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KINETIC
ENGINEERING LIMITED



MAKING WAVES

BOARD OF DIRECTORS

Shri A. H. FIRODIA

Chairman & Managing Director

Dr. N. A. KALYANI

Shri V. A. DATAR

Shri J. M. VAKIL

Shri S. C. SHAH

Dr. K. H. SANCHETI

Shri P. P. CHHABRIA

Shri S. R. SANGHI

Shri S. R. KOTACHA

Shri M. K. KHERA

Executive Director (Operations)

Shri D. S. BOMRAH

Executive Director (Technical)

Smt S. F. MOTWANI

Joint Managing Director

COMPANY SECRETARY

Shri R. RAMKUMAR

AUDITORS

M/s. P. G. BHAGWAT

Chartered Accountants, Pune

COST AUDITORS

M/s.DHANANJAY V.JOSHI & CO.

Cost Accountants, Pune

BANKERS

STATE BANK OF INDIA

CITI BANK N.A.

STANDARD CHARTERED BANK

STATE BANK OF INDORE

CREDIT LYONNAIS

REGISTERED OFFICE

D-1 BLOCK, PLOT NO. 18/2

CHINCHWAD, PUNE-411 019.

NOTICE

NOTICE is hereby given that the 27th Annual General Meeting of the Company will be held on Saturday, 20th day of September, 1997, at 2.30 p.m. at Rotary Club of Pimpri, 20, G Block, Opposite Kamal Nayan Bajaj School, Chinchwad, Pune : 411019, to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt Directors' Report, Audited Balance Sheet as at 31st March, 1997, and Profit & Loss Account for the year ended on that date and the Auditors' Report thereon.
2. To declare dividend.
3. To appoint a Director in place of Dr. K H Sancheti, who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri P P Chhabria, who retires by rotation, and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Shri S C Shah, 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 an Ordinary Resolution :

"RESOLVED that consent of the Company be and is hereby accorded under provisions of Sections 198, 269, 309, 310 and 311, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, or any modifications/ amendments thereto, to the appointment of Shri M K Khera, who was appointed as an Additional Director by the Board of Directors under Article 88 of the Articles of Association of the Company and who holds office until the date of this meeting, as a Director of the Company designated as Executive Director (Operations) for a period of 5 years with effect from 5.03.1997 and for payment of remuneration and perquisites and giving of benefits and amenities as set out hereinafter:

1. Remuneration :
Basic Salary: Rs. 50,000 p.m. (Rupees Fifty Thousand per month only), with an annual increase of 10% thereon every year.
 2. Special Allowance: Rs. 25,000 p. m.
 3. Other Perquisites :
 - i. Company Leased unfurnished accommodation; 10 % of the salary shall be deducted towards rent for the accommodation; furniture would be provided by the Company as per Company's Scheme.
 - ii. Re-imbursement of medical expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
 - iii. Leave Travel Assistance upto one month's salary in a year for self and family.
 - iv. Personal Accident and Mediclaim benefits as per rules of the Company.
- Explanation**
For the purpose of above perquisites, family means the spouse, dependent children and dependent parents of the appointee.
- v. Contribution to Provident Fund as per Company Policies.
 - vi. Gratuity as per Company Policies.
 - vii. Contribution to Superannuation Fund as per Company Policies.
 - viii. Free telephone facility at residence provided that personal long distance calls shall be billed by the Company.
 - ix. Provision of Car with Driver for use on Company's business, provided that use of car for private purposes shall be billed by the Company to the said appointee.

4. The Executive Director (Operations) shall also be paid a Commission of such an amount as may be decided by the Board of Directors of the Company, provided that the amount of Commission, together with salary and other allowances, perquisites and cost of other benefits as may be paid/incurred by the Company in respect of Executive Director (Operations) and all the other Wholetime Directors of the Company, shall not exceed 10 % of the Net Profits of the Company computed as per provisions of Sections 349 and 350 of the Companies Act, 1956, or any modifications/ amendments thereto.

RESOLVED FURTHER that in the event of loss or inadequacy of profits in any financial year during the pendency of aforesaid period, the Executive Director (Operations) shall be entitled to the same salary, special allowance and perquisites but not exceeding the limits specified under Section II of Part II of Schedule XIII to the Companies Act, 1956, or any modifications/amendments thereto."

