09.2014
31.03.2008 (interim)	21.03.2008	4.00	254,128.00	25.04.2015	24.05.2015
31.03.2009	23.07.2009	2.00	114,874.00	27.08.2016	25.09.2016
31.03.2010 (interim)	22.01.2010	3.00	216,468.00	26.02.2017	27.03.2017
31.03.2010 (final)	22.07.2010	1.50	96,498.00	24.08.2017	22.09.2017
31.03.2011(interim)	20.01.2011	4.00	235,312.00	24.02.2018	25.03.2018

# - Share of paid-up value of Rs.10/- per share

**(ix) Share Price Data :**

There has been no active trading both in Bangalore Stock Exchange Limited and Madras Stock Exchange Limited.

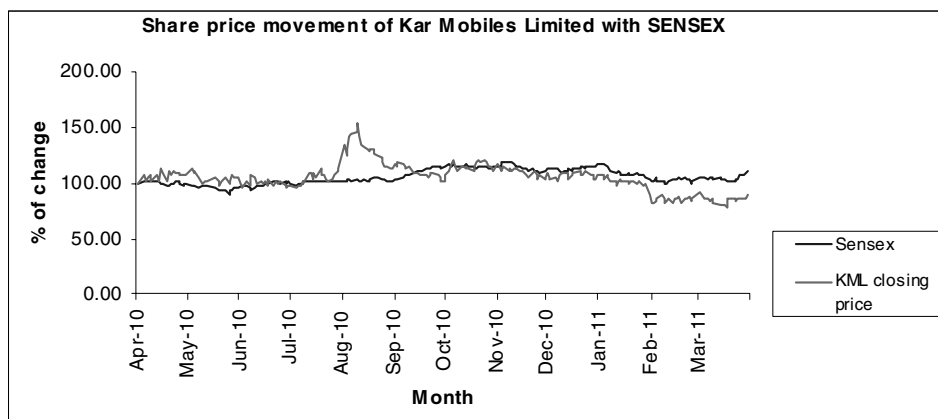
**High, Low and volumes of Company's shares for 2010-11 at BSE IndoNext:**

Month	High (Rs.)	Low (Rs.)	Volume	Sensex (High)	Sensex (Low)
April -2010	176.00	155.95	9,963	17970.02	17380.08
May -2010	174.90	153.10	6,224	17386.08	16022.48
June -2010	164.80	148.10	11,317	17876.55	16572.03
July-2010	175.50	149.60	24,374	18130.98	17441.44
August-2010	240.00	175.05	234,994	18454.94	17971.12
September-2010	184.00	159.90	16,459	20117.38	18205.87
October-2010	188.45	165.00	25,898	20687.88	19872.15
November-2010	181.35	160.05	9,601	21004.96	19136.61
December-2010	172.90	158.80	6,774	20509.09	19242.36
January-2011	164.75	139.55	11,593	20561.05	18327.76
February-2011	139.85	126.55	13,899	18506.82	17463.04
March-2011	142.75	120.25	46,480	19445.22	17839.05

Source: www.bseindia.com

## KAR MOBILES LIMITED

Performance of the share price of the Company in comparison to the Bombay Stock Exchange Limited SENSEX:



(x) **Registrar & Transfer Agents :**

The contact details of Registrar & Transfer Agents as follows:-

M/s. Integrated Enterprises (India) Limited

II Floor, "Kences Towers",

No.1, Ramakrishna Street,

North Usman Road,

T.Nagar, Chennai 600 017.

Phone: 28140801 – 03

Fax: 28142479, 28143378.

e-mail: corpserve@iepindia.com

Name of the contact person: Mr. K Suresh Babu, Vice President

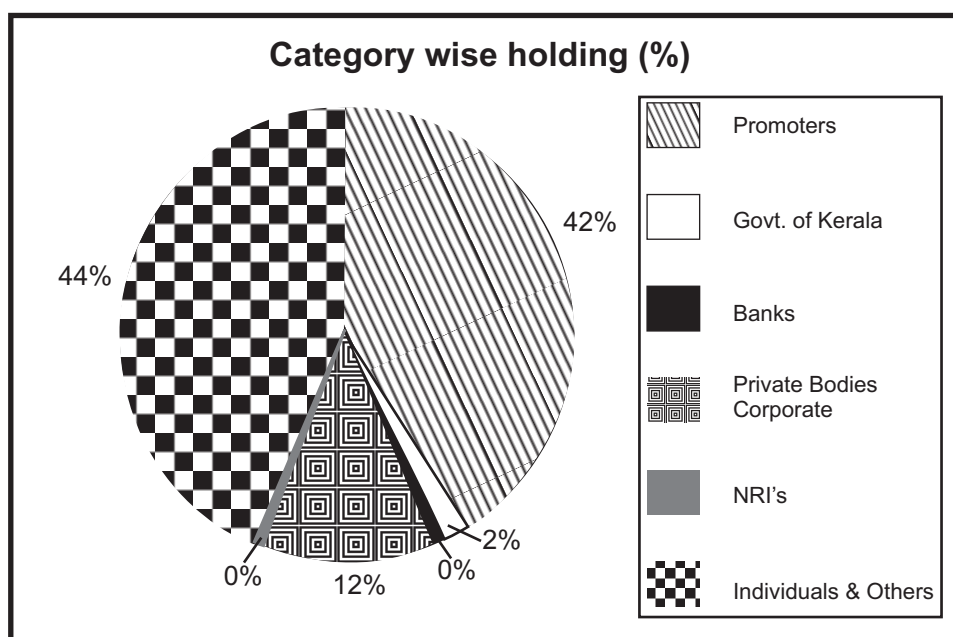
(xi) **Distribution of Shareholdings as on March 31, 2011**

No. of shares held	Folio		Shares	
	Number	%	Number	%
Upto 500	1,610	82.82	226,094	10.09
501-1000	172	8.85	126,766	5.66
1001-2000	91	4.68	138,999	6.21
2001-5000	36	1.85	110,993	4.96
5001-10000	14	0.72	93,122	4.16
10001-20000	8	0.41	125,362	5.60
20001-50000	8	0.41	267,482	11.94
50001-100000	4	0.21	312,522	13.95
100001 & above	1	0.05	838,660	37.44
Total	1,944	100.00	2,240,000	100.00

## KAR MOBILES LIMITED

**(xii) Pattern of Shareholding as on March 31, 2011**

Sl. No.	Category	No. of shares	% of Share Holding
A	Promoters	933,628	41.68
B	Govt. of Kerala	37,500	1.67
C	Banks	3,978	0.18
D	Private Bodies Corporate	268,011	11.96
E	NRI's	2,085	0.09
F	Individuals & Others	994,798	44.41
	<b>Total</b>	<b>2,240,000</b>	<b>100.00</b>



**(xiii) Share Transfer System :**

The power to approve transfer of shares has been delegated by the Board to the share transfer committee. Share transfer process is completed within 30 days from the date of receipt of transfer documents by the Registrar and Transfer Agents (RTA). Requests for dematerialisation are generally confirmed on a weekly basis by the RTA.

**(xiv) Dematerialisation of Shares :**

The Company has entered into necessary agreements with NSDL & CDSL (depositories) for dematerialization of shares held by investors. As of March 31, 2011, about 88.37% of the shareholdings have been dematerialised. The demat ISIN Number is INE 916E01011.

**(xv) Plant Locations :** Given in the first page of the Annual Report.

## KAR MOBILES LIMITED

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(xvi) **Address for Communication :**

**Mr H.K Vadiraj**  
Compliance Officer  
Kar Mobiles Ltd  
Rane Corporate Centre  
'Maithri' 132, Cathedral Road,  
Chennai - 600 086  
Phone : 28112472, Fax : 28112449  
e-mail : investorservices@rane.co.in

**OR**

**Mr. K Suresh Babu**  
Vice President  
Integrated Enterprises (India) Ltd.,  
II Floor, 'Kences Towers'  
No.1, Ramakrishna Street, North Usman Road,  
T. Nagar, Chennai – 600 017  
Phone:28140801-03, Fax:28142479.  
e-mail: corpserv@iepindia.com

To  
The Members  
**Kar Mobiles Limited**

**Declaration by Chief Executive Officer on  
Code of Conduct under Clause 49 of the Listing Agreement.**

I, hereby declare that to the best of my knowledge and information, all the Board Members and Senior Management Personnel have affirmed compliance with the code of conduct for the year ended March 31, 2011.

