


**KINETIC ENGINEERING LIMITED**

ANNUAL REPORT 2000-2001

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It is with a sense of satisfaction that I write to you this year. This year has been a difficult one for the entire industry. There have been several forces that have been creating instability in the market - the stock market has been depressed, high speculation following India joining the WTO, and generally poor health of the economy. But despite these adverse conditions, Kinetic is showing good results - with a healthy 20% growth in sales and a 10% growth in net profits for the company. This is a striking achievement by our team. I am also happy to announce the 50% dividend that we have recommended to the shareholders.

Looking back at the year, the star to shine the brightest is our exciting entry into motorcycles with the 100 cc, feature-packed 4 stroke Kinetic Challenger. *Kinetic Challenger* boasts of several unique and interesting features - turbo induction, digital gear indicator, side stand indicator, battery indicator, etc. It is also very attractively styled and yet, competitively priced. (For more information, visit [www.kineticindia.com/challenger](http://www.kineticindia.com/challenger)). The market response to the Challenger has also been very good and we have already sold over 20,000 motorcycles.

We are now gearing up to launch more products in the motorcycles segment - The GF Series in 125 and 150 cc versions are soon to be on the roads. These are India's first high performance bikes with four valve engine technology and sporty and international styling that we will be manufacturing in collaboration with Hyosung Motors of Korea. These motorcycles have already created a buzz when displayed at Autoshow in Mumbai; and have garnered rave reviews in all auto magazines from auto enthusiasts and experts.

With this launch of motorcycles, we have realised our vision of "*A Kinetic for Everyone*". Kinetic is now, the single two wheeler company in the country to boast a complete range of two wheelers - from mopeds to motorcycles - we have a product to suit each preference and pocket. This range gives the company tremendous stability. In addition, the company has several strengths to build on: extensive nationwide reach in small towns as well large cities with over 400 dealers and over 1000 authorised sales and service centres, state of the art modern manufacturing facilities, and a very strong R&D department. With these strengths, we have proven that we can perform and deliver shareholders' value even in a tight market. Now that we have entered high growth motorcycles segment, we expect growth to continue in the year to come!

Before I conclude, on behalf of the Company and the Board of Directors, I wish to convey my sympathies to the people of Gujarat, affected by the devastating earthquake of 26th January, 2001, which caused enormous loss of life, property and rendered thousands of people homeless. In order to extend monetary support for providing relief to the affected people, the employees of your Company contributed a day's salary to Gujarat Earthquake Relief Fund. Your Company contributed an equal amount for this noble cause. I trust that with support of our people, corporate sector, Government and non-government organisations, the normalcy will be soon restored in Gujarat.

Thanking you,



A.H. FIRODIA  
Chairman




**Board of Directors**

Mr. A. H. FIRODIA	Chairman
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. KOTACHA	
Mr. M. K. KHERA	Executive Director (Operations)
Mrs. S. F. MOTWANI	Joint Managing Director
Mr. A. P. PANDE	Managing Director

**CERTIFIED TRUE COPY.**
**For KINETIC ENGINEERING LTD.**

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

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

Mr. R. RAMKUMAR

**Auditors**

 M/s. P. G. BHAGWAT  
 Chartered Accountants, Pune

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**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

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**Registered Office**

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



## NOTICE

NOTICE is hereby given that the 31st Annual General Meeting of the Members of KINETIC ENGINEERING LIMITED will be held on Saturday, 15th September, 2001 at 2.30 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, 2001, 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.J.M.Vakil, who retires by rotation, and being eligible, offers himself for reappointment.
- 4 To appoint a Director in place of Mr.S.R.Kotecha, who retires by rotation, and being eligible, offers himself for reappointment.
- 5 To appoint a Director in place of Dr.N.A.Kalyani, 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:

- a. In existing Article 2 of the Articles of Association, under the heading 'Interpretation', the following definition of "Dividend" be substituted :

"Dividend" includes Bonus and Interim Dividend.

- b. In existing Article 2 of the Articles of Association, under the heading 'Interpretation', the following new definition be inserted after the definition of "Person",

"Postal Ballot" includes voting by electronic mode.

- c. Existing Article 10 of the Articles of Association be amended as follows :

"Share Premium Account" be replaced as "Securities Premium Account".

- d. Existing Article 74 of the Articles of Association be substituted as follows :

(i) 74A : Notwithstanding anything contained in any other Articles, key decisions as may be prescribed by the Central Government/Stock Exchanges where the shares of the Company are listed/SEBI/any other Competent Authority, may be decided only by postal ballot, instead of transacting such key decisions in General Meetings of the Company.

(ii) 74B : Subject to 74A as given above, decision on other matters may be taken by voting either personally or by an attorney or by proxy or, in the case of a body corporate, by a representative duly authorised under Section 187 of the Act.