8. To consider and if thought fit to pass with or without modifications, the following resolution as an Ordinary Resolution :

"RESOLVED that consent of the Company be and is hereby accorded under provisions of Sections 198, 269, 309, 310, 311 and 316, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, or any modifications/ amendments thereto, to the appointment of Shri Arun Hastimal Firodia as Chairman and Managing Director of the Company for a period of 5 years with effect from 1.07.1997 and for payment of remuneration and perquisites and giving of benefits and amenities as set out hereinafter:

1. Remuneration :

Basic Salary: Rs. 60,000 p.m. (Rupees Sixty Thousand per month only), with an annual increase of 10 % thereon every year.

2. Perquisites :

- i. House Rent Allowance of 60 % of salary with free furniture, gas, electricity and water (which shall be valued as per the Income tax Rules, 1962)
- ii. Re-imbursement of medical expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
- iii. Leave Travel Assistance for self and family once in a year in accordance with the rules of the Company.
- iv. Personal Accident and Mediclaim benefits as per rules of the Company.
- v. Fees of two clubs, provided that admission and life membership fees shall not be paid by the Company.

Explanation

For the purpose of above perquisites, family means the spouse, dependent children and dependent parents of the appointee.

- vi. Contribution to Provident Fund as per Company Policies.
- vii. Gratuity as per Company Policies.
- viii. Contribution to Superannuation Fund as per Company Policies.
- ix. Free telephone facility at residence provided that personal long distance calls shall be billed by the Company.
- x. Provision of Car with Driver for use on Company's business, provided that use of car for private purposes shall be billed by the Company to the said appointee.

3. The Chairman and Managing Director shall also be paid a Commission of such an amount as may be decided by the Board of Directors of the Company, provided that the amount of Commission, together with salary and other allowances, perquisites and cost of other benefits as may be paid/incurred by the Company in respect of Chairman and Managing Director and all the other Wholetime Directors of the Company, shall not exceed 10 % of the Net Profits of the Company computed as per provisions of Sections 349 and 350 of the Companies Act, 1956, or any modifications/ amendments thereto.

RESOLVED FURTHER that in the event of loss or inadequacy of profits in any financial year during the pendency of aforesaid period, the Chairman and Managing Director shall be entitled to the same salary and perquisites but not exceeding the limits specified under Section II of Part II of Schedule XIII to the Companies Act, 1956, or any modifications/amendments thereto."



KINETIC

ENGINEERING LIMITED

9. To consider and if thought fit to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED that consent of the Company be and is hereby accorded under provisions of Sections 198, 269, 309, 310 and 311, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, or any modifications/ amendments thereto, to the continuation of appointment of Smt. Sulajja Firodia Motwani as Joint Managing Director of the Company with effect from 1.07.1997 upto 3.05.2001 and for payment of remuneration and perquisites and giving of benefits and amenities as set out hereinafter:

1. Remuneration :

Basic Salary: Rs. 50,000 p.m. (Rupees Fifty Thousand per month only), with an annual increase of 10 % thereon every year.

2. Perquisites :

- i. House Rent Allowance of 60 % of salary with free furniture, gas, electricity and water (which shall be valued as per the Incometax Rules, 1962)
- ii. Re-imbursement of medical expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
- iii. Leave Travel Assistance for self and family once in a year in accordance with the rules of the Company.
- iv. Personal Accident and Mediclaim benefits as per rules of the Company.
- v. Fees of two clubs, provided that admission and life membership fees shall not be paid by the Company.

Explanation :

For the purpose of above perquisites, family means the spouse, dependent children and dependent parents of the appointee.