Chennai  
May19, 2011

**S Krishnamurthy**  
President

# KAR MOBILES LIMITED

## Annexure - C to the report of the Directors

**R. Balasubramaniam**  
**B.A, B.L. F.C.S**  
**Practising Company Secretary**  
**C.P. No.1340**

**“Newry Suprit”, 2A, No.27,**  
**2nd Floor, J Block, 2nd Street,**  
**Anna Nagar East, Chennai - 600 102**  
**Tel No. - 044 - 2626 9826**

### **Compliance Report**

To,

The Members  
**Kar Mobiles Limited**  
“Maithri”, 132, Cathedral Road,  
Chennai - 600 086

**Company No.** : 71646  
**CIN** : L85110TN1936PLC071646  
**Nominal Capital** : Rs.2.50 Crore  
**Paid-up Capital** : Rs.2.24 Crore

I have examined the registers, records, books and papers of Kar Mobiles Limited (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2011. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the company and its officers, I certify that in respect of the aforesaid financial year:

1. The company has kept and maintained all registers as stated in Annexure ‘A’ to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The company has duly filed the forms and returns as stated in Annexure ‘B’ to this certificate, with the Registrar of Companies within the time prescribed under the Act and the rules made thereunder. The Company was not required to file any forms or returns to Regional Director, Central Government or Company Law Board during the financial year.
3. The company, being a public limited company, comments are not required.
4. The Board of Directors duly met five (5) times on May 21, 2010, July 22, 2010, October 21, 2010, January 20, 2011 and March 18, 2011 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
5. The company closed its register of members from Saturday, July 17, 2010 to Thursday, July 22, 2010 (both days inclusive) and necessary compliance of Section 154 of the Act has been made.
6. The annual general meeting for the financial year ended on March 31, 2010 was held on July 22, 2010 after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extra-Ordinary general meeting was held during the financial year.
8. The company has not advanced any loans to its directors and/or persons or firms or companies referred in the section 295 of the Act.
9. The company has not entered into any contracts falling within the purview of Section 297 of the Act.
10. The company has made necessary entries in the register maintained under section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the company has not obtained any approvals from the Board of Directors, members or Central Government.

## KAR MOBILES LIMITED

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12. The Company has constituted a Committee and it has approved the issue of duplicate share certificate during the financial year.
13. The Company has:
  - (i) delivered all the certificates on lodgment thereof for transfer/ transmission in accordance with the provisions of the Act. There was no allotment of securities during the financial year.
  - (ii) deposited the amount of final dividend declared on July 22, 2010 for the year ended March 31, 2010 in a separate bank account on July 23, 2010 and the interim dividend declared on January 20, 2011 for the year ended March 31, 2011 in a separate bank account on January 25, 2011 which is within five days from the date of declaration of such dividend.
  - (iii) (a) Final dividend for the year ended March 31, 2010  
paid/posted instruments for dividends to all members within a period of thirty days from the date of declaration and all unclaimed/unpaid dividends have been transferred to Unpaid Dividend Account of the Company with YES Bank Ltd. on August 27, 2010.  
(b) Interim dividend for the year ended March 31, 2011  
paid/posted instruments for dividends to all members within a period of thirty days from the date of declaration and all unclaimed/unpaid dividends have been transferred to Unpaid Dividend Account of the Company with YES Bank Limited on February 25, 2011.
  - (iv) transferred the amount in the unpaid dividend account for the year ended March 31, 2003, remaining unclaimed for seven years to Investor Education and Protection Fund.
  - (v) duly complied with the requirements of Section 217 of the Act.
14. There was no appointment of additional directors, alternate directors and directors to fill casual vacancy during the financial year.
15. The company has not appointed any Managing Director/ Whole-time director or manager during the financial year.
16. The company has not appointed any sole-selling agents during the financial year.
17. The Company was not required to obtain any approval from Central Government, Company Law Board, Regional Director and Registrar of Companies during the financial year.
18. The directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The company has not issued any shares / debentures / other securities during the financial year.
20. The company has not bought back any shares during the financial year ended March 31, 2011.
21. There was no redemption of preference shares / debentures during the financial year.
22. There were no transactions necessitating the company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited / accepted any Deposits including any unsecured loans falling within the purview of Section 58A of the Act, during the financial year.
24. The amounts borrowed by the company from banks/ financial institutions during the financial year ended March 31, 2011 are within the borrowing powers of the Company.



## KAR MOBILES LIMITED

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25. The company has not made loans, investments or given guarantees, provided securities to other bodies corporate pursuant to Section 372A of the Act and hence the requirement to maintain registers is not applicable.
26. The company has not altered the provisions of the memorandum with respect to the registered office of the company during the year.
27. The company has not altered the provisions of the memorandum with respect to the objects of the company during the year under scrutiny.
28. The company has not altered the provisions of the memorandum with respect to name of the company during the year under scrutiny.
29. The company has not altered the provisions of the memorandum with respect to share capital of the company during the year under scrutiny.
30. The company has not altered its articles of association during the financial year.
31. There was no prosecution initiated against or show cause notices received by the company and no fines or penalties or any other punishment was imposed on the company during the financial year, for offences under the Act.
32. The company has not received any money as security from its employees during the year under certification.
33. The company has deposited both employee's and employer's contribution to Provident Fund with prescribed authorities.

Signature:

Name of the Company Secretary: **R Balasubramaniam**

**C.P. No.: 1340**

Place: Chennai

Date: May 10, 2011

# KAR MOBILES LIMITED

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## Annexure A

### **Registers as maintained by the Company**

1. Register of charges under section 143 of the Act.
2. Register of Members under section 150 of the Act.
3. Register of Contracts under section 301 of the Act
4. Register of Directors under section 303 of the Act.
5. Register of Directors' Shareholding under section 307 of the Act
6. Register of Share Transfers/ renewed and duplicate share certificates.

## Annexure B

### **Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ended on 31st March, 2011: -**

<b>Form No.</b>	<b>Date of Filing</b>	<b>Section</b>	<b>Purpose</b>
66	14-August-10	383(A)	Filing of Compliance Certificate for the year ended March 31, 2010
23AC	19-August-10	220	Balance Sheet as on March 31, 2010
23ACA	19-August-10	220	Profit & Loss a/c for the year ended March 31, 2010
1 INV	8-September-10	Investor education and protection Rules	Transfer of unclaimed dividends
20B	17-September-10	159	Annual return for the year ended March 31, 2010
8	20-January-11	125	Creation of Charge

Signature:

Name of the Company Secretary: **R Balasubramaniam**

**C.P. No.1340**

Place: Chennai

Date: May 10, 2011

## KAR MOBILES LIMITED

### AUDITORS' REPORT

THE MEMBERS,  
KAR MOBILES LIMITED

We have audited the attached Balance Sheet of **Kar Mobiles Limited** as at 31st March 2011, the Profit and Loss Account for the year ended on that date and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- I. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in Paragraphs 4 and 5 of the said Order;
- II. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

- iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- v. On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors of the company are disqualified as on 31st March 2011, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and notes on accounts attached thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a. in the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2011;
  - b. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
  - c. in the case of the Cash Flow statement, of the cash flow of the company for the year ended on that date.

**For VARMA & VARMA**  
Chartered Accountants  
FR NO.004532S

Chennai  
May 19, 2011

**R Kesavadas**  
Partner  
M.No.23862

## **KAR MOBILES LIMITED**

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### **ANNEXURE REFERRED TO IN PARAGRAPH I OF OUR AUDIT REPORT OF EVEN DATE TO THE MEMBERS OF KAR MOBILES LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011**

1. (a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.  
(b) We are informed that most of the fixed assets of the company have been physically verified by the management during the year based on the fixed assets verification programme laid down by the management of the company which, in our opinion is reasonable having regard to the size of the company and the nature of assets and discrepancies noticed on such verification, which are not material have been dealt within the accounts.  
(c) The company has not disposed off substantial part of fixed assets during the year.
2. (a) We are informed that the inventory of raw materials, stores and spares in the custody of the company are physically verified by the management on a continuing basis as per a programme of perpetual inventory and inventories of other items have been physically verified at the year-end, the frequency of which, in our opinion is reasonable, having regard to the size of the company and the nature of its business;  
(b) In our opinion and according to the explanations given to us, the procedures of physical verification of inventory followed by the management are fairly reasonable and adequate in relation to the size of the company and the nature of its business;  
(c) The company is maintaining proper records of inventory and as informed to us, discrepancies of material nature noticed on physical verification, by the management, have been adequately adjusted in the books of account.
3. (a) The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.  
(b) The company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are fairly adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase of inventory and fixed assets and for the sale of goods.
5. According to the information and explanations given to us, all transactions which require to be entered in a register maintained pursuant to Section 301 of the Companies Act, 1956 have been so entered. Where each of such transactions is in excess of Rs.5 lakhs in respect of any party, they have been made at cost/ negotiated prices and they either compare favourably with market prices or there are no comparable prices.
6. The company has not accepted any deposits from the public during the year and there are no deposits outstanding as at the beginning and end of the year. Hence, the compliance of provisions of sections 58A and 58AA of the Companies Act, 1956 are not applicable.
7. In our opinion, the company has an adequate internal audit system commensurate with the size of the Company and the nature of its business.
8. We have broadly reviewed the records maintained by the company pursuant to the order issued by the Central Government under Section 209(1)(d) of the Companies Act, 1956, for the maintenance of cost records in respect of the products of the company and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of these records with a view to determine whether they are accurate or complete.

