

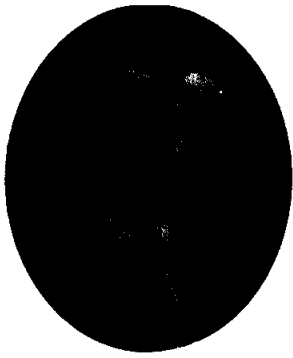
# Kinetic Finance Limited

The Retail Finance Powerhouse

## 11th Annual Report 2000-2001

Report  Junction.com





Dear shareholder,

The year gone by was an important year for the Indian economy in general and the automotive sector in particular. The economy of the Country and the Globe is changing at an unparalleled pace with technology taking giant strides and the world of business changing gears. The automobile sector as a whole has been going through a downturn due to poor macro level numeric. The two wheeler segment has seen mixed signals. Whereas there has been a slowdown in the demand for scooters and mopeds, the motorcycle segment has shown better results. It is with a sense of satisfaction I inform you that despite the adverse conditions, the sale of Kinetic scooters has grown by 10%. During the year gone by Kinetic Engineering Limited launched the 4 stroke Kinetic Challenger which boasts of several unique features and several new products from Kinetic Engineering Limited in the motorcycle segment are about to enter the market. The motorcycle segment has emerged as the largest segment and Kinetic vehicles have several key strengths that help in establishing it as a force to reckon with. The consumers have also shown increasing preference for Kinetic vehicles leading to a healthy growth of 20% in the number of vehicles financed by your company.

As you are aware, last year saw the amalgamation of the two other finance companies into your Company to form one of the largest two wheeler auto financing company. Financing of new products alongwith a complete range of products from mopeds to topline scooters has enabled your company to achieve the desired growth. With the launch of new products in the market and increase in the sale of Kinetic vehicles it is expected that your Company would source more business in the future leading to a substantial increase in the number of vehicles financed by your Company. Your company during the period under review has strived to better services to the customers. Easy credit facilities, operation through over 350 dealer points across the Country has led to your company being one of the largest retail finance distribution network in the country. As is clear from the key performance indicators, your company has consolidated its position and is continuously making strides.

Before I conclude on behalf of the Company and the Board of Directors, I wish to convey my heartfelt sympathies to the people of Gujarat who have been affected by the devastating earthquake of the 26<sup>th</sup> of January, 2001 which rendered thousands homeless and caused irreparable loss to life and property and shattered the dreams of millions by its fury. In order to extend support to the affected people of Gujarat, the employees of your company contributed a day's salary to Gujarat Earthquake Relief Fund. Your Company also contributed an equal amount for this noble cause. I trust that with the support of the people, corporate sector, Government and non-government organisations normalcy will soon be restored in Gujarat.

I look forward to your continued support during the coming year and the years to come.

Thanking you,

Arun H. Firodia  
(Chairman)

**KINETIC FINANCE LIMITED****BOARD OF DIRECTORS**

Mr. A.H. FIRODIA Chairman

Air Chief Marshal H. MOOLGAVKAR (RETD.)

Mr. A.P. BHAGWAT

Mr. P.C. JAIN

Ms. VISMAYA FIRODIA

Mr. V.S. MEHTA

Mr. A.H. MUNOT

Mr. V.R. SABOO

Mr. R.R. MOHAN KHANNA CEO and Director (Operations)

Mr. VSR SWAMY Executive Director

Ms. S.F. MOTWANI Managing Director

**AUDITORS**

M/s. Lakhani & Company  
Chartered Accountants,  
Mumbai.

**REGISTERED OFFICE**

4704, Pune-Mumbai Road,  
Pimpri Chowk, Pimpri,  
Pune – 411 018.

**BANKERS**

ANZ Grindlays Bank

Allahabad Bank

Bombay Mercantile Co-Operative Bank Ltd.

Bank of Baroda

Bank of Maharashtra

Bank of Rajasthan

Bharat Overseas Bank

Bank of India

Cosmos Co-Operative Bank Limited

Canara Bank

Corporation Bank

Development Credit Bank Ltd.

Federal Bank

IDBI Bank Ltd.

