

KINETIC ➔

CEO	✓		BKC	✓
COO	✓		DPY	✓
RO	✓		DIV	✓
TE	✓		AC	✓
MEM	✓		SHI	✓
IE	✓	✓		✓

A N E W M O V E M E N T B E G I N S

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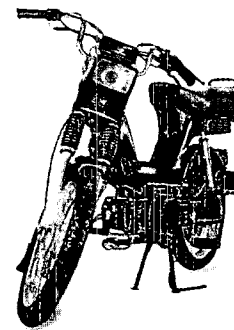


At Kinetic Engineering Ltd., we are moving into the future. With renewed energy and power! Today, we have an increased financial strength. And over 3000 employees, all working together. To take Kinetic surging ahead into the next millennium. Fully equipped to explore the limitless opportunities it has to offer.

As part of our dynamic efforts, we have already commenced manufacturing at our state-of-the-art plant at Koregaon, Bhima. Over the last year, our two-wheelers - Luna, Safari V2, Pride FX and the newly launched K4-100 have provided mobility and freedom to millions of people across India. We received the comprehensive ISO 9001 Certification. Indeed a glowing achievement, symbolising our strong commitment to high Quality standards.

Our plans for the future are even brighter. To tap new market segments and strengthen our market share. The launch of a new 4-stroke motorcycle. A new 60cc Luna. A new electric start scooterette. Besides, our in-house finance companies - Kinetic Lease and Finance Ltd. and Kinetic Fincap Ltd., will offer attractive finance schemes. Helping the Kinetic family grow from 5 million, to millions more.

A new movement has begun! We are confident it will propel us forward into the 21st century. Together with our employees, dealers and shareholders, we will emerge even more powerful than ever before!



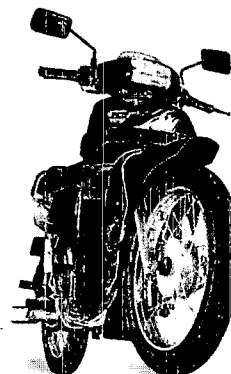
The 'No tension' Luna was first seen on Indian roads in 1972.



The 'Stylish' Pride FX with Great Pick-up was launched in 1995.



The 'Solid' Safari V2 made a grand entrance in 1996.



The '4-Stroke Dream Bike' - K4-100, was launched in 1997.

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. KOTTECHA

Shri M. K. KHERA

Executive Director (Operations)

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

PUNJAB NATIONAL BANK

BANK OF BARODA

SHARES LISTED WITH :

PUNE STOCK EXCHANGE LTD., PMT Commercial Building, Deccan Gymkhana, Pune 411 004

THE STOCK EXCHANGE MUMBAI, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001

*Annual Listing Fees paid upto date***REGISTERED OFFICE**

D-1 BLOCK, PLOT NO. 18/2, CHINCHWAD, PUNE-411 019.



NOTICE

NOTICE is hereby given that the 28th Annual General Meeting of the Company will be held on Wednesday, 23rd day of September, 1998, at 2.00 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, 1998, 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 Shri V A Datar, who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri J M Vakil, who retires by rotation, and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Shri S R Kotecha, who retires by rotation, and being eligible, offers himself for reappointment.
6. To appoint Auditors and fix their remuneration.

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

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R. RAMKUMAR

Company Secretary

Pune
23rd June, 1998

NOTES :

1. 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.
2. Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 1st day of September, 1998 to Wednesday, 23rd day of September, 1998 (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 23rd day of September, 1998.
3. The unclaimed dividend for the year 1993-94 and earlier years have been transferred to the General Revenue Account of the Central Govt.
4. 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.
5. Members are requested to advise immediately any change in their address to the Company's registered office quoting their registered folio number.
6. 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.

DIRECTORS' REPORT 1997-98

To

The Members,
Kinetic Engineering Limited

Your Directors have pleasure in presenting the 28th Annual Report and audited statements of accounts of your Company for the year ended 31st March, 1998.

FINANCIAL HIGHLIGHTS :

	1997-98	1996-97
	(Rs. in Lacs)	
Sales	24353	21918
Other Income	581	621
Gross Profit	2744	2486
Depreciation	1038	913
Profit before tax	1706	1573
Provision for taxation	332	225
Profit after tax	1374	1348
Proposed Dividend	161	161
Additional tax on Dividend	16	16
Transfer to General Reserve	175	160
Profit Carried forward		
Last year	4184	3173
This year	5206	4184
Equity Share Capital	403	403
Net Worth	8547	7425
Book Value per share (Rs.)	212.25	184.37
Earnings per share (Rs.)	34.13	33.47

DIVIDEND :

Your Directors recommend dividend of Rs.4 per share for the year ended 31st March, 1998.

YEAR IN RETROSPECT :

1997-98 was a year of encouraging performance. Sales and other income during the year under review was Rs.24934 lacs, against Rs.22539 lacs in the previous year. Gross Profit during the year under review was higher at Rs.2744 lacs, as compared to Rs.2486 lacs in the previous year. The net profit after depreciation, interest and tax during the year was also higher at Rs.1374 lacs as compared to Rs.1348 lacs in the previous year. Your Company continues to maintain its record of high earnings per share which amounts to Rs.34.13 for the year under review.



Your Company received prestigious ISO 9001 Certification from Det Norske Veritas of Norway. This Certificate is for Design, Development, Manufacturing, Service and Sale of Two-wheelers.