## KAR MOBILES LIMITED

9. (a) According to the information and explanations given to us and as per our verification of the records of the company, the company has been fairly regular in depositing undisputed statutory dues including Provident fund, Employee's State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess, Investor Education and Protection Fund and other statutory dues with the appropriate authorities during the year to the extent applicable. There are no arrears of undisputed statutory dues of a material nature outstanding for a period of more than six months from the date on which they became payable.
- (b) According to the information and explanations given to us and as per our verification of the records of the company, there are no disputed amounts of tax/ duty that have not been deposited with appropriate authorities as at 31st March 2011 except for the following.

Name of the statute	Nature of dues	Amount (Rs. in '000s)	Period to which the amount relates	Forum where dispute is pending
Finance Act, 1994	Service tax	463	2008-09	Central Excise Customs and Service tax Appellate Tribunal
Finance Act, 1994	Service tax	678	2009-10	Commissioner of Central Excise (Appeals)
Finance Act, 1994	Service tax	227	2009-10	Assistant Commissioner – Central Excise
Finance Act, 1994	Service tax	155	2009-10	Commissioner of Central Excise (Appeals)
Customs Act, 1962	Customs Duty	33	2010-11	Commissioner of Customs

10. There are no accumulated losses at the end of the financial year. The company has also not incurred cash losses during the year and in the immediately preceding financial year.
11. According to the information and explanations given to us and as per our verification of the records of the company, the company has not defaulted in repayment of dues to the financial institutions and banks.
12. The company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. Since the company is not a chit fund/nidhi/mutual benefit fund/society, the related reporting requirements are not applicable.
14. Since the company is not dealing or trading in shares, securities, debentures or other investments, the related reporting requirements are not applicable.
15. According to the information and explanations given to us and as per the verification of the records of the company, there are no guarantees given by the company for loans taken by others from banks or financial institutions.

## **KAR MOBILES LIMITED**

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16. According to the information and explanation given to us and as per the verification of the records of the company, the term loans obtained and to the extent utilized during the year were applied for the purpose for which such loans were obtained and the remaining funds pending utilization are placed in bank balances.
17. According to the information and explanations given to us and as per our verification of the records of the company, although during the year the company has used short term funds for long term purposes to the extent of Rs. 101.59 lakhs, on an overall basis the company has not utilized funds raised on short-term basis for long term purposes.
18. The company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act.
19. The company has not issued any debentures during the year.
20. The company has not raised any money by public issues during the year.
21. According to the information and explanations given to us and as per our verification of the records of the company, no fraud either on or by the company has been noticed or reported during the year.

**For VARMA & VARMA**  
Chartered Accountants  
FR NO.004532S

**R Kesavadas**  
Partner  
M.No.23862

Chennai  
May 19,2011

# KAR MOBILES LIMITED

## BALANCE SHEET AS AT MARCH 31, 2011

(Rs. in thousands)

Particulars	Sch No.	31.03.2011		31.03.2010	
		Rs.	Rs.	Rs.	Rs.
<b>I. SOURCES OF FUNDS</b>					
<b>1. Shareholders' Funds</b>					
a. Share Capital	1	22,400		22,400	
b. Reserves and Surplus	2	235,652		217,037	
			<b>258,052</b>		239,437
<b>2. Loan Funds</b>					
Secured Loans	3		196,741		81,909
<b>TOTAL</b>			<b>454,793</b>		<b>321,346</b>
<b>II. APPLICATION OF FUNDS</b>					
<b>1. Fixed Assets</b>					
a. Gross Block at Cost	4	406,638		377,303	
b. Less : Depreciation		200,571		190,124	
c. Net Block		206,067		187,179	
d. Capital Work-in-progress at cost	5	56,302		21,299	
			<b>262,369</b>		208,478
<b>2. Investments</b>	6		10		10
<b>3. Deferred Tax Asset [Refer note no.11(a)]</b>			1,721		3,137
<b>4. Current Assets, Loans and Advances</b>					
a. Inventories		112,332		81,793	
b. Sundry Debtors		203,691		163,758	
c. Cash and Bank Balances		44,664		4,029	
d. Other Current Assets		32,513		17,355	
e. Loans and Advances		22,417		24,003	
		<b>415,617</b>		290,938	
<b>Less:</b>					
<b>Current Liabilities and Provisions</b>					
a. Liabilities	8	149,691		112,478	
b. Provisions		75,233		68,739	
		<b>224,924</b>		181,217	
Net Current Assets			<b>190,693</b>		109,721
<b>TOTAL</b>			<b>454,793</b>		<b>321,346</b>
<b>Significant Accounting Policies &amp; Notes to Accounts</b>	15				

For and on behalf of the Board

**L Ganesh**  
Chairman

**L Lakshman**  
Director  
Chennai : May 19, 2011

**S Krishnamurthy**  
President

As per our report of even date attached

**For VARMA & VARMA**  
Chartered Accountants  
FR NO.004532S

**R Kesavadas**  
Partner  
M.No.23862  
Chennai : May 19, 2011

# KAR MOBILES LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(Rs. in thousands)

Particulars	Sch No.	31.03.2011 Rs.	31.03.2010 Rs.
<b>INCOME</b>			
Gross Sales	9	981,914	855,767
Less : Excise Duty		58,808	48,188
Net Sales		923,106	807,579
Operating Revenues	10	35,453	26,117
Other Income	11	809	288
<b>TOTAL</b>		<b>959,368</b>	<b>833,984</b>
<b>EXPENDITURE</b>			
Material Cost of Goods Sold	12	394,239	331,818
Manufacturing and Other Expenses	13	489,918	428,451
<b>TOTAL</b>		<b>884,157</b>	<b>760,269</b>
<b>Operating Profit</b>		<b>75,211</b>	<b>73,715</b>
Interest	14	7,223	9,450
Depreciation / Amortisation	4	20,224	19,836
<b>Profit before tax</b>		<b>47,764</b>	<b>44,429</b>
Less : Provision for Taxation:			
- Current		15,000	14,200
- Deferred		1,416	1,330
- Fringe Benefits (PY-Prior years provision written back)		-	(376)
<b>Profit after tax</b>		<b>31,348</b>	<b>29,275</b>
Profit brought forward from last year		10,344	12,849
Profit available for Appropriation		41,692	42,124
Less : Transfer to General Reserve		15,000	20,000
Balance Profit		26,692	22,124
Proposed Dividend on Equity Shares - Interim		8,960	6,720
- Final		2,240	3,360
Tax on Proposed Dividend		1,851	1,700
Balance Carried to Balance Sheet		13,641	10,344
Number of shares of Rs.10/- each.		2,240,000	2,240,000
Earnings per share - Basic and Diluted		13.99	13.07
<b>Significant Accounting Policies &amp; Notes to Accounts</b>	15		

For and on behalf of the Board

As per our report of even date attached

**L Ganesh**  
Chairman

**For VARMA & VARMA**  
Chartered Accountants  
FR NO.004532S

**L Lakshman**  
Director  
Chennai : May 19, 2011

**S Krishnamurthy**  
President

**R Kesavadas**  
Partner  
M.No.23862  
Chennai : May 19, 2011



## KAR MOBILES LIMITED

### CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(Rs. in thousands)

	31.03.2011 Rs.	31.03.2010 Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before taxation and extraordinary items	47,764	44,429
<b>Adjustment for :</b>		
Depreciation	20,224	19,836
Interest expense	7,223	9,450
Investment Income	(2)	(1)
Interest Income	(195)	(203)
Loss / (Profit) on sale / scrap of assets (Net)	950	47
Exchange variation on PCFC Loans & Forward contracts	(3,926)	(3,796)
Hedging Reserve account	318	-
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>72,356</b>	69,762
(Increase) / Decrease in Inventories	(30,539)	24,430
(Increase) / Decrease in Debtors	(39,933)	51,477
(Increase) / Decrease in other Current Assets	(14,918)	13,265
(Increase) / Decrease in Loans and Advances	1,635	10,335
Increase / (Decrease) in Current Liabilities	36,175	(14,311)
Increase / (Decrease) in Provisions	7,809	4,104
<b>CASH GENERATED FROM OPERATIONS</b>	<b>32,585</b>	159,062
Taxes Paid :		
Income Tax (Net of refund)	(15,049)	(16,046)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES "A"</b>	<b>17,536</b>	143,016
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(75,958)	(40,337)
Income from Investments	2	1
Interest received	(45)	203
Proceeds on sale of fixed assets	893	349
<b>NET CASH USED IN INVESTING ACTIVITIES "B"</b>	<b>(75,108)</b>	(39,784)

# KAR MOBILES LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(Rs. in thousands)

	31.03.2011 Rs.	31.03.2010 Rs.
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
(Repayment) / Proceeds from long term borrowings	<b>58,652</b>	(25,890)
(Repayment) / Proceeds from short term borrowings	<b>56,180</b>	(57,706)
Dividend and Dividend Tax paid	<b>(14,301)</b>	(12,762)
Interest Paid	<b>(6,250)</b>	(9,613)
Exchange variation on PCFC Loans & Forward contracts	<b>3,926</b>	3,796
<b>NET CASH GENERATED / (USED) IN FINANCING ACTIVITIES "C"</b>	<b>98,207</b>	(102,175)
<b>NET CASH FLOWS DURING THE YEAR (A+B+C)</b>	<b>40,635</b>	1,057
Opening Balance of Cash & Cash Equivalents	<b>4,029</b>	2,972
Closing Balance of Cash & Cash Equivalents	<b>44,664</b>	4,029

