

**KINETIC ➡➡**



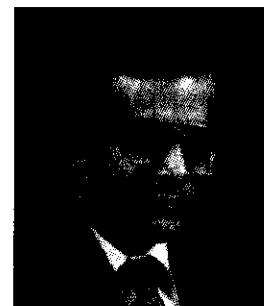
**KINETIC ENGINEERING LIMITED**

29th Annual Report 1998-99

## Chairman's Word

### **Dear Shareholders,**

1998 has been an important year for your company, a year in which several new initiatives have been taken by your company, some of which have given us good result in this year itself and some of which will yield strong results in the coming years. Round the corner is the new millennium, with its own opportunities and challenges. With economic progress of the country's middle class, the two wheeler industry should be in a good position to grow at a healthy rate in the coming decade. At this juncture, let me share with you what will be your company's focus for this exciting future.



### **New Product Range**

A wide range of innovative, economical and environmentally friendly products are at the heart of our success strategy in the coming years. Starting with Luna, today we have expanded our product portfolio to include the Safari V2, a high powered moped and this year, we have entered the motorcycle market with our 4 stroke step through motorcycle the K4-100. K4 100 is India's first indigenously developed 4 stroke bike and has been widely acclaimed to be also India's most fuel-efficient vehicle. This year, your company has completed investment into a new world class motorcycle plant at Koregaon Bhima near Pune and we are all set to introduce a range of attractive motorcycles in the market. Motorcycles are a fast growing segment of the market and we are confident to achieve good growth in the coming years by entry into this segment.

By the end of the current financial year, your company will be offering a complete range of attractive models, from mopeds to step thru to 4 stroke motorcycles.

### **Growth Opportunities through Acquisitions**

During the year under review, your company has invested in purchasing shares held by Honda Motor Company Ltd. of Japan, in Kinetic Motor Company Limited (KMCL), erstwhile Kinetic Honda Motor Company Ltd. Through KMCL, your company is now in a position to also offer world-class scooters to its customers in addition to the range of mopeds, step-thru and motorcycles planned. This means we will be covering the entire spectrum of two wheeler products from low end to premium segment. This acquisition also boosts your company's distribution network, which will result in higher sales for the entire product range.

### **Focus on Emissions**

By reducing emissions through introduction of 4 stroke engine technology and better two stroke vehicles, Kinetic has reinforced its commitment to creating a clean environment. Kinetic has been the first company to indigenously develop and introduce a 4 stroke motorcycle which complies with the year 2000 norms. In April 2000 when the world's most exacting emission standards will be introduced in India, our entire product range will meet these norms through use of advanced 4-stroke technology on motorcycles and step-thru range and use of catalytic converters on our mopeds.

With your company's plans to expand its range from mopeds to a full range of two wheelers, building on synergies with the scooters company and investments into new technologies, I feel confident that your company will effectively tap the new opportunities in the coming millennium.

With best wishes,

**Arun H. Fiordia**  
Chairman & Managing Director

# KINETIC

*29th Annual Report 1998-99*

## **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. KOTECHA

Shri M. K. KHERA *Executive Director (Operations)*

Smt S. F. MOTWANI *Joint Managing Director*

## **COMPANY SECRETARY**

Shri R. RAMKUMAR

## **SHARES LISTED WITH**

PUNE STOCK EXCHANGE LIMITED  
PMT COMMERCIAL BUILDING  
DECCAN GYMKHANA  
PUNE - 411 004.

THE STOCK EXCHANGE MUMBAI  
PHIROZE JEEJEEBHAY TOWERS  
DALAL STREET  
MUMBAI - 400 001.

ANNUAL LISTING FEES PAID UPTO DATE

## **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  
BANK OF BARODA  
CITI BANK N.A.  
CREDIT LYONNAIS  
PUNJAB NATIONAL BANK  
STANDARD CHARTERED BANK  
STATE BANK OF INDORE

## **REGISTERED OFFICE**

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

# KINETIC

## NOTICE

NOTICE is hereby given that the 29th Annual General Meeting of the Company will be held on Friday, 10th day of September, 1999, at 11.30 a.m. at Rotary Club of Pimpri, 20, G Block, Opposite Kamal Nayan Bajaj School, Chinchwad, Pune - 411 019, to transact the following business :