Your Company acquired shares held by 20th Century Finance Corporation (TCFC), a co-promoter of 20th Century Kinetic Finance Ltd.(TCKF) in TCKF. In the process, your Company took over the management control of TCKF from TCFC. Your Directors are confident that the synergy of business interest between TCKF and KEL will result in higher sale of KEL Products through TCKF's wide branch network. TCKF's name has since been changed to 'Kinetic Fincap Limited'.

Your Company has also entered into an agreement in June 1998 with Capital Trust Ltd. to buy equity shares held by them in Kinetic Capital Finance Ltd.

During the year under review, your company has undertaken trial production of its 500cc micro car and 3 cars are under endurance trials and further research. The project is basically assembly oriented and would be housed at its existing plant at Koregaon Bhima. Your Company has not made any major investment in the project and the decision to make a sizeable investment would be contingent on getting the duty concessions from the Government.

Your Company would like to launch the micro car at Rs.1.25 lacs only. However, this would not be possible without the reduction of excise duty from 40 % to 15 % (equal to levy on autorickshaws). Without this reduction, the cost of the car would go beyond Rs.1.50 lacs and your Company would fail to reach its target audience of two wheeler users who would like to upgrade to a four wheeler, as the price of the car at Rs.1.50 lacs would not be competitive. The expectation of a reduction in excise duty has not been realised in the recent union budget. However, your Company is hopeful that duty concession would come sooner or later.

A settlement was reached between the management and the recognised labour union at Ahmednagar Works. The settlement, which will be in force for 3 years, provides for both an increase in productivity and substantial addition of wages to the workmen.

EXPORTS AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

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

In recognition of your Company's Export performance in 1996-97, Engineering Export Promotion Council has awarded Certificate of Export Excellence.

Your Company was also granted Export House Certificate for 1997-98 and this would entitle your company to additional Special Import Licence.

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

Earnings	Rs.	965 lacs
Outgo	Rs.	1207 lacs

RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION AND INNOVATION :

During the year under review K4-100, your Company's four stroke step through motorcycle was launched in selected centres in India. It has received very encouraging response. A more rugged derivative of K4-100 with greater load carrying ability is also under development.

New derivatives of Luna Super and Luna TFR with improved features and Pride 50cc scooter (for Export) were developed and introduced.

Your company has also developed a new 73 cc scooter with auto lube and electric start. The same is under extensive testing and will be launched in second half of 1998-99. Development of a 60cc Moped with kick start is in progress and will also be launched in second half of 1998-99.

Your Company acquired new computer software for styling design and this new software will reduce 'concept to launch' time. Using state of the art emission lab, which was commissioned last year, CAT converters for all vehicles are being continuously evaluated to ensure conformance to year 2000 emission norms.

Your Company incurred expenditure on R & D during the year as follows :

Revenue	: Rs.144 lacs
Capital	: Rs.135 lacs
Total	: Rs.279 lacs
% of total turnover	: 1.12 %

CONSERVATION OF ENERGY :

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

- A. Conversion of electrical heating system of nitriding furnace to LPG heating system.
- B. Improved loading of Paint shop resulting in running of paint shop on only one thermopac boiler.
- C. Introduction of Electronic Ballast in various shops.
- D. Proper planning of machines to eliminate machine idling resulting in saving of power consumed during idle running.
- E. Matching of compressor capacities with requirement of compressed air in different shops.

The above measures taken by your Company have resulted in saving in the cost of production.

Our future energy conservation plans are as follows :

- A. Conversion of electrical heating into L P Gas Heating for Pit furnace in heat treatment.
- B. Centralised on-off control system for air circulators.
- C. Loading and unloading of compressors by servo systems.
- D. Use of radiator cooling system for quenching oil instead of water cooled heat exchanger.

FIXED DEPOSITS :

88 Deposits amounting to Rs.6,42,000 were matured and unclaimed as on 31st March, 1998, out of which 25 deposits amounting to Rs.1,96,000 have since been either renewed or refunded.

DIRECTORS :

During the year, Shri D S Bomrah, Executive Director (Technical), relinquished office of Executive Director. The Directors wish to place on record their appreciation of the co-operation and services rendered by Shri D S Bomrah, during his tenure as Executive Director of the Company. Shri D S Bomrah continues to assist the Company as a consultant.

Shri V A Datar, Shri J M Vakil and Shri S R Kotecha retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for reappointment.

AUDITORS :

Your Auditors M/s. P G Bhagwat, Chartered Accountants, retire at the forthcoming Annual General Meeting and, being eligible, have given their consent for reappointment.

**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, form 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 Act. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.

ACKNOWLEDGEMENT :

Your Directors express their sincere thanks to the Financial Institutions, Banks, Dealers and Suppliers for the support extended to the Company and also wish to place on record their appreciation of the dedicated services rendered by the employees of the Company.

For and on behalf of the Board of Directors

A H FIRODIA

Chairman & Managing Director

Pune
23rd June, 1998.



Report of the Auditors to the Shareholders

We have audited the attached Balance Sheet of KINETIC ENGINEERING LIMITED as at 31st March, 1998, and the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that :

- 1 As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matter specified in paragraphs 4 and 5 of the said order.
- 2 Further to our comments in the Annexure referred to in paragraph 1 above :
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of such books.
 - c) The Balance Sheet and the Profit and Loss Account referred to in this Report are in agreement with the books of account.
 - d) In our opinion and to the best of our information and according to the explanations given to us, the accounts, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1998
 - AND
 - ii) in the case of the Profit and Loss Account, of the PROFIT for the year ended on that date.

For M/s. P. G. BHAGWAT
Chartered Accountants

Pune
23rd June, 1998

A. P. Bhagwat
Partner