- e. After existing Article 97(1) of the Articles of Association, the following new Article 97(1A) be inserted :

97(1A): A Director who is a Member/Chairman of a Committee shall inform the Company about the Committee positions he occupies in other Companies and notify changes as and when they take place.

- f. Existing Article 124 of the Articles of Association be substituted as follows :

124. The warrant in respect of the dividend declared by the company shall be posted within 30 days from the date of the declaration or such other period as may be in force, as per the provisions of Companies Act, 1956 or Listing Agreement, to the members/beneficial owners entitled to the payment of the same

- g. Existing Article 136 of the Articles of Association be amended as follows:

"Share Premium Account" be replaced as "Securities Premium Account."

- 8 To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution :

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"RESOLVED that subject to the provisions of Sections 198, 269, 309, 310, 311, 314 and 316, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, or any statutory modifications thereto or amendments thereof, consent of the Company be and is hereby accorded to the appointment of Ms. S.F. Motwani as Joint Managing Director of the Company for a further period of 5 years with effect from 04/05/2001 upto 03/05/2006 and for payment of remuneration and perquisites and giving of benefits and amenities as set out hereinunder :

### REMUNERATION :

Ms. S.F.Motwani shall be paid :

- (A) a Basic Salary of Rs. 75,000/- p.m. (Rupees Seventy Five Thousand only per month) with an annual increase of 10% every year and
- (B) a Special Allowance of Rs. 15,000/- p.m. (Rupees Fifteen Thousand only per month).

### Perquisites :

Ms. S.F.Motwani shall be entitled to

- i. House Rent Allowance of 40% of salary.
- ii. Reimbursement 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, subject to a ceiling of Rs. 75,000/- p.a.
- iv. Personal Accident Insurance and Mediclaim benefits as per rules of the Company.
- v. Fees of two clubs, provided that the Company shall not pay admission and life membership fees.
- vi. Contribution to Provident Fund as per Statutory Regulations or Company Policies.
- vii. Gratuity as per Statutory Regulations or Company Policies.
- viii. Contribution to Superannuation Fund as per Statutory Regulations or 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.
- xi. Other privileges, facilities, perquisites and amenities including Leave and Leave encashment 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.

RESOLVED FURTHER THAT Ms.S.F.Motwani be paid commission of such an amount as may be deemed fit 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 Ms.S.F. Motwani and all other Whole-time Directors 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.

PROVIDED FURTHER that the remuneration drawn by Ms.S.F.Motwani from the Company together with remuneration, if any, drawn by her as a managerial person from any other Company shall not exceed the higher of the maximum limit permissible from either of the Companies, of which the Joint Managing Director is a managerial person.

RESOLVED FURTHER that in the event of loss or inadequacy of profits in any financial year during the pendency of aforesaid period, Ms.S.F.Motwani 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.

RESOLVED FURTHER THAT consent of the Company be and is hereby also given to the Board of Directors of the Company to alter and vary the terms and conditions of the appointment including that as to remuneration, perquisites and other benefits/amenities so that the altered terms and conditions shall be in conformity with Schedule XIII to the Companies Act, 1956 and/or other applicable provisions, if any, as may be amended from time to time and agreed to by the Joint Managing Director".

- 9 To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED that consent of the Company be and is hereby accorded to the Board of Directors of the Company to hypothecate specific plant, machinery, dies, ziggs, fixtures and electrical installation acquired/to be



acquired by the Company in favour of SICOM Ltd. for securing repayment of loans, financial assistance, borrowings and facilities for an amount not exceeding Rs.10 crores (Rupees Ten crores only) together with interest, cost, charges and expenses thereon.

RESOLVED FURTHER that the Board of Directors of the Company be and are hereby also authorised to finalise the documents for creating hypothecation and/or charge and to take such necessary action for giving effect to the above resolution".

#### NOTES :

1. Explanatory statement setting out material facts concerning the Special Business under Item Nos. 7 to 9 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. THE PROXY SHOULD BE LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE ATLEAST 48 HOURS BEFORE THE TIME OF THE MEETING.
3. All documents referred to in the Notice are open for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m on any working day up to the date of the Annual General Meeting.
4. Register of Members and Share Transfer Books of the Company, will remain closed from 1/09/2001 to 15/09/2001 (both days inclusive), for ascertaining the entitlement to dividend. Dividend will be paid to those, whose names appear :
  - (a) In the Register of Members, as Members of the Company after giving effect to all valid share transfers in physical form lodged with Company on or before 31/08/2001, and
  - (b) In respect of shares held in electronic form, to those beneficial owners, as at the end of business hours on 31/08/2001, as per the Statement of Beneficial Owners to be furnished by National Securities

Depository Limited/Central Depository Services (I) Limited.