For and on behalf of the Board

As per our report of even date attached

**L Ganesh**  
Chairman

**For VARMA & VARMA**  
Chartered Accountants  
FR NO.004532S

**L Lakshman**  
Director  
Chennai : May 19, 2011

**S Krishnamurthy**  
President

**R Kesavadas**  
Partner  
M.No.23862  
Chennai : May 19, 2011

# KAR MOBILES LIMITED

## SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2011

(Rs. in thousands)

	31.03.2011 Rs.	31.03.2010 Rs.
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
2,350,000 Equity Shares of Rs. 10/- each	23,500	23,500
150,000 Cumulative Redeemable Preference Shares of Rs. 10/- each	1,500	1,500
	25,000	25,000
<b>ISSUED, SUBSCRIBED AND PAID UP</b>		
2,240,000 Equity Shares of Rs.10/- each fully paid up (of the above, 13,20,000 Equity Shares Rs.10/- each were allotted as fully paid up Bonus Shares by Capitalisation of Share Premium and General Reserve)	22,400	22,400
	22,400	22,400
<b>SCHEDULE - 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>		
Investment subsidy from Government of Karnataka for Tumkur Unit as per last Balance Sheet	1,500	1,500
Grant received from Industrial Credit and Investment Corporation Productivity Fund as per last Balance Sheet	424	424
	1,924	1,924
<b>Preference Share Redemption Reserve</b>		
Balance as per last Balance Sheet	1,000	1,000
	1,000	1,000
<b>Hedging Reserve</b>		
Unrealised Gain / (loss) on Hedging of derivatives (net) (Refer Note No.6(a) in Schedule 15)	318	-
	318	-
<b>General Reserve</b>		
Balance as per last Balance Sheet	203,769	183,769
Add : Additions during the year	15,000	20,000
	218,769	203,769
<b>Surplus in Profit and Loss Account</b>		
Surplus in Profit and Loss Account	13,641	10,344
	13,641	10,344
	235,652	217,037

# KAR MOBILES LIMITED

## SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2011

(Rs. in thousands)

	31.03.2011 Rs.	31.03.2010 Rs.
<b>SCHEDULE - 3</b>		
<b>SECURED LOANS</b>		
<b>1. FROM STATE BANK OF INDIA</b>		
<b>Cash Credit / Packing Credit</b>	<b>82,495</b>	26,315
Secured by hypothecation of Stock of Raw Materials, Consumables, Spares, Semi-Finished Goods, Finished Goods and Book Debts, wherever located. Further secured by Second charge on Land and Buildings and Plant and Machinery of the Company's Peenya and Tumkur Units.		
<b>2. FROM CITI BANK</b>		
<b>TERM LOAN</b>	<b>28,366</b>	55,594
Secured by first Charge on pari passu basis on all immoveable and moveable fixed assets, present and future of the Company's Peenya Unit and second charge on all current assets, present and future of the Company.		
<b>3. FROM STANDARD CHARTERED BANK</b>		
<b>TERM LOAN</b>	<b>85,880</b>	-
Secured by first Charge on pari passu basis on all immoveable and moveable fixed assets, present and future of the Company's Peenya Unit and second charge on all current assets, present and future of the Company.		
	<b>196,741</b>	<b>81,909</b>

**SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2011**

**SCHEDULE - 4**

**FIXED ASSETS**

(Rs. in thousands)

DESCRIPTION	GROSS BLOCK AT COST						DEPRECIATION / AMORTISATION				NET BLOCK - WDV	
	As at 31.03..2010	Additions	Adjustments	Deductions	As at 31.03.2011	up to 31.03..2010	Deductions/ Adjustments	For the Year	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010	
<b>Tangible Assets :</b>												
Free Hold Land	4,521	—	—	—	<b>4,521</b>	—	—	—	—	<b>4,521</b>	4,521	
Factory Buildings	29,916	1,469	—	—	<b>31,385</b>	12,951	—	845	<b>13,796</b>	<b>17,589</b>	16,965	
Plant and Machinery	318,095	38,191	—	11,486	<b>344,800</b>	158,406	9,575	18,178	<b>167,009</b>	<b>177,791</b>	159,689	
Furniture and Fixtures	6,529	790	—	—	<b>7,319</b>	4,374	—	296	<b>4,670</b>	<b>2,649</b>	2,155	
Office Equipments	14,614	505	—	235	<b>14,884</b>	10,765	202	905	<b>11,468</b>	<b>3,416</b>	3,849	
Obsolete Assets	—	—	101	—	<b>101</b>	—	—	—	—	<b>101</b>	—	
<b>Intangible Assets :</b>												
Software Licences	3,628	—	—	—	<b>3,628</b>	3,628	—	—	<b>3,628</b>	—	—	
<b>TOTAL</b>	<b>377,303</b>	<b>40,955</b>	<b>101</b>	<b>11,721</b>	<b>406,638</b>	<b>190,124</b>	<b>9,777</b>	<b>20,224</b>	<b>200,571</b>	<b>206,067</b>	<b>187,179</b>	
Previous year	359,186	23,084	—	4,967	<b>377,303</b>	174,859	4,571	19,836	<b>190,124</b>	<b>187,179</b>	184,327	

# KAR MOBILES LIMITED

## SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2011

(Rs. in thousands)

	31.03.2011 Rs.	31.03.2010 Rs.
<b>SCHEDULE - 5</b>		
<b>CAPITAL WORK-IN-PROGRESS AT COST</b>		
i) Building under construction	35,293	-
ii) Machinery under erection	8,201	21,119
iii) Borrowing costs pending allocation (net) (Refer Note No.8 in Schedule 15)	753	-
iv) Advances - Unsecured, Considered Good	12,055	180
	<u>56,302</u>	<u>21,299</u>
<b>SCHEDULE - 6</b>		
<b>INVESTMENTS (Long term, at cost, unquoted)</b>		
<b>Non-Trade Investments:</b>		
National Savings Certificate - VIII Issue	10	10
	<u>10</u>	<u>10</u>
<b>SCHEDULE - 7</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>a) Inventories (As taken, valued and certified by the President) at lower of cost or net realisable value</b>		
i) Stores and Spares	13,832	10,129
ii) Raw Materials (including in transit)	50,868	34,558
iii) Finished Goods (including in transit)	16,824	15,181
iv) Work-in-Progress	30,506	21,378
v) Scrap	302	547
	<u>112,332</u>	<u>81,793</u>
<b>b) Sundry Debtors (Unsecured)</b>		
i) Debts outstanding for a period exceeding 6 months	553	2,314
Less: Provision for doubtful debts	553	1,906
	-	408
ii) Other Debtors	203,691	163,350
Considered good	203,691	163,758
<b>c) Cash and Bank Balances</b>		
i) Cash balance on hand	482	822
ii) Balances with Scheduled Banks		
- In Current Accounts	1,430	1,520
- In Deposit Accounts	41,000	-
- In Unpaid Dividend Accounts	1,752	1,687
	<u>44,664</u>	<u>4,029</u>

# KAR MOBILES LIMITED

## SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2011

(Rs. in thousands)

	31.03.2011 Rs.	31.03.2010 Rs.
<b>SCHEDULE - 7 (Contd..)</b>		
<b>d) Other Current Assets</b>		
i) Derivative Asset (Refer Note No.6(a) in Schedule 15)	2,394	-
ii) Claims receivable	605	20
iii) Export incentives receivable	17,443	13,454
iv) Rebate on Excise Duty on Exports	11,827	3,877
v) Interest accrued on Investments and Deposits	244	4
	<b>32,513</b>	<b>17,355</b>
<b>e) Loans and Advances (Unsecured, considered good)</b>		
i) Advances recoverable in cash or in kind or for value to be received	1,697	3,342
ii) Balance with Central Excise Department	5,684	6,046
iii) Advance Tax / Tax Deducted at Source (Net of provision for taxation)	9,475	9,426
iv) Deposits [Net of Provision Rs.65 thousands (PY Rs.78 thousands)]	3,824	3,690
v) Prepaid expenses	1,737	1,499
	<b>22,417</b>	<b>24,003</b>
<b>Total</b>	<b>415,617</b>	<b>290,938</b>
<b>SCHEDULE - 8</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>a) Current Liabilities</b>		
i) Acceptances	8,006	4,709
ii) Sundry Creditors for materials and expenses :		
a) Due to Micro and Small Enterprises (Refer Note No.15 in Schedule 15)	125	504
b) Due to Others [Including due to Chairman Rs.1476 thousands. (Previous Year Rs.1349 thousands )]	135,250	103,023
iii) Dealer Deposits	59	59
iv) Unclaimed Dividends [Refer note No.14 in Schedule 15]	1,752	1,687
v) Other Liabilities	3,244	2,214
vi) Interest accrued but not due on Loans	1,255	282
	<b>149,691</b>	<b>112,478</b>
<b>b) Provisions</b>		
i) Provision for Leave Encashment	18,180	15,790
ii) Provision for Gratuity	39,576	35,396
iii) Provision for claims (Refer Note No.13 in Schedule 15)	9,775	8,536
iv) Provision for Taxation (Net of Advance Tax and Tax deducted at Source)	5,099	5,099
v) Proposed Dividend on Equity Shares	2,240	3,360
vi) Tax on Proposed Equity Dividend	363	558
	<b>75,233</b>	<b>68,739</b>
<b>Total</b>	<b>224,924</b>	<b>181,217</b>