Punjab National Bank

State Bank of India

State Bank of Saurashtra

State Bank of Hyderabad

State Bank of Mysore

State Bank of Travancore

Tamilnad Mercantile Bank Limited

The Catholic Syrian Bank Ltd.

The United Western Bank Ltd

The J & K Bank Ltd..

UTI Bank Ltd.

Union Bank of India

## Company Performance of a Decade

	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000 (14 Months)	2000-2001 (9 Months)
Gross Income	326.07	621.07	843.64	1310.46	2042.57	2620.95	3060.06	4122.37	7695.02	6151.19
<b>Gross Profit</b>	<b>88.67</b>	<b>190.89</b>	<b>288.84</b>	<b>552.57</b>	<b>1128.21</b>	<b>1337.73</b>	<b>1281.52</b>	<b>1623.21</b>	<b>2028.39</b>	<b>1610.71</b>
Non Cash Charges	18.19	63.36	105.79	211.36	389.30	599.59	805.65	854.33	920.81	448.11
<b>Net Profit</b>	<b>70.48</b>	<b>110.53</b>	<b>182.45</b>	<b>341.21</b>	<b>729.24</b>	<b>591.23</b>	<b>227.23</b>	<b>252.05</b>	<b>345.01</b>	<b>254.19</b>
Dividend (%)	10	15	20	31	36	24	10	10	10	7.50
Gross Fixed Assets	193.06	469.52	996.62	1654.80	3423.99	4397.52	5009.16	4433.53	3519.77	3281.20
<b>Net Fixed Assets</b>	<b>174.25</b>	<b>390.33</b>	<b>817.23</b>	<b>1296.76</b>	<b>2714.26</b>	<b>3121.96</b>	<b>2975.10</b>	<b>2198.24</b>	<b>1363.12</b>	<b>960.66</b>
Current Assets	1886.08	2158.42	3198.81	6920.00	7536.51	10853.42	11766.14	17034.90	29791.56	29276.13
Share Capital	300.00	300.00	300.00	989.25	995.66	995.69	995.69	995.69	1423.53	1423.53
<b>Net Worth</b>	<b>347.45</b>	<b>413.49</b>	<b>528.64</b>	<b>3744.20</b>	<b>4159.87</b>	<b>4501.45</b>	<b>4619.02</b>	<b>4593.95</b>	<b>5435.57</b>	<b>5455.45</b>
Earnings per Share	2.35	3.70	6.04	7.03	7.32	6.07	2.28	2.27	2.01	1.90
Book Value	11.58	13.78	17.62	37.84	41.78	45.21	46.39	45.58	41.71	41.87

**11TH ANNUAL REPORT 2000-2001****NOTICE**

NOTICE is hereby given that the **Eleventh** Annual General Meeting of the Members of the Company will be held on Saturday, the 15<sup>th</sup> day of September, 2001 at 11.30 A.M. at D-1 Block, Plot No.18/2, Chinchwad, Pune – 411 019 to transact the following business :

**ORDINARY BUSINESS :**

1. To consider and adopt Directors' Report, Audited Balance Sheet as at 31.03.2001 and Profit and Loss Account for the period ended as on that date and the Auditors' Report thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. A.H. Munot who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. P.C. Jain who retires by rotation, and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. VSR Swamy who retires by rotation, and being eligible, offers himself for reappointment.
6. To appoint Auditors and fix their remuneration.

**SPECIAL BUSINESS :**

7. To consider and if thought fit, to pass with or without modifications, the following Resolution as a Special Resolution :

"RESOLVED THAT in terms of Section 80, 81, 120, and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or reenactments thereof for the time being in force) and in accordance with the provisions of the Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges, where the shares of the Company are listed and subject to the consent of all the concerned authorities, if and to the extent necessary and such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors (hereinafter referred to as the Board) the consent of the Company be and is hereby accorded to the Board to offer/issue/allot redeemable Preference Shares/ Equity Shares/Fully or Partly Convertible Debentures of the face value of Rs. 10/- each upto a sum not exceeding Rs. 30 crores so however that existing paid up Equity/Preference Share Capital together with proposed issue of Equity / Preference Share Capital / converted portion of Convertible Debentures shall not exceed the Authorised Share Capital of the Company, whether by way of a rights issue or private placement or otherwise in one or more modes or combinations thereof and in one or more tranches, either wholly or partly in one and partly in the other and at such terms and conditions (including the rate of interest, rate of dividend, amount of premium, if any, on redemption, redemption period, the convertible portion in the total issue, rate of conversion, manner of redemption and other rights and privileges and matters incidental thereto) as may be deemed appropriate by the Board to such person(s) whether or not they are existing shareholders of the Company".