5. 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, 3<sup>rd</sup>, Floor, PMT Commercial Building, Deccan Gymkhana, Pune 411004.
6. Those members/beneficial owners of shares who have so far not encashed dividend warrants for the Financial Year 1995-96 and thereafter, those depositors who have so far not encashed their refund orders/interest warrants and those applicants for shares who have not encashed their refund orders may immediately approach the Company for replacement thereof, as the amount of dividend, refund and interest 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.
7. 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.
8. Members are requested to advise immediately any change in their address to the Company's Registered Office quoting their registered folio number.
9. 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. Kumthekar Marg, Pune 411030. Annual listing fee for Financial Year upto 31<sup>st</sup> March, 2002 has been 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  
22<sup>nd</sup> May, 2001

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

#### Item no. 7

In order to bring the Articles of Association of the Company in conformity with both the amendment made to Companies Act, 1956 through Companies Amendment Act, 2000, as well as amendments to Listing Agreements with both Pune and Mumbai Stock Exchanges, the existing articles are proposed to be amended.

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

None of the Directors may be deemed to be concerned or interested in the passing of this Special Resolution.

#### Item no. 8

The Board of Directors in its meeting held on 30th January, 2001, reappointed Mrs. Sulajja F. Motwani as Joint Managing Director for a further period of 5 years w.e.f. 4/05/2001.

As per provisions of Sec.269 read with the provisions of Schedule XIII, the terms of appointment and remuneration shall be subject to approval by the resolution of the shareholders in a General Meeting. Hence the resolution..

Mrs. Sulajja F. Motwani has obtained her Master of Science in Industrial Administration (MBA) from Carnegie Mellon University, Pittsburg, USA in 1992. After about 5 years work experience with reputed organizations in USA, she was first General Manager and then Joint Managing Director of the Company for a period of 5 years. She is also a Managing Director of Kinetic Finance Ltd. Besides, she is also on the Board of Kinetic Motor Co. Ltd., subsidiary of KEL, and Kinetic Marketing & Services Ltd.

Considering her experience and expertise, the remuneration on her reappointment is, in the opinion of the Board, reasonable.

The Board recommends passing of the Ordinary Resolution for approval of the members.

None of the Directors, except Mr. A.H. Firodia and Ms. S.F. Motwani, may be deemed to be concerned or interested in passing of this ordinary resolution.

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

#### Item no. 9

The Company has availed Term Loan of Rs.10 crores from SICOM to part finance expansion scheme for the manufacture of motorized 2/3 wheelers, parts and accessories at MIDC, Supa, Tal: Parner. One of the terms of finance by SICOM for the term loan is hypothecation of specific plant and machineries, dies, ziggs etc.

The ordinary resolution under Item No.9 authorises the Board of Directors to hypothecate specific plant and machineries, dies, ziggs etc.

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

None of the Directors may be deemed to be concerned or interested in the passing of this Ordinary Resolution.

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



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

Pune  
22<sup>nd</sup> May, 2001



## DIRECTORS' REPORT 2000-2001

To

The Members,  
Kinetic Engineering Limited

Your Directors take pleasure in presenting the 31st Annual Report and audited accounts of your Company for the year ended 31<sup>st</sup> March, 2001.

### FINANCIAL HIGHLIGHTS:

	2000-2001	1999-2000
	(Rs.in Lakhs)	
Sales & Other Income	36261	30493
Gross Profit	3488	3019
Depreciation	1317	1207
Profit before tax	2171	1812
Provision for taxation	513	308
Profit after tax	1658	1504
Proposed Dividend	202	202
Additional tax on Dividend	20	44
Transfer to General Reserve	300	250
Transfer to Debenture Redemption Reserve	-	452
Profit Carried forward		
Last year	6325	5769
This year	7461	6325
Earnings per share (EPS) – Rs.	41.18	37.32
Cash earnings per share (CEPS) – Rs.	73.88	67.26
Book value per share – Rs.	297.28	264.22

### YEAR IN RETROSPECT:

Gross Profit during the year under review was at Rs. 3488 lakhs, as compared to Rs.3019 lakhs in the previous year, up by 15.5 %.The net profit after depreciation, interest and tax during the year was at Rs.1658 lakhs as compared to Rs.1504 lakhs in the previous year. 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, 2001.

### EXPORTS AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Your Company has received **Trophy for Continuous Excellence in Export** from Engineering Export Promotion Council.

In spite of worldwide recession, export turnover during the year has gone up to Rs.9.45 cr. (5019 two-wheelers) from Rs.6.91 cr.(4505 two-wheelers) in the previous year, registering a growth of 36.6 %. Your Company opened new markets in Sudan, Iran, Egypt, Brazil, Bangladesh and Mexico.