# KAR MOBILES LIMITED

## SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(Rs. in thousands)

	31.03.2011 Rs.	31.03.2010 Rs.
<b>SCHEDULE - 9</b>		
<b>GROSS SALES</b>		
i) Sales - Own Products	962,212	849,143
ii) Sales - Others	19,702	6,624
	<b>981,914</b>	<b>855,767</b>
<b>SCHEDULE - 10</b>		
<b>OPERATING REVENUES</b>		
i) Sale of Scrap	13,603	9,138
ii) Sale of Materials {Includes consumables Rs.38 thousands (previous year Rs. 214 thousands)}	1,411	740
iii) Export Incentives	18,826	14,538
iv) Other Receipts	1,613	1,701
	<b>35,453</b>	<b>26,117</b>
<b>SCHEDULE - 11</b>		
<b>OTHER INCOME</b>		
i) Income from Investment	2	1
ii) Profit on sale of assets	430	82
iii) Interest on Income Tax refund	179	-
iv) Interest on Deposits [TDS Rs.43 thousands (PY Rs. 46 thousands)]	588	203
v) Other Income	3	2
	<b>1,202</b>	<b>288</b>
LESS : Transferred to borrowing costs Pending allocation (net) under Schedule 5	<b>393</b>	<b>-</b>
	<b>809</b>	<b>288</b>
<b>SCHEDULE - 12</b>		
<b>MATERIAL COST OF GOODS SOLD</b>		
Opening Stock :		
i) Finished Goods	15,181	31,604
ii) Work in Progress	21,378	22,512
iii) Scrap	547	3,049
	<b>37,106</b>	<b>57,165</b>
Excise Duty on Stocks	103	(214)
	<b>37,209</b>	<b>56,951</b>
Less : Closing Stock		
i) Finished Goods	16,824	15,181
ii) Work in Progress	30,506	21,378
iii) Scrap	302	547
	<b>(10,423)</b>	<b>19,845</b>
Stock Differential		
Add : Raw Materials consumed	<b>404,662</b>	<b>311,973</b>
	<b>394,239</b>	<b>331,818</b>



## KAR MOBILES LIMITED

### SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(Rs. in thousands)

	31.03.2011 Rs.	31.03.2010 Rs.
<b>SCHEDULE - 13</b>		
<b>MANUFACTURING AND OTHER EXPENSES</b>		
Salaries, wages and Bonus	190,013	168,720
Contribution to Provident and other Funds	25,301	20,535
Staff Welfare Expenses	32,173	28,428
Stores and Tools consumed	56,089	49,699
Freight Inwards	7,609	5,364
Job Charges	13,549	11,617
Power and Fuel	40,245	32,302
Repairs and Maintenance (including stores and spares consumed)		
-- Building	7,169	5,239
-- Machinery	34,189	27,337
-- Others	564	314
Watch and Ward Expenses	3,095	2,762
Insurance	2,888	2,104
Rent	7	10
Rates and Taxes	2,458	1,680
Postage, Telegram and Telephone	2,153	2,364
Printing and Stationery	2,387	2,043
Travelling Expenses	11,108	10,457
Directors Sitting Fees	453	498
Legal and Professional Charges	7,441	8,759
Auditors Remuneration	725	594
Bank and Financial Charges	3,328	2,217
General Charges	2,256	1,252
Packing and Forwarding	26,515	20,673
Advertisement and Sales Promotion	7,770	8,044
Software expenses	4,924	8,951
Commission and Discount	11,478	10,049
Loss on Sale of Assets	177	129
Loss on Assets Scrapped	659	-
Provision for Obsolete Assets	544	-
Provision for Doubtful Deposits	(14)	78
Provision for Doubtful Debts	(1,353)	(1,393)
Loss / (Profit) on Exchange Variation (Net)	(6,871)	(2,375)
Voluntary Retirement Expenses	889	-
	<b>489,918</b>	<b>428,451</b>
<b>SCHEDULE - 14</b>		
<b>INTEREST</b>		
Term Loan	3,625	4,067
Cash Credit / Packing Credit	3,533	3,060
Exchange differences regarded as adjustment to interest costs	1,208	2,322
Others	3	1
	<b>8,369</b>	<b>9,450</b>
Less : Transferred to borrowing costs		
Pending allocation (net) under Schedule 5	1,146	-
	<b>7,223</b>	<b>9,450</b>

# KAR MOBILES LIMITED

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## SCHEDULE FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011

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### SCHEDULE - 15

#### SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

##### 1. SIGNIFICANT ACCOUNTING POLICIES

**a) Basis of preparation of financial statements**

The financial statements are prepared under the historical cost convention, in accordance with the provisions of the Companies Act, 1956 and the Companies (Accounting Standards) Rules, 2006 (Indian GAAP) as adopted consistently by the company. All income and expenditure having a material bearing on financial statements are recognised on accrual basis.

**b) Use of Estimates**

The preparation of the financial statements in conformity with Indian GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of financial statements and the reported amounts of revenue and expense during the reported period. Although such estimates were made on a reasonable and prudent basis taking into account all available information, actual results could differ from estimates and such differences are recognised in the year in which the results are ascertained.

**c) Fixed Assets**

*Tangible :*

Fixed Assets are valued at cost, namely, cost of acquisition and other incidental expenses directly related to their installation/ erection less depreciation.

*Intangible :*

Intangible assets are carried at cost less amortisation where it is probable that future economic benefits will arise for an amount not less than the carrying value.

**d) Inventories**

Inventories are valued at lower of cost or estimated net realisable value. Material cost is ascertained on weighted average basis and conversion and other costs incurred for bringing the inventories to their present location and condition allocated to the extent required.

**e) Customs Duty and Excise Duty**

- (i) Excise Duty in respect of goods sold is reduced from Sales.
- (ii) Customs duty and Excise Duty applicable on goods under clearance have been computed and provided for by adding the same to the value of relative inventories.
- (iii) The net effect of Excise Duty on opening and closing stock of finished goods and other adjustments relating to Excise Duty are disclosed separately in the Profit & Loss Account.

**f) Capital Reserve**

Investment subsidy received from the Government and Grant received from ICICI are considered as a part of the Capital Reserve.

## SCHEDULE - 15 (Contd..)

### **g) Foreign Exchange Transactions**

Transactions in foreign currency are accounted at the exchange rates prevailing at the time of entering into the transaction or at the contracted rates.

Premium or discount on forward exchange contracts which are not intended for trading or speculation purpose and is to establish the amount of reporting currency required at the settlement date of the transaction is recognised in the Profit and loss account over the period of contracts. The exchange differences on the contract are recognised in the year which the exchange rates change.

Exchange differences arising from settlement or restatement of foreign currency loans relating to fixed assets/capital work-in-progress to the extent regarded as an adjustment to interest cost are treated as borrowing cost.

Other exchange differences arising from settlement or restatement of long term monetary items into reporting currency are adjusted in the carrying cost of related assets / Foreign Currency Monetary Item Translation Difference Account and those relating to short term monetary items are adjusted in profit and loss account.

### **h) Derivative Instruments and Hedge Accounting**

The Company is exposed to foreign currency fluctuations on foreign currency assets, liabilities and forecasted cash flows denominated in foreign currency. It uses foreign currency derivative contracts to hedge its risks associated with foreign currency fluctuations and enters into derivative contracts, where the counterparty is a bank. The use of foreign currency derivative contracts is governed by the company's policies approved by the board of directors. It does not use derivative financial instruments for speculative purposes.

The company has adopted Accounting Standard 30 (AS 30) "Financial Instruments: Recognition and Measurement", and accordingly, the changes in the fair values of derivative contracts designated as cash flow hedges are recognised directly in 'Hedging Reserve Account' which is part of shareholders' funds and reclassified into the profit and loss account upon the occurrence of the hedged transactions. The changes in fair value relating to the ineffective portion of the cash flow hedge derivative contracts are recognised in the profit and loss account as they arise.

### **i) Depreciation and amortisation**

Depreciation on Tangible Fixed Assets is charged on Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

Intangible assets are amortised over the estimated period for which future economic benefits will arise or ten years whichever is lower. Software licenses are amortised over a period of three years.

### **j) Employee Benefits**

a. The amounts paid/payable on account of short term employee benefits, comprising largely of salaries & wages, short term compensated absences and annual bonus is valued on an undiscounted basis and charged to the Profit and Loss account for the year.

b. Defined Contribution Plans

The company has defined contribution plans for its employees comprising of Provident Fund, Superannuation Fund and Employee's State Insurance. The contributions paid/payable to these plans during the year are charged to the Profit and Loss Account for the year. The Company has no other obligation in this regard.