- vi. Contribution to Provident Fund as per Company Policies.
 - vii. Gratuity as per Company Policies.
 - viii. Contribution to Superannuation Fund as per Company Policies.
 - ix. Free telephone facility at residence provided that personal long distance calls shall be billed by the Company.
 - x. Provision of Car with Driver for use on Company's business, provided that use of car for private purposes shall be billed by the Company to the said appointee.
3. The Joint Managing Director shall also be paid a Commission of such an amount as may be decided by the Board of Directors of the Company, provided that the amount of Commission, together with salary and other allowances, perquisites and cost of other benefits as may be paid/incurred by the Company in respect of Joint Managing Director and all the other Wholtime Directors of the Company, shall not exceed 10 % of the Net Profits of the Company computed as per provisions of Sections 349 and 350 of the Companies Act, 1956, or any modifications/ amendments thereto.

RESOLVED FURTHER that in the event of loss or inadequacy of profits in any financial year during the pendency of aforesaid period, the Joint Managing Director shall be entitled to the same salary and perquisites but not exceeding the limits specified under Section II of Part II of Schedule XIII to the Companies Act, 1956, or any modifications/amendments thereto."

By Order of the Board of Directors
for **KINETIC ENGINEERING LIMITED**


R. RAMKUMAR
Company Secretary

Pune
26th June, 1997.

NOTES :

1. Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956, in respect of Special Business under Item No. 7, 8 and 9 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 Tuesday, 2nd day of September, 1997 to Saturday, 20th day of September, 1997 (Both days inclusive), for ascertaining the entitlement to dividend. Dividend will be paid to those members whose names appear in the Register of Members on Tuesday, 2nd day of September, 1997.
4. The unclaimed dividend for the year 1992-93 and earlier years have been transferred to the General Revenue Account of the Central Govt.
5. Members desirous of obtaining any information concerning the accounts or operation of the Company are requested to write to the Company at least 10 days before the date of Annual General Meeting so that the information may be made available at the meeting.
6. Members are requested to advise immediately any change in their address to the Company's registered office quoting their registered folio number.
7. Members are advised to consolidate their share holding where shares are allotted / transferred in more than one folio, as the same would enable the Company save considerable amount of time and money in servicing the members.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No. 7 :**

Shri M K Khera was appointed as an Additional Director on 5.03.97. As per Article 88 of Articles of Association of the Company, he holds office upto the end of ensuing Annual General Meeting of the Company. Notice under Section 257 along with deposit of Rs. 500 has been received from a member of the Company signifying his intention to propose him as a candidate for the office of Director of the Company.

Further, the Board had also approved his appointment as Executive Director (Operations) as per terms mentioned in the resolution for a period of 5 years with effect from 5.03.1997.

Shri M K Khera is a BE (Mech.), DIIT (IIT, Madras) and MBA (NMSU, USA). He was earlier with IFB Industries Ltd., Goa, and his previous work experience include his association with Maruti Udyog Ltd. and that with an Engineering and Management Consulting Company at USA.

The Board of Directors recommend adopting the resolution in the interest of the Company. The remuneration proposed to be paid to him is, in the opinion of the Board, reasonable considering his experience and his expertise.

Except Shri M K Khera, no other Director is concerned or interested in the passing of this resolution.

This along with relevant resolution may be treated as an abstract pursuant to Section 302 of the Companies Act, 1956.

Item No. 8 :

The terms of appointment of Shri A H Firodia as Chairman and Managing Director expires on 30th June, 1997. The Board of Directors of the Company, in its meeting held on 26th June, 1997, reappointed him as Chairman and Managing Director w.e.f. 1st July, 1997 for a period of 5 years.



Shri A H Firodia is B Tech (Elec.Engg.) from IIT (Mumbai), M S (Elec.Engg.) from MIT (USA) and MS (Management) from Sloan School of Management (USA). He has experience of more than 28 years in automobile industry. Shri A H Firodia has been Managing Director of this Company from 1st January, 1973 except for a brief period from 1st January, 1985 to 30th June, 1987 when he was devoting all his time and efforts to set up Kinetik Honda Motor Limited, a company promoted by this Company as joint venture with Honda Motor Company Limited, Japan. He took over as Chairman and Managing Director w.e.f. 16th March, 1996.

The copy of the Resolution passed by the Board of Directors in their meeting held on 26th June, 1997, referred to above is available for inspection at the Registered Office of the Company on any working day during working hours.

None of the Directors except Smt Sulajja Firodia Motwani and Shri A H Firodia is concerned or interested in passing of the said resolution.