### ORDINARY BUSINESS :

1. To consider and adopt Directors' Report, Audited Balance Sheet as at 31st March, 1999, 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. N.A. Kalyani, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri S.R. Sanghi, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr. K.H. Sancheti, who retires by rotation, and being eligible, offers himself for re-appointment.
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 pursuant to the provisions of Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956, including any statutory modifications or re-enactment thereof as may for the time being be in force and subject to the Guidelines issued by the Securities and Exchange Board of India (SEBI) or any other competent Authority and subject to such approvals, permissions and sanctions as may be necessary, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as 'the Board') to create, offer, issue and allot, to or for the benefit of its present and future permanent employees, working in the category of Managers and above, and Directors (including Wholtime Directors) of the Company, in terms of a scheme of Employees Stock Option Plan (ESOP) to be hereafter framed by the Board, such number of equity shares, as the Board may deem fit, of the face value of Rupees 10/- (ten) each, not exceeding 2,00,000 equity shares in aggregate, for subscription for cash, in one or more tranches, on the terms and conditions as set out in the explanatory statement to this item, in accordance with such Guidelines or provisions of law as may be prevailing at that time and otherwise ranking *pari-passu* with the equity capital then issued and in existence and on such other terms and conditions and at such time or times as the Board may in its absolute discretion and in the best interest of the Company may deem fit; Provided that the lock-in period of such shares, if any, may be determined by the Board in accordance with the prevailing Guidelines issued by SEBI and specified in the offer at that time.  
 RESOLVED FURTHER that for the purpose of giving effect to any offer, issue and allotment of equity shares, as described above, the Board be and is hereby authorised to do and perform all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary, proper or desirable for such purpose, and to settle all questions, difficulties or doubts that may arise in regard to such issues or allotments and utilisation of the proceeds (including to amend or modify any of the

terms of such issue or allotment), without being required to seek any further consent or approval of the Members. RESOLVED FURTHER that the board be and is hereby further authorised to delegate all or any of the powers herein conferred to any Committee of Directors, or any one or more Wholtime Directors of the Company."

8. To consider and if thought fit, to pass, with or without modifications, the following Resolution as a Special Resolution :  
 "RESOLVED that pursuant to the provisions of Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956, including any statutory modifications or re-enactment thereof as may for the time being be in force and subject to the Guidelines issued by the Securities and Exchange Board of India (SEBI) or any other competent Authority and subject to such approvals, permissions and sanctions as may be necessary, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as 'the Board') to create, offer, issue and allot, to or for the benefit of present and future permanent employees, working in the category of Managers and above, and Directors (including Wholtime Directors) of the Company's subsidiary in terms of a scheme of Employees Stock Option Plan (ESOP) to be hereafter framed by the Board, such number of equity shares, as the Board may deem fit, of the face value of Rupees 10/- (ten) each, so however that shares issued to present and future permanent employees and Directors (including Wholtime Directors) of subsidiary company together with shares issued to present and future permanent employees and Directors (including Wholtime Directors) of the Company shall not exceed 2,00,000 equity shares in aggregate, for subscription for cash, in one or more tranches, on the terms and conditions as set out in the explanatory statement to this item, in accordance with such Guidelines or provisions of law as may be prevailing at that time and otherwise ranking *pari-passu* with the equity capital then issued and in existence and on such other terms and conditions and at such time or times as the Board may in its absolute discretion and in the best interest of the Company may deem fit; Provided that the lock-in period of such shares, if any, may be determined by the Board in accordance with the prevailing Guidelines issued by SEBI and specified in the offer at that time.  
 RESOLVED FURTHER that for the purpose of giving effect to any offer, issue and allotment of equity shares, as described above, the Board be and is hereby authorised to do and perform all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary, proper or desirable for such purpose, and to settle all questions, difficulties or doubts that may arise in regard to such issues or allotments and utilisation of the proceeds (including to amend or modify any of the terms of such issue or allotment), without being required to seek any further consent or approval of the Members. RESOLVED FURTHER that the Board be and is hereby further authorised to delegate all or any of the powers herein conferred to any Committee of Directors, or any one or more Wholtime Directors of the Company."

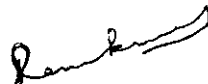
### NOTES :

1. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business under Item Nos. 7 and 8 are annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE SAID MEETING IS ENTITLED TO APPOINT A PROXY

## 29th Annual Report 1998-99

- 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 Monday, 16th day of August, 1999, to Friday, 10th day of September, 1999 (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 10th day of September, 1999.
  4. The unclaimed dividend for the year 1994-95 and earlier years have been transferred to the General Revenue Account of the Central Government.
  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 shareholding 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.