# KAR MOBILES LIMITED

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## SCHEDULE - 15 (Contd..)

### c. Defined Benefit Plans

#### i) **Gratuity**

The company's Gratuity scheme is administered through the Employee's Group Gratuity-cum-Life Assurance Scheme of the Life Insurance Corporation of India. The net present value of the obligation for gratuity benefits as determined on actuarial valuation, conducted annually using the projected unit credit method, as adjusted for unrecognized past services cost, if any and as reduced by the fair value of plan assets, is recognised in the accounts. Actuarial gains and losses are recognised in full in the Profit and Loss account for the period in which they occur.

#### ii) **Compensated absences (Earned Leave Encashment)**

The company has a scheme for compensated absences for employees, the liability other than for short term compensated absences is determined on the basis of actuarial valuation carried out at the end of the year, using projected unit credit method. Actuarial gains and losses are recognised in full in the Profit and Loss account for the period in which they occur.

### k) **Borrowing Costs**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets requires a substantial period of time are capitalized as a part of the cost of the asset if they will result in future economic benefit to the company. All other borrowing costs are charged to revenue.

### l) **Revenue Recognition**

**Sales :** Sales are recognised on despatch of goods to customers except in respect of domestic original equipment customers where it is recognised on delivery. Sales are net of sales tax, trade discount and returns.

**Export Incentives:** Export incentives are recognised when there is certainty of realisation.

**Interest:** Interest income is recognised on time proportion basis taking into account the amount outstanding and the rate applicable.

### m) **Income Tax**

Tax expense comprising current tax, fringe benefits tax and deferred tax are recognised in the profit and loss account for the year. Current tax is the amount of income tax determined to be payable in respect of taxable income as computed under tax laws. Fringe benefits tax is a tax on certain fringe benefits deemed to be provided to employees.

Certain items of income and expenditure are not reported in tax returns and financial statements in the same year. The net tax effect calculated at the current enacted tax rates of this timing difference as also that relating to carried forward unabsorbed depreciation and business loss as at the end of an accounting year is reported as deferred income tax asset/liability. The effect on deferred tax assets and liabilities due to change from such assets/liabilities as at the end of the previous accounting year and due to a change in tax rates are recognised in the income statement of the year.

### n) **Provisions and Contingencies**

Provision for losses and contingencies arising as a result of a past event where the management considers it probable that a liability may be incurred are made on the basis of the best reliable estimates of the expenditure required to settle the present obligation on the Balance Sheet date and are not discounted to its present value. Provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate.

Contingent liabilities to the extent the management is aware, are disclosed by way of notes to the accounts.

## KAR MOBILES LIMITED

(Rs.in thousands)

**o) Cash Flow Statement**

Cash Flow statement has been prepared in accordance with the indirect method prescribed in Accounting Standard – 3 of Companies (Accounting Standards) Rules, 2006.

**2. Contingent Liabilities not provided for:**

Particulars	31.03.2011 Rs.	31.03.2010 Rs.
Disputed Service Tax demands	1,556	—

No provision has been made in these accounts for these disputed tax demands as the management is confident that the matter will be ultimately decided in favour of the company.

**3. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance)**

Particulars	31.03.2011 Rs.	31.03.2010 Rs.
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance)	45,260	5,041

**4. a) Remuneration of the Chairman :**

Particulars	31.03.2011 Rs.	31.03.2010 Rs.
Commission @ 3% of the Net Profit as computed under Section 309 (5) of the Companies Act, 1956 as approved by AGM / Board of Directors	1,476	1,349
<b>b) Computation of Net Profit under Section 198, 309 and 349 of the companies Act, 1956 for Managerial Remuneration :</b>		
Net Profit for the year as per Profit and Loss Account	47,764	44,429
Add / (less) :		
Remuneration paid/provided to Chairman	1,476	1,349
VRS Written off	889	—
Directors Fees	453	498
Provision for doubtful debts	(1,353)	(1,393)
Provisions for doubtful deposits	(13)	78
Net Profit as per Section 198, 309 and 349 of the Companies Act, 1956	<u>49,216</u>	<u>44,961</u>
Maximum remuneration permissible to Chairman @ 3% of the net profits	<u>1,476</u>	<u>1,349</u>

**5. Some of the Sundry Debtors, Loans and Advances and Sundry Creditors shown in the Balance Sheet are subject to confirmation.**

## KAR MOBILES LIMITED

### SCHEDULE - 15 (Contd..)

(Rs. in thousands)

6. a) The company has adopted Accounting Standard (AS 30) "Financial Instruments: Recognition and Measurement" during the year and designated all outstanding forward contracts as cash flow hedges. The changes in fair value of forward contracts for the effective portion amounting to Rs.318 (PY –Nil) are recognized directly in Hedging Reserve Account in Schedule 2 - Reserves & Surplus. The changes in fair value of forward contracts designated as cash flow hedges relating to hedged items which have been restated as at the year end amounting to Rs. 2,076 gain (PY - Nil) are recognised in the profit and loss account and included in (Profit) / Loss on Exchange Variation (Net) in Schedule 13 - Manufacturing and Other Expenses.

Due to the adoption of AS 30 in the current year, the profit for the year is higher by Rs.2,364 and the hedging reserve account in shareholder's funds is higher by Rs. 318 and the resultant derivative asset is recognized for an aggregate amount of Rs. 2,394.

The company has the following outstanding derivative contracts, which have been designated as cash flow hedges as on 31.03.2011

Particulars	31.03.2011	
	Notional amount of forward contracts (Rs.)	Fair value Gain/ (Loss) (Rs.)
Forward contracts		
USD	84,422	2,682
EURO	22,435	(288)

- b) During the year, the company has availed an external commercial borrowing of USD 1,900 towards the expansion project of Tumkur plant from Standard Chartered Bank, UK. It has also entered into a back to back cross currency rate swap agreement with the Standard Chartered Bank, India for the repayment of its commitments against the said loan. The exposure of the company against the loan commitments is fixed and there is no possibility of any exposure to the company in this regard and hence no foreign exchange fluctuation has been recognized on this transaction.

7.

Particulars	31.03.2011		31.03.2010	
	Foreign Currency (in '000s)	Equivalent Rupees	Foreign Currency (in '000s)	Equivalent Rupees
a) Forward contracts to hedge current and future payables				
USD	651	28,366	1,301	55,594
b) Forward contracts to hedge highly probable forecast receivables				
USD	1,910	84,422	1,635	72,986
EURO	360	22,435	355	21,154
c) Foreign exchange exposures hedged by Derivative instruments (net) :				
USD – Receivable	1,541	67,825	876	38,918
EURO – Receivable	315	19,660	135	8,066
d) Foreign exchange exposures not hedged by Derivative instruments (net):				
GBP – Receivable	78	5,537	69	4,619
AUD – Receivable	-	-	1	8
YEN – Payable	636	354	4,374	2,148

## KAR MOBILES LIMITED

### SCHEDULE - 15 (Contd..)

(Rs. in thousands)

8. Borrowing costs (net) of Rs. 753/- (PY-Nil) specifically incurred for Tumkur plant expansion has been carried forward pending allocation and is included in Schedule 5 - Capital Work-in-Progress.

### 9. Employee benefits

- a. Details of the employee benefits are given below:

i) Defined Contribution Plans

During the year the following amounts have been recognised in the Profit and Loss Account on account of defined contribution plans.

Particulars	31.03.2011 Rs.	31.03.2010 Rs.
Employers contribution to Provident Fund	13,510	12,192
Employers contribution to Superannuation Fund	2,026	649
Employers contribution to Employee's State Insurance	1,618	801
<b>TOTAL</b>	<b>17,154</b>	<b>13,642</b>

ii) Defined Benefit Plans

- a. Gratuity- Funded Obligation  
b. Compensated absences-Unfunded Obligation

i Actuarial Assumptions	31.03.2011		31.03.2010	
	Gratuity	Compensated absences	Gratuity	Compensated absences
Discount Rate (per annum)	8%	8%	8%	8%
Expected return on plan assets	8%	-	8%	-
Salary escalation rate*	7%	7%	7%	7%
Expected average remaining lives of working employees (years)	LIC (94-96) ultimate mortality table	LIC (94-96) ultimate mortality table	LIC (94-96) ultimate mortality table	LIC (94-96) ultimate mortality table

\*The assumption of future salary increases takes into account of inflation, seniority, promotions and other relevant factors such as supply and demand in the employment market.

ii Reconciliation of present value of obligation	31.03.2011		31.03.2010	
	Funded Scheme Rs.	Unfunded Scheme Rs.	Funded Scheme Rs.	Unfunded Scheme Rs.
Present value of obligation at beginning of the year	80,764	15,790	72,402	12,334
Current Service Cost	6,101	6,740	6,269	7,806
Interest Cost	6,280	1,003	5,701	783
Actuarial (gain)/loss	(187)	2,192	(1,333)	(47)
Benefits Paid	(4,534)	(6,510)	(2,275)	(5,086)
<b>Present value of obligation at end of the year</b>	<b>88,424</b>	<b>19,215</b>	<b>80,764</b>	<b>15,790</b>

