

KINETIC ➡

KINETIC ENGINEERING LIMITED

ANNUAL REPORT 1999-2000

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Chairman's Word:

The Indian two-wheeler market has been experiencing rapid growth. India today is the 2nd largest two wheeler market in the world and is expected to cross the 10 million volume mark in the next seven years from the current level of 3.5 million. I believe this growth is sustainable due to a variety of reasons. Some of the salient ones are: the large population with the increasing disposable income in the urban and to a greater extent in the rural segments; increasing numbers and rising aspirations of nuclear families and coupled with this is the underdeveloped infrastructure and the slow expansion of the public transportation network.

In this large and growing market, our vision is to offer a "Kinetic for everyone": Every consumer should have available, a Kinetic product that is ideal for his/her needs. To realize this dream, we have been working towards becoming the only complete range two wheeler player in India - with a product range that spans mopeds, step-thrus, scooters and now our much awaited motorcycle launch.

The motorcycle segment has emerged as the largest segment with impressive projections and is a natural and logical growth opportunity for Kinetic. We expect the motorcycle segment to contribute significantly to our growth from day one. For example, next year we look at a modest sale of 50,000 motorcycles; which translates to turnover contribution of as high as Rs. 2 billion.

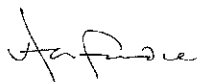
Kinetic has several fundamental strengths that position it well to become a reckoning force in motorcycles. Since our product range is from mopeds to topline scooters, our reach is very extensive in small towns as well as large cities. Our distribution network comprises of over 500 dealers & 1000 plus authorized sales & service centers and covers the entire country. A state of the art modern factory is ready at Bhima Koregaon near Pune for manufacturing motorcycles and has the capacity to roll out 200,000 vehicles annually! With Kinetic's range of motorcycles beginning with the Challenger about to enter the market, your Company is set on a path of high growth in the very near future.

We are working on identifying and adopting appropriate technology for each of our products. We are developing Catalytic Converters, Mapped Ignition, Electronic Fuel Injection & Air Injection.

In mopeds where affordability is of prime concern, we will retain the 2-stroke platform with a Cat Converter. Coming to step-thrus and motorcycles we will launch only 4 stroke models, which comply with relevant emission norms.

In the last financial year, your Company has shown good performance, net profit after depreciation, interest and tax is up by 39%. I would also like to inform you that your Company's EPS and CEPS are amongst the best in the industry.

With our efforts focused on entering high growth segments and meeting all emission requirements, we believe that your Company has a very exciting future ahead - one that is characterized by new launches, growing sales turnover and an expanded, satisfied customer base.



Arun H. Firodia
Chairman



Board of Directors

| | |
|--------------------|--|
| Mr. A. H. FIRODIA | <i>Chairman</i> |
| Dr. N. A. KALYANI | |
| Mr. V. A. DATAR | |
| Mr. J. M. VAKIL | |
| Mr. S. C. SHAH | |
| Dr. K. H. SANCHETI | |
| Mr. P. P. CHHABRIA | |
| Mr. S. R. SANGHI | |
| Mr. S. R. KOTECHEA | |
| Mr. M. K. KHERA | <i>Executive Director (Operations)</i> |
| Mrs. S. F. MOTWANI | <i>Joint Managing Director</i> |
| Mr. A. P. PANDE | <i>Managing Director</i> |

**Dy. Gen. Mgr. &
Company Secretary**

Mr. R. RAMKUMAR

AuditorsM/s. P. G. BHAGWAT
Chartered Accountants, Pune**Cost Auditors**M/s. DHANANJAY V. JOSHI & CO.
Cost Accountants, Pune**Bankers**STATE BANK OF INDIA
STATE BANK OF INDORE
CREDIT LYONNAIS
PUNJAB NATIONAL BANK
BANK OF BARODA
IDBI BANK**Registered Office**D-1 BLOCK, PLOT NO. 18/2
CHINCHWAD, PUNE-411 019.**Index**

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NOTICE

NOTICE is hereby given that the 30th Annual General Meeting of the Members of the Company will be held on Monday, 25th day of September, 2000, at 2.00 p.m. at the Registered Office of the Company at D1 Block, Plot No.18/2, Chinchwad, Pune : 411019, to transact the following business :

ORDINARY BUSINESS:

1. To consider and adopt Directors' Report, Audited Balance Sheet as at 31st March, 2000, 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 Mr P P Chhabria, who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr S C Shah, who retires by rotation, and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr V A Datar, 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 modification(s), the following Resolution as a Special Resolution :

"RESOLVED that pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered in the manner and to the extent set out below :

After Article 51 of the Articles of Association, the following new Article 51A be inserted :

51A Notwithstanding anything contained in any other Articles or in any other law for the time being in force, where a nomination has been made in the manner prescribed in Section 109A of the Act purporting to confer on any person the right to vest the shares in, or debentures of, the Company, the nominee shall, on the death of the shareholder or holder of debentures of the Company or, as the case may be, on the death of the joint holders, become entitled to all the rights in the shares in or debentures of the Company as the case may be, to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner and the provisions contained in Sections 109A and 109B of the Act, shall be applicable to such cases."

8. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution :

"RESOLVED that pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Articles of Association of the Company be and are hereby altered in the manner and to the extent set out below :

- a. In existing Article 2 of the Articles of Association under the heading 'Interpretation', the following new definitions be inserted at their respective places in alphabetic order :

"Beneficial Owner" means the beneficial owner as defined in Clause (a) of sub-section (1) of Section 2 of the Depositories Act, 1996.

"Depositories Act" means the "Depositories Act, 1996" and include any statutory modification thereto or re-enactment thereof for the time being in force.

"Depository" means a Depository as defined under clause (e) of sub-section (1) of Section 2 of the Depositories Act.

"Securities and Exchange Board of India" means the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992.

Words and expressions used and not defined in the Act but defined in the Depositories Act shall have the same meanings respectively assigned to them in that Act.

- b. In existing Article 2 of the Articles of Association, definition of "Person" be substituted as follows :

"Person" includes Corporations and Individuals who are the registered holder(s), from time to time, of the shares of the Company and includes every person whose name is entered as a beneficial owner in the records of the depository.

- c. After existing Article 3 of the Articles of Association, the following new Article 3A be inserted :

3A. Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its shares, debentures and other securities, or rematerialise its shares, debentures and other securities held with the Depository and offer its shares, debentures and other securities in a dematerialised form pursuant to the Depositories Act and the rules framed thereunder, if any.

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- d. After existing Article 10 of the Articles of Association, the following new Article 10A be inserted:
- 10A The Company shall maintain a Register and Index of Members in accordance with Sections 150 and 151 of the Act, and the Depositories Act, with details of shares held in material and dematerialised forms, in any media as may be permitted by law including in any form of electronic media. The Register and Index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act shall be deemed to be Register and Index of Members for the purposes of the Act. The Company shall have the power to keep in any state or country outside India a branch Register of Members resident in that state or country.
- e. Existing Article 12 of the Articles of Association be substituted as follows :
12. The shares in the capital shall be numbered progressively, provided however that the provisions relating to progressive numbering shall not apply to the shares of the Company which are dematerialised or may be dematerialised in future or issued in future in dematerialised form. Except in the manner hereinbefore mentioned, no share shall be sub-divided. Every forfeited or surrendered share shall continue to bear the number by which the same was originally distinguished.
- f. Existing Article 17 of the Articles of Association be substituted as follows :
17. The Company is not bound to recognise any interest in share other than that of registered holder or beneficial owner, except as ordered by a court of competent jurisdiction or as required by law. The Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or where the name appears as the beneficial owner of shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound or be compelled in any way, to recognise, even when having notice thereof, any benami trust or equitable, contingent, future or partial interest in any share, or (except only as is by these Articles otherwise expressly provided) any right in respect of any share other than an absolute right thereto, in accordance with these Articles on the part of any other person whether or not it shall have express or implied notice thereof, but the Board shall be at liberty at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them.
- g. After existing Article 17 of the Articles of Association, the following new Article 17A be inserted :
- 17A The provisions of Sections 153, 153A, 153B, 187B, 187C and 372A of the Act shall not apply to the shares, debentures and securities held by a Depository on behalf of the beneficial owners.
- h. In existing Article 18 of the Articles of Association, the following proviso be added at the end :
- "provided, however, that no share certificate(s) shall be issued for shares held with depository."
- i. In existing Article 44 of the Articles of Association, after the words "transmission of any share", the following words be Inserted :
- "held in a material form"
- j. In existing Article 45 of the Articles of Association, after the words "shares and registration thereof", the following words be inserted :
- "except in case of transfer of securities effected by the transferor and the transferee both of whom are entered as beneficial owners in the records of the depository."
- k. In existing Article 50 of the Articles of Association, after the words "shares standing in the name of the deceased member", the following words be inserted :
- "or held in dematerialised form."
- l. After existing Article 55 of the Articles of Association, the following new Article 55A be inserted :
- 55A. In the case of transfer of shares, debentures or other marketable securities, where the Company has not issued any certificate and where such shares or debentures or securities are being held in an electronic and fungible form, the provisions of the Depositories Act shall apply.
9. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution :
- "RESOLVED that Mr Arun Pande, who was appointed as an Additional Director by the Board of Directors under Article 88 of the Articles of Association of the Company

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and who holds office until the date of this meeting, be and is hereby appointed as a Director of the Company designated as Managing Director, and that as provided under Article 116 of the Articles of Association of the Company, while he continues to hold that office, he shall not be liable to retire by rotation."

10. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED that pursuant to Section 314 and all other applicable provisions, if any, of the Companies Act, 1956, or any statutory modifications thereto or amendment or re-enactment thereof, and subject to such approvals, consents and sanctions as may be necessary, consent of the Company be and is hereby accorded to appointment of Ms. Vismaya Firodia as Vice President (E-Commerce) in Kinetic Motor Company Limited, a subsidiary of the Company and payment of remuneration and perquisites by that company and that consent of the Company be and is also accorded to her to retain such remuneration and perquisites."

NOTES:

1. Explanatory statement setting out material facts concerning the special business under Item Nos. 7 to 10 of the notice, pursuant to Section 173(2) of the Companies Act, 1956, 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 PROXY NEED NOT BE A MEMBER.
3. Register of Members and Share Transfer Books of the Company will remain closed from Monday, 4th day of September, 2000, to Monday, 25th day of September, 2000 (both days inclusive), for ascertaining the entitlement to dividend. Dividend will be paid to those shareholders, whose names appear :
 - (a) as beneficial owners as on 3rd September, 2000, as per the list to be furnished by National Securities Depository Limited / Central Depository Services (I) Limited, in respect of the shares held in electronic form, and
 - (b) 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 3rd September, 2000.
4. Claim for unencashed dividend upto the Company's Financial year 1994-95 may be made by application in the prescribed form to the Registrar of Companies, Maharashtra, 3rd Floor, PMT Commercial Building, Deccan Gymkhana, Pune 411004. Those members who have so far not encashed dividend warrants for the financial year 1995-96 and thereafter may immediately approach the Company for replacement thereof, as the amount of dividend remaining unclaimed for a period of 7 years shall be transferred to the Investor Education and Protection Fund as per provisions of Section 205C of the Companies Act, 1956.
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 to save considerable amount of time and money in servicing the members.
8. Equity shares of the Company are listed on The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400001, and Pune Stock Exchange Ltd., Shivleela Chambers, 752 Sadashiv Peth, R B Kumbhkar Marg, Pune 411030. Annual listing fee for financial years upto 2000-2001 is paid to both the Stock Exchanges.

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


R. RAMKUMAR
Dy. Gen. Mgr. &
Company Secretary

Pune
15th June, 2000

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

Item No. 7

An amendment has been made to the Companies Act, 1956, through the Companies Amendment Act, 1999, to permit the holders of every share in or debentures of the Company, to nominate in the prescribed manner, a person to whom his shares in or debentures of the Company shall vest in the event of his death.

In order to bring the Articles of Association of the Company in conformity with the provisions of the amendment made to the Companies Act, 1956, a new Article is being inserted.

The Board recommends the Special Resolution for approval of the members.

None of the Directors is concerned or interested in the passing of this Special Resolution.

Item No. 8

Securities and Exchange Board of India (SEBI) has included equity shares of the Company in the list in which trading is compulsorily required to be made in dematerialised form for Institutional Investors and OCBs with effect from 26th June, 2000. SEBI has also advised the Company to enter into agreements with both the Depositories, viz. National Securities Depository Ltd.(NSDL) and Central Depository Services (I) Ltd.(CDSL) for dematerialisation of securities of the Company. The Company has accordingly signed tripartite agreements with both the Registrar and Transfer Agent (to provide electronic connectivity with the Depositories) as well as each of the Depositories in order to facilitate holding and transfer of securities in dematerialised form.

In order to bring the Articles of Association of the Company in conformity with both the provisions of the Depositories Act, 1996 and Securities Contracts Regulations Act, 1956, which have also made consequential amendments in certain provisions of the Companies Act, 1956, as well as to facilitate dematerialisation as per above tripartite agreement, Articles pertaining to issue, holding, transfer and dealing in shares and other securities are proposed to be amended.

The Board recommends the Special Resolution for approval of the members.

None of the Directors is concerned or interested in the passing of this Special Resolution.