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

  
**R. RAMKUMAR**  
Company Secretary

Pune  
30th July, 1999

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

#### Item Nos. 7 and 8 :

Employees Stock Option Plans (ESOP), designed to foster a sense of ownership and belonging amongst personnel, is a sound approach for employee motivation. In the current competitive business environment, it is necessary that the Company adopts requisite measures for attracting and retaining qualified, talented and competent personnel for the business operations of the Company.

In the long term interest of the Company and its shareholders, the Board of Directors of the Company considers it necessary to introduce ESOP scheme, which shall be framed for present and future permanent employees of the Company including employees of Kinetic Motor Company Ltd., subsidiary of your Company and Directors (including Wholtime Directors) of both the Company and its subsidiary, in accordance with the Guidelines stipulated by the Securities and Exchange Board of India (SEBI).

The operation of the Scheme would be under the superintendence and direction of a Compensation Committee of the Board of Directors, majority of which Committee consist of independent Directors.

#### OTHER FEATURES OF THE SCHEME :

1. The total number of options that may be granted to eligible employees/Directors for both the Company as well as its subsidiary shall not exceed 50.
2. Present and future permanent employees working in the category of Managers and above and Directors (including Wholtime Directors) of both the Company and its subsidiary would be considered eligible to benefit from the scheme. However, Directors belonging to the promoter group are not eligible to participate in the ESOP as per SEBI Guidelines.
3. The vesting period shall be one year from the date of grant of option, unless the employment/Directorship is discontinued on account of death, resignation, or retirement, or permanent or total disability. The vesting may occur in tranches and may be subject to terms and conditions, as may be stipulated from time to time.
4. The exercise price for the options shall be Rs. 60/- per share of Rs.10/- each of the Company.

5. The exercise period shall commence from the date of vesting and expire at the end of six months from the vesting date.
6. The Board of Directors and/or Compensation Committee shall determine the eligibility criteria for the employees on various performance linked parameters and they would interalia consider the length of service, grade, performance, merit, future potential, contribution and conduct and such other factors as may be deemed appropriate.
7. The maximum number of shares in the form of options, that may be granted to any eligible employee or Director, shall not exceed 40,000 shares and the total number of shares in the form of options that may be granted to all eligible employees and Directors (including Wholtime Directors) of both the Company and its subsidiary, shall not exceed 2,00,000 shares.
8. The Company shall conform to the accounting policies prescribed by the Securities and Exchange Board of India and any other appropriate authority.

As these further shares shall be issued to eligible employees/Directors, who may not be the existing shareholders of the Company, consent of the shareholders is being sought by way of a Special Resolution pursuant to the provisions of Section 81 (1A) of the Companies Act, 1956 and as per the requirement of the Guidelines issued by SEBI.

The Directors, who would be eligible to avail the benefits of ESOP, may be deemed to be concerned or interested in the said resolutions to the extent of equity shares that may be allotted to them. Save as aforesaid, none of the Directors of the Company may be concerned or interested in the said resolutions.

The Board recommends passing of the resolutions.

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

  
**R. RAMKUMAR**  
Company Secretary

Pune  
30th July, 1999



# KINETIC

## DIRECTORS' REPORT 1998-99

To

The Shareholders,  
Kinetic Engineering Limited

Your Directors have pleasure in presenting the 29th Annual Report and audited accounts of your Company for the year ended 31st March, 1999.

### FINANCIAL HIGHLIGHTS :

	1998-99 (Rs.in Lacs)	1997-98
Sales and other operating income	29321	24483
Other Income	531	451
Gross Profit	2404	2744
Depreciation	1092	1038
Profit before tax	1312	1706
Provision for taxation	230	332
Profit after tax	1082	1374
Proposed Dividend	161	161
Additional tax on Dividend	18	16
Transfer to General Reserve	135	175
Transfer to Debenture Redemption Reserve	205	—
Profit Carried forward		
Last year	5206	4184
This year	5769	5206

### DIVIDEND :

Your Directors recommend dividend of Rs.4 per share for the year ended 31st March,1999.

### THE YEAR IN RETROSPECT :

Sales and other operating income during the year under review was significantly higher at Rs.29321 lacs, against Rs.24483 lacs in the previous year. Gross Profit during the year under review was at Rs.2404 lacs, as compared to Rs.2744 lacs in the previous year. The net profit after depreciation, interest and tax during the year was at Rs.1082 lacs as compared to Rs.1374 lacs in the previous year. Due to competitive environment, and expenses for the development and introduction of new products, margins in this year have been marginally affected. At the same time, your Company's earning per share (EPS) is among the best in the industry. New products as detailed below should result in higher sales and improved profitability in the coming years.