# KAR MOBILES LIMITED

(Rs. in thousands)

## SCHEDULE - 15 (Contd..)

iii	Reconciliation of fair value of plan assets	31.03.2011		31.03.2010	
		Funded Scheme Rs.	Unfunded Scheme Rs.	Funded Scheme Rs.	Unfunded Scheme Rs.
	Fair value of plan assets beginning of the year	45,368		40,256	
	Expected return on plan assets	3,597		3,273	
	Actuarial gain/(loss)	689		538	
	Contributions	3,727		3,369	
	Accretion to the fund on transfer of employee from group company	141		207	
	Benefits paid	(4,674)		(2,275)	
	Assets distributed on settlement (if applicable)	-		-	
	<b>Fair value of plan assets at end of the year</b>	<b>48,848</b>		<b>45,368</b>	

iv	Net (Asset)/Liability recognised in the Balance Sheet as at year end	31.03.2011		31.03.2010	
		Funded Scheme Rs.	Unfunded Scheme Rs.	Funded Scheme Rs.	Unfunded Scheme Rs.
	Present value of obligation at end of the year	88,424	19,215	80,764	15,790
	Fair value of plan assets at end of the year	48,848	-	45,368	-
	<b>Net present value of unfunded obligation recognised as (asset)/liability in the Balance Sheet</b>	<b>39,576</b>	<b>19,215*</b>	<b>35,396</b>	<b>15,790</b>

v	(Income)/ Expense recognised in the Profit and Loss Account	31.03.2011		31.03.2010	
		Funded Scheme Rs.	Unfunded Scheme Rs.	Funded Scheme Rs.	Unfunded Scheme Rs.
	Current Service Cost	6,101	6,740	6,269	7,806
	Interest Cost	6,280	1,003	5,701	783
	Expected return on plan assets	(3,597)	-	(3,273)	-
	Actuarial (gain) /loss	(895)	2192	(1,872)	(47)
	Accretion to the fund on transfer of employee from group company	(141)	-	(207)	-
	<b>Total (income)/ expense recognised in the Profit and Loss Account for the year</b>	<b>7,748</b>	<b>9,935</b>	<b>6,618</b>	<b>8,542</b>
	Actual return on plan assets	4,286	-	3,811	-

\*Amount of Rs.1,035/- towards short term compensated absences is included under Current Liabilities.

The above disclosures are based on information certified by the independent actuary and also LIC in the case of funded scheme and relied upon by the auditors.

### 10. General charges in the Profit and Loss Account is net of the following :

Particulars	31.03.2011 (Rs.)	31.03.2010 (Rs.)
i) Bad debts written off	73	186
ii) Other advances/claims written off	-	35



## KAR MOBILES LIMITED

### SCHEDULE - 15 (Contd..)

(Rs. in thousands)

11. a. The break-up of deferred tax (assets)/liabilities as at 31.03.2011 is given below:

Particulars	31.03.2011 Rs.	31.03.2010 Rs.
Timing Differences on Depreciation (Liability)	24,495	22,658
Timing Differences on Deferred Revenue Expenses (Assets)	(1,470)	(2,907)
Timing Differences on Provision for doubtful debts (Assets)	(184)	(648)
Timing Differences on Expenses (Assets)	(24,562)	(22,240)
Net Deferred Tax Asset	(1,721)	(3,137)

- b. Provision for current Income Tax liability is made on the basis of assessment / appellate orders received / company's own estimates. Disputed demands pending on appeal to the extent not provided for is disclosed as contingent liability as the ultimate liability if any cannot be ascertained and provided for at this stage. Certain provisions made in earlier year have been continued although the appeals have been disposed off in favour of the company as the matter is disputed by the department by filing an appeal before the ITAT where it is pending. The management does not expect any material additional liability to devolve on disposal of these appeals. Also the reserves of the company are adequate to meet any such liability.
12. In the opinion of the Management, Current Assets, Loans and Advances have the value at which they are stated in the Balance Sheet if realised in the ordinary course of business.
13. The Government of Karnataka has reversed their earlier order relating to certain labour claims which however has been challenged in the Honorable High Court of Karnataka. The provision held in respect of claims for which no settlement is reached is continued along with additional provision of current year aggregating to Rs. 9,775 (Previous year Rs. 8,536)

Particulars	31.03.2011 Rs.	31.03.2010 Rs.
Opening balance	8,536	7,487
Additional Provision	1,239	1,049
Amounts Utilised for settlement	-	-
Provision reversed	-	-
Closing Balance	9,775	8,536

14. There are no amounts outstanding for more than 7 years to be deposited in the Investor Education and Protection Fund.
15. The Company has identified Micro and Small Enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006. Particulars of these parties are as under:

Particulars	31.03.2011 Rs.	31.03.2010 Rs.
Principal amount outstanding (including overdue amount) at the beginning of the year	504	2,107
Interest amount outstanding at the beginning of the year	1	25
Interest (out of the above) paid during the year	1	25
Amount paid after the due date during the year	554	115
Interest paid on the amount paid after due date during the year	-	-
Overdue amount outstanding at the end of the year	-	-
Principal amount (except overdue amount) outstanding at the end of the year	122	504
Interest amount accrued and remaining unpaid at the end of the year	3	1

# KAR MOBILES LIMITED

## SCHEDULE - 15 (Contd..)

(Rs. in thousands)

### 16. Details of Auditors' remuneration

Particulars	31.03.2011 Rs.	31.03.2010 Rs.
For Audit	350	250
For Tax Audit	70	70
For Taxation Services	120	109
For Certification matters	76	60
For Limited Review	105	105
For Expenses	4	-
<b>TOTAL</b>	<b>725</b>	<b>594</b>

Service tax on the above not considered as the same is eligible for set off in the hands of the Company.

### 17. Segment Reporting

#### Primary Segment (Business)

The entire operation of the Company relates to only one segment viz. Components for transportation Industry.

#### Secondary Segment (Geographical)

Revenue by Geographical Area:

Particulars	31.03.2011 Rs.	31.03.2010 Rs.
India	5,77,652	5,61,495
Rest of the World	3,80,907	2,72,201
<b>TOTAL</b>	<b>9,58,559</b>	<b>8,33,696</b>

All the assets and liabilities of the Company are located in India.

### 18. Related Party Disclosures

Sl. No.	Name	31.03.2011 Rs.	31.03.2010 Rs.
<b>A</b>	<b>Company having significant influence:</b>		
1	Rane Holdings Limited (Has holding of shares in excess of 20% and have common directors) <b>Transactions during the year with the above party:</b>		
	a. Services Received (Excluding Service Tax)	11,753	15,821
	b. Reimbursement of expenses incurred by the Company on their behalf	75	-
	c. Balance outstanding at the year end [Dr./ (Cr.)]	-	-
2	Rane Engine Valve Limited (Has common key management personnel exercising significant influence) <b>Transactions During the year with the above party:</b>		
	a. Sale of materials (excluding duties and taxes)	776	490
	b. Sale of valves (excluding duties and taxes)	-	2,074

## KAR MOBILES LIMITED

### SCHEDULE - 15 (Contd..)

(Rs. in thousands)

#### Related Party Disclosures (Contd..)

Sl. No.	Name	31.03.2011 Rs.	31.03.2010 Rs.
2	c. Sale of fixed Assets d. Purchase of fixed Assets e. Purchase of materials f. Repair expenditure g. Job work expenditure h. Reimbursement of expenses incurred on behalf of company i. Reimbursement of expenses incurred by the company on their behalf j. Balance outstanding at the year end [Dr./Cr.]	350 - 2,696 1,531 137 - 6 (248)	- 307 3,389 1,531 - 25 7 453
3	Rane Madras Limited (Has common key management personnel exercising significant influence) <b>Transactions during the year with the above party :</b> a. Reimbursement of expenses incurred on behalf of company b. Balance outstanding at the year end [Dr./Cr.]	 - -	 74 -
4	Rane Brake Lining Limited (Has common key management personnel exercising significant influence) <b>Transactions during the year with the above party :</b> a. Reimbursement of expenses incurred on behalf of company b. Balance outstanding at the year end [Dr./Cr.]	 - -	 9 -
5	Rane Foundation (Has common key management personnel exercising significant influence) <b>Transactions during the year with the above party :</b> a. Donation paid b. Balance outstanding at the year end [Dr./Cr.]	 1,500 -	 500 -
<b>B</b>	<b>Key Management Personnel :</b> L.Ganesh - Chairman For details of remuneration paid refer note no. 4(a) & 4(b)	Sitting Fees Remuneration 105 1,476	93 1,349
<b>C</b>	<b>Relatives of Key Management Personnel :</b> Director's sitting fee	84	93

# KAR MOBILES LIMITED

SCHEDULE - 15 (Contd..)