Letter from SEBI with ref.no.SMDRP/Connectivity/2982/2000 dt.15th February, 2000, Copies of Tripartite Agreement with both the R & T Agent as well as NSDL and CDSL and copy of Memorandum and Articles of Association of the Company are available for inspection of the members at the Registered office of the Company between 11 a.m. and 1 p.m. on any working day upto the date of the ensuing Annual General Meeting.

Item No. 9

The Board of Directors, in its meeting held on 23rd October, 1999, appointed Mr. Arun Pande, as Managing Director for a period of 5 years w.e.f. 20/11/1999. His appointment as Director remains valid upto the ensuing Annual General Meeting and requires approval of shareholders for continuation as a Director. The Company has received notice from a member u/s 257 of the Companies Act, 1956, proposing candidature of Mr. Arun Pande for the office of Director. Hence the proposed resolution. Mr. Arun Pande is also Managing Director, of Kinetic Motor Company Ltd., a subsidiary of your Company. None of the Directors except Mr. Arun Pande is interested in Resolution No.9 of this Notice.

The Memorandum and Articles of Association of the Company is available for inspection at the Registered Office of the Company between 11 a.m. and 1 p.m. on any working day upto the date of the ensuing Annual General Meeting.

Item No.10

Kinetic Motor Company Limited, a subsidiary of your Company, has proposed to pass a resolution, in their Extraordinary General Meeting scheduled to be held on 5th July, 2000, for appointment of Ms. Vismaya Firodia, as Vice President (E-Commerce) in that company and payment of remuneration and perquisites to her.

Ms. Vismaya Firodia is related to both Mr A H Firodia, Chairman, and Ms. S F Motwani, Joint Managing Director. As per requirements of Section 314 of the Companies Act, 1956, holding company is required to pass special resolution for appointment and payment of remuneration in a subsidiary Company to a relative of Director of holding Company. As such, special resolution as mentioned in Item No.10 is proposed for approval of the members of Kinetic Engineering Ltd. (Holding Company). The Board recommends the Special Resolution for your approval.

None of the Directors except Mr. A H Firodia and Ms. S F Motwani may be deemed to be interested in Resolution No.10 of this Notice.

Copy of notice dated 15th May, 2000, convening Extraordinary General Meeting of Kinetic Motor Company Limited, including therein the item of special business to appoint Ms. Vismaya Firodia, to be passed as Special Resolution and explanatory statement thereto is available for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day upto the date of the ensuing Annual General Meeting.

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



R. RAMKUMAR
Dy. Gen. Mgr. &
Company Secretary

Pune
15th June, 2000



DIRECTORS' REPORT 1999-2000

To

The Shareholders,
Kinetic Engineering Limited

Your Directors take pleasure in presenting the 30th Annual Report and audited accounts of your Company for the year ended 31st March, 2000.

FINANCIAL HIGHLIGHTS :

| | 1999-2000 | 1998-99 |
|--------------------------------------|----------------|---------|
| | (Rs. in Lakhs) | |
| Sales & Other Income | 30493 | 29852 |
| Gross Profit | 3019 | 2404 |
| Depreciation | 1207 | 1092 |
| Profit before tax | 1812 | 1312 |
| Provision for taxation | 308 | 230 |
| Profit after tax | 1504 | 1082 |
| Proposed Dividend | 202 | 161 |
| Additional tax on Dividend | 44 | 18 |
| Transfer to General Reserve | 250 | 135 |
| Transfer to Debenture | | |
| Redemption Reserve | 452 | 205 |
| Profit Carried forward | | |
| Last year | 5769 | 5206 |
| This year | 6325 | 5769 |
| Earnings per share (EPS) – Rs. | 37.32 | 26.86 |
| Cash earnings per share (CEPS) – Rs. | 67.26 | 53.99 |
| Book value per share – Rs. | 264.22 | 236.01 |

YEAR IN RETROSPECT :

Gross Profit during the year under review was at Rs.3019 lakhs, as compared to Rs.2404 lakhs in the previous year, up by 26%. The net profit after depreciation, interest and tax during the year was at Rs.1504 lakhs as compared to Rs.1082 lakhs in the previous year, showing an increase of 39 %. Your Company's EPS and CEPS are among the best in the industry. Introduction of new products in the near future would result in higher sales and further improved profitability in the coming years.

DIVIDEND :

Your Directors recommend dividend of Rs. 5/- per share for the year ended 31st March, 2000.

EXPORTS AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

During the year under review, your Company opened new markets in Bangladesh, Dubai, Iran, Egypt and Dominican Republic. Your Company has received **Export Excellence Award** from Engineering Export Promotion Council consecutively for the third time.