**KINETIC FINANCE LIMITED****NOTES**

1. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the item of Special Business is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE SAID MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
3. Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 1<sup>st</sup> of September, 2001 to Saturday, 15<sup>th</sup> of September, 2001 (both days inclusive), for ascertaining the entitlement to dividend. Dividend will be paid to those members whose names appear :
  - a) as members in the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the company on or before 31<sup>st</sup> August, 2001.
  - b) as beneficial owners as at the end of business hours on 31<sup>st</sup> August, 2001 as per the Statement of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in the electronic form and
4. Members desirous of obtaining any information concerning the accounts or operations of the Company are requested to write to the Company at least 10 days before the date of the Annual General Meeting so that the information may be made available at the meeting.
5. Members are requested to advise immediately to the Company at the Registered Office quoting their registered Folio Number / their Depository Participants (in respect of their electronic share account) of any change in their address / residential status/ Dividend Mandate / Bank Account particulars to be mentioned on the Dividend Warrant.
6. The unclaimed dividend upto the year 1992-94 have been transferred to the General Revenue Account of the Central Government. Those members who have not encashed their Dividend Warrants for the years 1994-95 and thereafter are requested to approach the Company immediately for revalidation of their unclaimed Dividend Warrants as in accordance with the provisions of Section 205C of the Companies Act, 1956 the amount of unpaid / unclaimed dividend would be transferred to the Investor Education and Protection Fund at the end of seven years respectively and no claims shall lie against the Fund or the Company in respect of individual amounts thereafter.
7. Equity Shares of the Company are listed on : **Pune Stock Exchange Ltd.**, Shivleela Chambers, 752, Sadashiv Peth, R.B. Kumbhkar Marg, Pune – 411 030, **The Stock Exchange Mumbai**, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001, **Madras Stock Exchange Ltd.**, Exchange Buildings, 11, Second Line Beach, Chennai – 600 001 and **The Stock Exchange Ahmedabad**, Kamdhenu Complex, Opp. Shajanand College, Panjrapole, Ahmedabad – 380 015. The Company has paid the Annual Listing fees for financial years upto 2001-2002 to each of these Stock Exchanges.

BY ORDER OF THE BOARD OF DIRECTORS  
**For KINETIC FINANCE LIMITED**



**A.H. FIRODIA**  
**CHAIRMAN**

Place : Pune  
 Date : 16th June, 2001

**11TH ANNUAL REPORT 2000-2001****EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956****Item No. 7 :**

With the number of vehicles financed by the company continuously increasing and with Kinetic Engineering Limited planning to launch more new models of motorcycles, it is expected that the demand for financing two wheelers from the Company is likely to go up rapidly.

To meet the expected additional requirements of funds, the company may need to raise funds by issuing Equity or Preference shares or by issue of fully/partly convertible Debentures, or any combinations thereof.

As per Section 81 of the Companies Act, 1956, any issue of shares or convertible debentures to other than existing shareholders, requires Special Resolution to be passed. The Resolution under item No. 7 is enabling in nature and is proposed to authorise Board of Directors to issue as and when they deemed necessary.

The Board recommends passing of the Resolution in the interest of the Company and Directors of the Company may be deemed to be concerned or interested to the extent of shares that may be allotted by way of rights/converted portion of Convertible Debentures.

BY ORDER OF THE BOARD OF DIRECTORS  
For KINETIC FINANCE LIMITED

Place : Pune  
Date : 16th June, 2001

  
A.H. FIORDIA  
CHAIRMAN

**KINETIC FINANCE LIMITED****DIRECTORS' REPORT****To**

The Members,

**Kinetic Finance Limited**

Your Directors have pleasure in presenting the **Eleventh** Annual Report of the business and operations of the Company together with the audited accounts for the period ended 31<sup>st</sup> March, 2001.