(Rs. in thousands)

## 19. Additional Information :

Particulars	31.03.2011		31.03.2010	
	Quantity nos. in 000's	Value Rs.	Quantity nos. in 000's	Value Rs.
a) Particulars relating to manufacturing of goods (Engine Valves)				
i) Licenced Capacity		Not applicable		Not applicable
ii) Installed capacity (as certified by the Management)		8,500		8,500
iii) Actual production.		8,070		7,316
b) Particulars of Finished goods				
Own manufactured (Engine Valves)				
i) Opening Stock	235	15,106	340	30,859
ii) Sales	8,080	9,62,212	7,421	8,49,143
iii) Closing Stock	225	16,327	235	15,106
c) Manufactured by Others and repacked by the Company				
I. Bushes: (Sets)				
i) Opening Stock	-	-	-	54
ii) Repacked	-	-	-	-
iii) Sales	-	-	-	45
iv) Closing Stock	-	-	-	-
II. Guides				
i) Opening Stock	6	50	59	495
ii) Repacked	169	1,591	184	1,546
iii) Sales	174	2,367	237	3,433
iv) Closing Stock	1	10	6	50
III. Seat Inserts				
i) Opening Stock	1	3	1	10
ii) Repacked	-	-	-	2
iii) Sales	-	-	-	-
iv) Closing Stock	1	3	1	3
IV. Collets (Sets)				
i) Opening Stock	1	22	5	186
ii) Repacked	45	1,844	39	1,620
iii) Sales	45	3,518	43	3,146
iv) Closing Stock	1	5	1	22
V. Valves				
i) Opening Stock	-	-	-	-
ii) Repacked	169	7,782	-	-
iii) Sales	159	13,817	-	-
iv) Closing Stock	10	479	-	-

## KAR MOBILES LIMITED

### SCHEDULE - 15 (Contd..)

	31.03.2011		(Rs. in thousands) 31.03.2010	
	Quantity nos. in 000's	Value Rs.	Quantity nos. in 000's	Value Rs.
d) Sale of Materials :				
i) Valve Steel bars (Tonnes)	6	1,373	3	526
ii) Stores and Spares	-	38	-	214
		1,411		740
e) Raw Materials consumed				
i) Valve Steel - Long Bars (Tonnes)	1,220	3,65,940	1,032	2,81,450
ii) Valve Steel - Cut bars (Nos in 000's)	1,652	14,841	1,758	14,647
iii) Hard Facing Material (Tonnes)	11	23,880	8	15,876
		4,04,662		3,11,973
f) Value of Imports calculated on CIF basis				
i) Raw Material		1,36,007		1,11,175
ii) Components and Spares		716		488
iii) Capital Goods		1,013		750
	<b>Value Rs.</b>	<b>Percentage</b>	<b>Value Rs.</b>	<b>Percentage</b>
g) Value of raw materials, stores and spares consumed during the year				
i) Raw Material				
i) Imported	1,44,626	35.74	1,21,377	38.91
ii) Indigenous	2,60,036	64.26	1,90,596	61.09
	4,04,662		3,11,973	
ii) Stores and spares (including for repairs and maintainance)				
a) Imported	627	0.69	2,866	3.72
b) Indigenous	89,651	99.31	74,170	96.28
	90,278		77,036	
h) Expenditure in foreign currency on account of Travelling, Royalty, Know-how, Interest, etc.				
i) Travelling expenses	362		958	
ii) Commission on sales	-		2,462	
iii) Market survey expenses	-		56	
iv) Fee for ECB loan processing	58		-	
i) Earnings in Foreign Exchange :				
Export of goods at FOB Value	3,72,914		2,56,274	

20. The figures for the previous year have been regrouped wherever necessary to confirm to current year's classification.

#### Signature to Schedules 1 to 15

For and on behalf of the Board

**L Ganesh**  
Chairman

**L Lakshman**  
Director  
Chennai : May 19, 2011

**S Krishnamurthy**  
President

As per our report of even date attached

**For VARMA & VARMA**  
Chartered Accountants  
FR NO. 004532S

**R Kesavadas**  
Partner  
M.No.23862  
Chennai : May 19, 2011

# KAR MOBILES LIMITED

## BALANCE SHEET ABSTRACT AND COMPANY'S BUSINESS PROFILE

As per Schedule VI, Part - (IV) of the Companies Act, 1956

(Rs. in thousands)

### I. REGISTRATION DETAILS

Registration No.	:	<b>71646</b>	71646
State Code	:	<b>18</b>	18
Balance Sheet Date	:	<b>31.03.2011</b>	31.03.2010

### II. CAPITAL RAISED DURING THE YEAR

		<b>Rs.</b>	<b>Rs.</b>
Public Issue	:	<b>NIL</b>	NIL
Rights Issue	:	<b>NIL</b>	NIL
Bonus Issue	:	<b>NIL</b>	NIL
Private Placement	:	<b>NIL</b>	NIL

### III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

		<b>Rs.</b>	<b>Rs.</b>
Total Liabilities	:	<b>679,717</b>	502,563
Total Assets	:	<b>679,717</b>	502,563

#### SOURCE OF FUNDS

Paid-up Capital	:	<b>22,400</b>	22,400
Reserves and Surplus	:	<b>235,652</b>	217,037
Secured Loans	:	<b>196,741</b>	81,909

#### APPLICATION OF FUNDS

Net Fixed Assets	:	<b>262,369</b>	208,478
Investments	:	<b>10</b>	10
Deferred Tax Asset	:	<b>1,721</b>	3,137
Net Current Assets	:	<b>190,693</b>	109,721

### IV. PERFORMANCE OF THE COMPANY

Turnover	:	<b>959,368</b>	833,984
Total Expenditure	:	<b>911,604</b>	789,555
Profit Before Tax	:	<b>47,764</b>	44,429
Profit After Tax	:	<b>31,348</b>	29,275
Earning Per Share (Rs.) [ Basic and Diluted ]	:	<b>13.99</b>	13.07
Dividend Rate (%)	:	<b>50</b>	45

### V. GENERAL NAMES OF PRINCIPAL PRODUCTS/ SERVICES OF THE COMPANY (AS PER MONETARY TERMS)

Item Code  
84099103

Product Description:  
Valves for I/C Engines

For and on behalf of the Board

As per our report of even date attached

**L Ganesh**  
Chairman

**For VARMA & VARMA**  
Chartered Accountants  
FR NO.004532S

**L Lakshman**  
Director  
Chennai : May 19, 2011

**S Krishnamurthy**  
President

**R Kesavadas**  
Partner  
M.No.23862  
Chennai : May 19, 2011

**FINANCIAL HIGHLIGHTS**

**Summary of Results**

(Rs. in thousands)

YEAR	GROSS INCOME RS.	PROFIT BEFORE TAX RS.	TAX RS.	PROFIT AFTER TAX RS.	DIVIDEND		RESERVES & SURPLUS RS.	SHARE CAPITAL RS.	EARNINGS PER SHARE IN RS.
					%	RS.			
2004-05	702555	51119	18317	32802	40	10217*	158709	22400	14.64
2005-06	743137	57759	21287	36472	40	10217*	184964	22400	16.28
2006-07	708062	44507	19340	25167	30	7862*	180138	22400	11.24
2007-08	906520	45333	18400	26933	40	10483*	196588	22400	12.02
2008-09	971809	15295	7100	8195	20	5241*	199542	22400	3.66
2009-10	833984	44429	15154	29275	45	11780*	217037	22400	13.07
<b>2010-11</b>	<b>959368</b>	<b>47764</b>	<b>16416</b>	<b>31348</b>	<b>50</b>	<b>13051*</b>	<b>235652</b>	<b>22400</b>	<b>13.99</b>

\* Includes tax on distributed profits

**Balance Sheet Summary**

Year ended 31st March	2011 Rs.	2010 Rs.	2009 Rs.	2008 Rs.	2007 Rs.	2006 Rs.	2005 Rs.
A. Gross Fixed Assets	462940	398602	363051	306876	273870	264427	244989
B. Depreciation	200571	190124	174859	162169	149391	141329	129751
C. Net Fixed Assets (A-B)	262369	208478	188192	144707	124479	123098	115238
D. Investments	10	10	10	10	10	260	250
E. Deferred Tax Asset	1721	3137	4467	7567	5994	-	-
F. Current Assets	393200	266935	355051	404977	317878	317981	291173
G. Loans and Advances	22417	24003	30441	27376	17149	14382	16418
H. Deferred Revenue Expenditure	-	-	-	-	14100	990	1910
I. Total Assets (C TO H)	679717	502563	578161	584637	479610	456711	424989
J. Secured and Unsecured Loans	196741	81909	165505	146576	88047	95221	67752
K. Current Liabilities and Provisions	224924	181217	190714	219073	189025	152105	171694
L. Deferred Tax Liability	-	-	-	-	-	2021	4434
M. Total Liabilities (J TO L)	421665	263126	356219	365649	277072	249347	243880
N. Net Worth ( I - M )	258052	239437	221942	218988	202538	207364	181109
Represented by :							
Equity Capital	22400	22400	22400	22400	22400	22400	22400
Reserves and Surplus	235652	217037	199542	196588	180138	184964	158709
Net worth per equity share of Rs. 10/- each (Rs.)	115.20	106.89	99.08	97.76	90.42	92.57	80.85