The information on foreign exchange earnings and outgo is contained in Schedule 15, Notes to the Accounts (14, 15 and 16).

EMPLOYEES STOCK OPTION PLAN (ESOP) :

In order to foster a sense of ownership and belonging among the employees, your Company has launched a scheme of Employees Stock Option Plan (ESOP). As per the scheme, your Company has granted options for 1,03,300 equity shares to selected 48 eligible employees in managerial category. These options can be exercised by the employees at the exercise price of Rs.60/- per share between 25/02/2001 and 24/08/2001.

DEPOSITORY SYSTEM :

Your Company has admitted its equity share in the Depository System with both National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). Your Company has entered into tripartite agreements with both NSDL as well as CDSL and Intime Spectrum Registry Pvt. Ltd., to provide depository mode. The Registrar and Transfer activity for shares held in physical form, however, continues to be carried out in-house.

Necessary resolutions for amending Articles of Association of your Company form part of notice of your Company's Annual General Meeting and your Directors recommend their adoption.

RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION :

The new 2-stroke 75cc variator scooterette 'Kinetic Style', with additional features like separate oil pump (for optimum engine lubrication), wider seat, maximum leg space and rounded contours, developed through your Company's R & D efforts, has been recently launched and has been well received in the market.

Further Development on Kinetic K4 and new 4 stroke motorcycle - Kinetic Challenger were carried out in your Company's Motorcycles division. Both these vehicles would be fully productionised soon.

Your Company has imported technology from Hyosung of South Korea for GF series motorcycles. These motorcycles would be first in India to have 4 valve engine technology and would be launched by the end of the current year.

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

| | | |
|---------------------|---|---------------|
| Revenue | : | Rs. 266 lakhs |
| Capital | : | Rs. 56 lakhs |
| Total | : | Rs. 322 lakhs |
| % of total turnover | : | 1.08 % |

CONSERVATION OF ENERGY :

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

- Using low capacity portable Compressor after peak hours.
- Elimination of leakage from compressed air lines.
- Installation of A C Variable drives and Soft Starters for Injection Moulding Machine.
- Energy efficient lighting.
- Improvement of peak hour power factor and system power factor.
- Replacement of high H P motors by low H P motors in machine shop.

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

Our future energy conservation plans are as follows :

- Electrical heating for washing machines to be converted to L D O heating.
- Installation of A C Variable Drive for Paint Shop ARP Blowers.
- Thyristorised control rectifier, dimmer for Chrome tank in NICR plating.
- Solar system for canteen.

SAFETY AWARD :

Your Company's Koregaon Bhima factory has been awarded the "Lowest Accident Frequency Rate Award" for the year 1998 by the National Safety Council. The award is for the lowest accident rate in the category of "factories upto one million man hours of working".

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 :

318 Deposits amounting to Rs.35.19 lakhs were matured and unclaimed as on 31st March, 2000, out of which

105 deposits amounting to Rs.12.11 lakhs have since been either renewed or refunded.

DIRECTORS :

Mr. Arun Pande has been appointed as Managing Director for a period of 5 years w.e.f. 20/11/1999.

Mr. P P Chhabria, Mr. S C Shah and Mr. V A Datar, Directors, retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for reappointment.

Mr. Arun Pande's appointment as Director remains valid upto the ensuing Annual General Meeting and requires approval of shareholders for continuation as a Director. Your Company has received notice from a member u/s 257 of the Companies Act, 1956, proposing candidature of Mr. Arun Pande for the office of Director. Appropriate resolution proposing the appointment of Mr. Arun Pande as Director appear in the notice of the Annual General Meeting and your Directors recommend their adoption.

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 Companies 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

Pune
15th June, 2000



REPORT OF THE AUDITORS TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of **KINETIC ENGINEERING LIMITED** as at 31st March, 2000 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, 2000.

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
15th June, 2000

Sandeep Rao
Partner

ANNEXURE TO THE AUDITORS' REPORT

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

1. 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.
2. None of the Fixed Assets have been revalued during the year.
3. 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.
4. 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.
5. The discrepancies noticed on verifications between the physical stocks and the book records were not material.
6. 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 except for work in progress and finished goods as mentioned in note number 12(b) in the notes forming part of the accounts.
7. In our opinion, the rate of interest and other terms and conditions of unsecured loan taken from the Company under the same management as defined under sub-section (1B) of section 370 of the Companies Act 1956, are not prima facie prejudicial to the interest of the Company. The Company has not taken any loan from a Company listed in the register maintained under Section 301 of the Companies Act, 1956.
8. 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,