During the year, your Company acquired all the shares held by M/s. Honda Motor Company Ltd., Japan, (HMCL), a co-promoter of erstwhile Kinetic Honda Motor Ltd.(KHML), in

KHML. With the acquisition of these shares, KHML has become a subsidiary of your Company and the name of Kinetic Honda Motor Ltd., has since been changed to Kinetic Motor Company Ltd.(KMCL). Your Directors are of the view that with this acquisition, the business of your Company could be further expanded and your Company together with KMCL would be in a position to offer products in entire 2-wheeler range, namely mopeds, motorcycles and scooters from low end to premium segment. Moreover, your Company's dealer network would also be strengthened which will yield benefits to your Company in terms of higher sales.

### EXPORTS AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

During the year under review, your Company exported its products to USA, Latin America, Europe and developing countries.

Your Company achieved the landmark of exporting 12,000 vehicles to USA (cumulative), considered to be the toughest market in the world.

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

Earnings	Rs. 1315 lacs
Outgo	Rs. 1330 lacs

### STATUS ON THE Y2K PREPAREDNESS :

Work on making all the systems Y2K compliant will be completed by 30.9.99.

The Company has spent Rs. 16 lacs in FY 1998-99 on Y2K remedy. The estimated cost on Y2K remedy in 1999-2000 will be in the range of Rs. 18 lacs.

The Company has competent software expert teams, which are fully in control of the remediation work and no breakdown/stoppage due to the year 2000 problem in the system is anticipated.

### RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION AND INNOVATION :

During the year under review, your Company has developed Luna Super Star-60cc kick start vehicle, Safari-73cc, Safari-50cc, Kinetic SX, a 73cc 2-stroke Scooterette with Electric Start and K4SS - the rural version of Step through 4-stroke Motorcycles. These products will be commercialised during the current year.

Development of 73cc-4 speed, geared vehicle for youth market and 100cc Motorcycle is in progress. 150cc Motorcycle is in initial stages of development.

Development of CAT converter is in final stages and it will be implemented well before March 2000 to comply with the Emission Norms.

*29th Annual Report 1998-99*

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

Revenue	: Rs.195 lacs
Capital	: Rs.134 lacs
Total	: Rs.329 lacs
% of total turnover	: 1.12 %

**CONSERVATION OF ENERGY :**

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

- A. Conversion of electric heating system of sursulf bath into LPG system.
- B. Conversion of electric heating system of Ni-Cr air drying and Chrome Tank heating into hot water generator.
- C. Use of low CFM Compressors locally during partial load in manufacturing shops.
- D. Peak period power factor improvement by automatic power factor correction.
- E. Introduction of Electronic Chokes in various 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. Energy Efficient Lighting.
- B. Installation of Solar System for Canteen.
- C. Centralised automatic on/off street lighting.

**SUBSIDIARY COMPANY :**

As required under Section 212 of the Companies Act, 1956, the audited annual accounts of Kinetic Motor Co. Ltd. alongwith the statement under Section 212 of the Companies Act, 1956 is attached.

**FIXED DEPOSITS :**

138 Deposits amounting to Rs.13,60,000 were matured and unclaimed as on 31st March, 1999, out of which 45 deposits

amounting to Rs.5,53,000 have since been either renewed or refunded.

**DIRECTORS :**

Dr. N A Kalyani, Shri S R Sanghi and Dr. K H Sancheti 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  
27th May, 1999.

# KINETIC

## REPORT OF THE AUDITORS TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of **KINETIC ENGINEERING LIMITED** as at 31st March, 1999 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 of 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 account 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, the Profit and Loss Account and the Balance Sheet comply with the accounting

standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

- e) 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, 1999

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  
27th May, 1999

**Sandeep Rao**  
Partner

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our report of even date)

01. The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. The fixed assets have been physically verified by the management at reasonable intervals. As informed to us, no serious discrepancies were noticed on such verification.
02. None of the Fixed Assets have been revalued during the year.
03. The stocks of finished goods, spare parts and raw materials have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
04. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
05. The discrepancies noticed on verifications between the physical stocks and the book records were not material.
06. On the basis of our examination of stock records, we are of the opinion that the valuation of stock is fair and proper in accordance with the normally accepted accounting principles, and is on the same basis as in the preceding year.
07. In our opinion, the rate of interest and other terms and conditions of an unsecured loan taken from a Company listed in the register maintained under Section 301 of the Companies Act, 1956, are not prima facie prejudicial to the interest of the Company. The company has not taken any loan from the Companies under the same management, as defined under sub-section (1-B) of Section 370 of the Companies Act, 1956.
08. In our opinion, the rate of interest and other terms and conditions of unsecured loans granted to the companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 or to companies under the same management, as defined under sub-section (1-B) of Section 370 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.