This along with relevant resolution may be treated as an abstract pursuant to Section 302 of the Companies Act, 1956.

Item No. 9 :

Smt Sulajja Firodia Motwani, was appointed as Joint Managing Director, for a period of 5 years with effect from 4.5.96, as per terms and conditions contained in the Ordinary Resolution passed by the Members of the Company in their 26th Annual General Meeting held on 23rd September, 1996.

Recently, the Government of India has amended the provisions of Schedule XIII to the Companies Act, 1956, and has increased the limits for payment of remuneration to managerial personnel. In view of the present remuneration of the Joint Managing Director being substantially lower than limits for payment of remuneration, it is deemed necessary to revise the remuneration being paid to Joint Managing Director.

Smt. Sulajja Firodia Motwani has obtained Master of Science in Industrial Administration (MBA) from Carnegie Mellon University, Pittsburg, USA. in 1992. After about over 5 years work experience with reputed organisations in both India as well as U.S.A., she was appointed as Joint Managing Director w.e.f. 4.05.1996.

The Board of Directors recommend revision in the remuneration to be paid to Smt Sulajja Firodia Motwani as Joint Managing Director in the interest of the Company. The revised remuneration proposed to be paid to Smt Sulajja Firodia Motwani is, in the opinion of the Board, reasonable considering her experience and her expertise.

The copy of the Ordinary Resolution passed on 23rd September, 1996, referred to above is available for inspection at the Registered Office of the Company on any working day during working hours.

None of the Directors except Smt Sulajja Firodia Motwani and Shri A H Firodia is concerned or interested in passing of the said resolution.

This along with relevant resolution may be treated as an abstract pursuant to Section 302 of the Companies Act, 1956.

By Order of the Board of Directors
for **KINETIC ENGINEERING LIMITED**


R. RAMKUMAR
Company Secretary

Pune
26th June, 1997.

DIRECTORS' REPORT 1996-97

To
The Members,
Kinetic Engineering Limited

Your Directors have pleasure in presenting the 27th Annual Report and audited statements of accounts of your Company for the year ended 31st March, 1997.

FINANCIAL HIGHLIGHTS :

	1996-97 (Rs. in Lacs)	1995-96
Sales and other Income	22539	20413
Gross Profit	2486	2443
Depreciation	913	733
Profit before tax	1573	1710
Provision for taxation	225	325
Profit after tax	1348	1385
Proposed Dividend	161	161
Additional tax on Dividend	16	—
Transfer to General Reserve	160	170
Profit Carried forward		
Last year	3174	2120
This year	4185	3174

DIVIDEND :

Your Directors recommend dividend of Rs. 4 per share for the year ended 31st March, 1997.

YEAR IN RETROSPECT :

1996-97 was a year of encouraging performance. Sales and other income during the year under review was Rs. 22539 lacs, against Rs. 20413 lacs in the previous year. The decrease in profit is due to high cost of funds, and higher depreciation charge.

EXPORTS AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

During the year under review, your Company exported its products to USA, Turkey, Argentina, Singapore, Uruguay, Holland and other countries.

Total foreign exchange earnings and outgo during the year under review were as follows :

Earnings Rs. 983 lacs

Out go Rs. 1347 lacs

RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION AND INNOVATION :

During the year under review, your Company has developed and launched PRIDE-FX, a new version of Pride Scooter, a new look Safari (named as SAFARI-V2) and K4-100, a four-stroke step through motorcycle. To support the present product range, your Company's Research & Development department has also developed low-emission engines for Luna series of mopeds.

Pioneering work is also being carried out in your Research and Development department on 2-stroke 73cc scooter with Autolube and self-start features and launch of the same is expected during the current year.

Your Company has incurred the following expenditure on R & D during the year :

Revenue : Rs. 119 lacs

Capital : Rs. 252 lacs

Total : Rs. 371 lacs

% of total turnover : 1.65 %

CONSERVATION OF ENERGY :

Some of the measures for energy conservation undertaken during the year under review were :

A. Installation of a new AC Drive in Paint Shop.

B. Conversion of Electrical heating system by hot water generator in nickel chrome plating shop.