**Change of name :**

In line with the resolution approved by the members of the Company in the Annual General Meeting held on the 25<sup>th</sup> of January, 2001 the name of the Company has been changed from Kinetic Fincap Limited to Kinetic Finance Limited. The fresh Certificate of Incorporation consequent upon change of name of the Company to Kinetic Finance Limited has since been obtained from the Registrar of Companies, Pune.

**Allotment of Shares :**

Pursuant to the orders of the Honorable High Court of Judicature at Bombay dated 18<sup>th</sup> of October, 2000 and 8<sup>th</sup> of November, 2000 respectively Equity / Preference Shares have been allotted to the shareholders of erstwhile Kinetic Lease And Finance Limited and Kinetic Capital Finance Limited. With this the subscribed Share Capital of the Company stood increased to Rs. 1423.53 lacs as on 31<sup>st</sup> March, 2001.

**Accounting Year :**

Keeping in view the guidelines issued by the Reserve Bank of India, your Company has closed the financial year 2000-2001 on the 31<sup>st</sup> of March, 2001. Thus the audited accounts of the financial year 2000-2001 is of 9 months only.

**Financial Results :**

The period under review reflects the workings of the amalgamated Company for the first time and has thus been a momentous period in the history of your Company.

The financial results of your Company for the period ended 31<sup>st</sup> March, 2001 as compared to the previous period have been summarised below :

	<b>31.03.2001 *</b> <b>(Rs. in Lacs)</b>	<b>30.06.2000</b> <b>(Rs. in Lacs)</b>
Gross Income	<b>6151.19</b>	7695.02
Net Profit before Provision for Tax	<b>512.44</b>	609.01
Provision for Tax	<b>258.25</b>	264.00
Profit after Tax	<b>254.19</b>	345.01
Net Profit	<b>251.03</b>	275.22
Add : Balance carried forward		
from previous year	<b>145.60</b>	170.34
Transfer from General Reserve	<b>186.00</b>	176.00
Appropriations :		
Statutory Reserve Fund	<b>50.21</b>	70.00
Preference Capital Redemption Reserve	<b>13.00</b>	20.28
Debenture Redemption Reserve	<b>387.00</b>	210.00
Proposed Preference Dividend	<b>13.53</b>	18.04
Proposed Equity Dividend	<b>94.47</b>	125.96
Tax on proposed Dividend	<b>11.02</b>	31.68
Balance carried to Balance Sheet	<b>13.40</b>	145.60

\* Current year figures being for the period of nine months are not comparable with the previous year figures for the period of fourteen months.



**11TH ANNUAL REPORT 2000-2001****Dividend :**

Your Directors recommend a Dividend of 11% on Preference Shares on pro-rata basis as due, under the terms and conditions of the issue of the Preference Shares by erstwhile Kinetic Lease And Finance Limited.

Your Directors are also pleased to recommend payment of dividend for the nine month period ended 31<sup>st</sup> March, 2001 at the rate of 7.5% (Re.0.75 per fully paid up Share).

**The period under review :**

During the period your Company has financed 70904 vehicles with a gross value of Rs.138.60 crores as against 84,942 vehicles with a gross value of Rs.176.00 crores in the previous period of 14 months.

The Gross Income for the period under review is Rs.61.51 crores as compared to Rs.76.95 crores in the last period. The Gross profit for the period is at Rs.16.10 crores as compared to Rs.20.28 crores in the previous period. After providing for Depreciation and amortisation, the Company has reported pre tax profit of Rs.5.12 crores. A provision of Rs.2.58 crores has been made for tax. The profit after tax of the Company is at Rs 2.54 crores.

During the period your Company has entered into hitherto new areas of operation and has also consolidated its position in over 350 dealer points across the Country from where it is currently operating. This is one of the largest retail finance distribution network in the country and is of immense value and strength to your Company. Your Company has also continued to focus on recoveries and maintaining a high standard asset quality.