## *29th Annual Report 1998-99*

09. Loans and advances in the nature of loans have been given to the employees and other parties who are repaying the principal amounts as stipulated and are also regular in payment of interest where applicable.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
11. In our opinion and according to the information given to us, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods or services have been made with other parties.
12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods including trading goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
13. In our opinion and according to the information and explanations given to us, the Company has complied with the directions issued by the RBI and provisions of Section 58A of the Companies Act, 1956 and Rules framed thereunder with regard to deposits accepted from the public.
14. In our opinion, reasonable records have been maintained by the Company for sale and disposal of scrap. The Company has no by-products.
15. In our opinion the Company has an internal audit system commensurate with the size and nature of its business.
16. We have broadly reviewed the books of account maintained by the Company pursuant to the Order made by the Central Government for the maintenance of cost records prescribed under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed records have been maintained. As informed to us, the making of account is under preparation.
17. According to the records of the Company, Provident Fund and Employees State Insurance dues have generally been regularly deposited during the year with the appropriate authorities.
18. According to the information and explanations given to us, there were no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty which remained outstanding as at the date of Balance Sheet for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue accounts other than those payable under contractual obligations or in accordance with generally accepted business practices.
20. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

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

Pune  
27th May, 1999

Sandeep Rao  
Partner

# KINETIC

## BALANCE SHEET AS AT 31ST MARCH, 1999

	Schedule	Rupees	As at 31st March, 1999 Rupees	As at 31st March, 1998 Rupees
<b>SOURCES OF FUNDS</b>				
<b>1. Shareholders' Funds :</b>				
Share Capital	1	4,02,69,440		4,02,69,440
Reserves & Surplus	2	92,09,99,473		83,07,35,326
			96,12,68,913	87,10,04,766
<b>2. Loan Funds :</b>				
Secured Loans	3	36,65,77,194		48,69,38,415
Unsecured Loans	4	65,48,40,303		18,35,14,639
			1,02,14,17,497	67,04,53,054
<b>TOTAL</b>			<b>1,98,26,86,410</b>	<b>1,54,14,57,820</b>
<b>APPLICATION OF FUNDS</b>				
<b>1. Fixed Assets :</b>	5			
(a) Gross Block		1,67,38,10,436		1,54,69,40,577
(b) Less : Depreciation		1,06,25,50,155		96,22,07,690
(c) Net Block		61,12,60,281		58,47,32,887
(d) Capital Work-in-Progress		5,10,01,885		7,00,34,068
			66,22,62,166	65,47,66,955
<b>2. Investments</b>	6		58,37,10,067	16,58,43,133
<b>3. Current Assets, Loans and Advances :</b>	7			
(a) Inventories		27,11,78,784		31,20,42,041
(b) Sundry Debtors		67,27,47,534		59,33,11,994
(c) Cash and Bank Balances		1,57,53,798		1,73,81,421
(d) Other Current Assets		4,35,747		4,63,207
(e) Loans and Advances		19,44,71,971		25,01,93,054
		1,15,45,87,834		1,17,33,91,717
<b>Less : Current Liabilities and Provisions :</b>	8			
(a) Current Liabilities		41,08,29,770		44,80,26,930
(b) Provisions		1,78,99,949		2,08,01,148
		42,87,29,719		46,88,28,078
<b>Net Current Assets</b>			72,58,58,115	70,45,63,639
<b>4. Misc. Expenditure (to the extent not written off )</b>				
Development Expenses on Car Project			1,08,56,062	1,62,84,093
<b>TOTAL</b>			<b>1,98,26,86,410</b>	<b>1,54,14,57,820</b>
Notes to the Accounts	13			

As per our report attached  
For **M/S P. G. BHAGWAT**  
Chartered Accountants

**A.H. Firodia**  
**S.F. Motwani**  
**M.K. Khera**

Chairman & Managing Director  
Joint Managing Director  
Executive Director (Operations)

**SANDEEP RAO**  
Partner  
Pune  
27th May, 1999

**R. RAMKUMAR**  
Company Secretary

**Sudhir Sanghi**  
**S.R. Kotecha**  
**Dr. N.A. Kalyani**  
**S.C. Shah**

Directors