**Current Operations and Future prospects :**

The amalgamation has led to a large network with the pooling of resources and synergies to further exploit the existing and arising opportunities. Your Company has significant potential for growth in the retail finance two wheeler segment. With the consolidation of over 350 dealer points and 28 branches across the country it is expected that the same would contribute substantially to the total disbursements during the coming years. Kinetic Engineering Limited would be launching new products in the market and with the increase in the sale of Kinetic scooters it is expected that your Company would source more business in the future leading to a substantial increase in the number of vehicles financed by your Company.

**Resources :**

During the year your Company has consciously formed a liability mix which is sturdy and diversified. The asset liability match of your Company is one of the best in the NBFC industry today. During the year the Company has Rs.130 crores from various banks and financial institutions by way of Cash Credit, Term Loans, Securitisation and Non Convertible Debentures.

**Fixed Deposits :**

As on 31.03.2001 there were 593 depositors holding Rs.66.47 lacs which had matured but remained unclaimed of which 574 depositors having deposits amounting to Rs. 64.80 lacs have since been renewed / repaid.

The Board of Directors are taking suitable steps for repayment of the amount due to the depositors and remaining unclaimed.

**Rating :**

Your Company's Fixed Deposit programme and Non Convertible Debentures has been rated by Credit Analysis & Research Ltd. (CARE) as CARE AA-. Your Company has also been rated PR1 for the short term NCD issue of the Company by Credit Analysis & Research Ltd. (CARE).

All the ratings indicate high quality and has been classified as High Investment grade.

**Dematerialisation of Shares :**

To further facilitate the holding and transfer of securities of your Company in dematerialised form, your Company has also entered into an agreement with Central Depository Services (India) Limited (CDSL) for admitting the Equity Shares of the Company in the depository mode. Your Company had already entered into an agreement with National Securities Depository Ltd. (NSDL). Intime Spectrum Registry Pvt. Ltd., Mumbai continue to provide connectivity in a Depository Mode with both National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Limited (CDSL). The Registrar and transfer activity for shares held in physical form however continues to be carried out in-house.

**KINETIC FINANCE LIMITED****Directors' Responsibility Statement :**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that :

- i) in the preparation of the annual accounts for the period ended 31.03.2001, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) the directors had selected such accounting policies and applied them consistently and made judgements 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 period and of the profit or loss of the Company for the period under review;
- iii) the directors had 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 for preventing and detecting fraud and other irregularities;
- iv) the directors had prepared the accounts for the period ended 31<sup>st</sup> march, 2001 on a "going concern" basis.

**Directors :**

Mr. A.H. Munot, Mr. P.C. Jain and Mr. VSR Swamy retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

**Auditors :**

M/s. Lakhani & Co., Chartered Accountants, Mumbai Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and being eligible, have given their consent for reappointment.

**Corporate Governance :**

As per the Listing Agreement with Stock Exchange, your Company is required to implement various requirements of Corporate Governance by 31<sup>st</sup> March, 2002. The Company has already initiated necessary steps to implement the Corporate Governance requirements.

**Particulars of Employees :**

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules 1975, forms a part of this report. However as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956 the report and the accounts are being sent to the shareholders of the Company, excluding the statement of particulars of employees under Section 217(2A) of the Companies Act, 1956. Any shareholder interested in obtaining a copy of the said statement may write to the Secretarial Department at the Registered Office of the Company.

**Information as per Section 217(1)(e) of the Companies Act, 1956 :**

The Company has no activity relating to the conservation of energy or technological absorption and also there was no foreign exchange earnings and outgo.

**Acknowledgement :**

Your Directors place on record their grateful appreciation to the Company's Bankers, Financial Institutions, Customers, Dealers, Depositors, Kinetic Engineering Limited, Kinetic Motor Company Limited, Kinetic Marketing & Services Ltd. and Shareholders for their continued and whole hearted support extended to the Company and also express their appreciation for the dedicated service rendered by the employees of the Company.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS,

**For KINETIC FINANCE LIMITED**



**A.H. FIORDIA  
CHAIRMAN**

Place : Pune

Date : 16th June, 2001