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

Earnings	Rs. 945.55 lakhs
Outgo	Rs. 776.53 lakhs

### EMPLOYEES STOCK OPTION PLAN (ESOP):

During 2000, your Company has granted Stock Options under the scheme of Employees Stock Option Plan. Exercise period of the options commenced on 25/02/2001 and will end on 24/08/2001. So far, 7 employees have exercised their options by subscribing to 18,300 shares. The Company has received permission for listing of the said 18,300 shares from both Pune and Mumbai Stock Exchanges.

Particulars of options are given below:

Options granted	: 48 options for 1,03,300 shares
Price	: Rs.60/- per share for the number of shares contained in the option.
Options lapsed before vesting	: 4 options for 10,500 shares
Options vested	: 44 options for 92,800 shares
Options exercised	: 7 options for 18,300 shares
Options lapsed after vesting	: 3 options for 10,000 shares
Money realised by exercise of options @ Rs.60/ share	: Rs.10,98,000
Total number of options in force	: 34 options for 64,500 shares
Options exercised by senior managerial personnel are as follows:	

Mr.M.Venkataiah-6,000 shares; Mr.P.C.Jain-3,500 shares and Mr.R.J.Kabra-2,000 shares.

Name of the employee, who has applied for and allotted shares under the scheme, for shares exceeding 5 % of the total options during the year:

Mr. M.Venkataiah

No employee has been granted options equal to or exceeding 1 % of the issued capital of the Company at the time of grant. Part of the options were only exercised as the exercise period is not yet over. Even the shares in respect of options exercised were allotted on 31<sup>st</sup> March, 2001 and, consequently, there is no dilution of Earnings per Share (EPS).

### DEPOSITORY SYSTEM:

As per directions given by Securities and Exchange Board of India (SEBI), trading in shares of the Company is compulsorily in dematerialised form with effect from 28<sup>th</sup> August, 2000.

### RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION:

During the year under review:

- your Company has introduced "Kinetic Challenger" motorcycle. It incorporates lean burn engine technology for fuel efficiency, resonator induction for excellent pick up and low levels of noise and vibrations for rider comfort. The motorcycle has been well received in both domestic and export markets. Technology from Hyosung of Korea for GF range of motorcycles is being absorbed in a phased manner. GF 125 cc motorcycle is expected to



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be launched in the third quarter of the current year. The K4-80 Stepthrough model was also launched during the year under review and has been well accepted by the market.

- your Company also introduced 2 new Moped models – Kinetic V2-80 with variator drive and Luna Super 70 with 20 % higher fuel efficiency.

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

Revenue	: Rs.293.74 lakhs
Capital	: Rs.302.15 lakhs
Total	: Rs.595.89 lakhs

% of total turnover : 1.67 %

### CONSERVATION OF ENERGY :

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

- i. Installation of energy efficient burner with air and fuel ratio adjustments in Heat Treatment Section;
- ii. Installation of Solar system for hot water;
- iii. Installation of Compressed air ring line;
- iv. Reconditioning of compressors and hot water generators;
- v. Installation of TPB-10 thermopac in utility resulting in saving in fuel consumption; and
- vi. Installation of A C Variable Drives and soft starters for high HP Motors.

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

Our future energy conservation plans are as follows :

- i. Constant voltage system for lighting;
- ii. Introduction of AC Drives for H400 machine; and
- iii. Improvement of power factor during peak period.

### NATIONAL SAFETY AWARD :

Your Company's Koregaon Bhima plant has received National Safety Awards for the year 1999-2000 for :

- i. Lowest Accident Frequency rate and
- ii. Longest Accident Free period

for Factories working 1 million man hours or less.

### DIRECTORS' RESPONSIBILITY STATEMENT :

Your Directors confirm that :

- i. in the preparation of Annual Accounts, the applicable Accounting Standards have been followed;
- ii. in selecting and applying Accounting Policies, consistency has been followed and that in judgements and estimates, due care has been taken that the same are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for that period;
- iii. proper and sufficient care has been taken for the maintenance of adequate accounting records in

accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

- iv. the annual accounts have been prepared on the principle of a "going concern" basis.

### 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 :

222 Deposits amounting to Rs.25.78 lakhs were matured and unclaimed as on 31st March, 2001, out of which 44 deposits amounting to Rs.5.60 lakhs have since been either renewed or refunded.

### DIRECTORS :

Mr.J.M.Vakil, Mr.S.R.Kotecha and Dr.N.A.Kalyani, Directors, retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for reappointment.

The Board of Directors of the Company, in its meeting held on 30<sup>th</sup> January, 2001, reappointed Ms.S.F.Motwani for a further period of five years w.e.f. 4.05.2001. Resolution proposing reappointment of Ms.S.F.Motwani appear in the Notice of the Annual General Meeting and your Directors recommend adoption of the same.

### 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 FIORDIA  
Chairman

Pune  
22<sup>nd</sup> May, 2001



## REPORT OF THE AUDITORS' TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of **KINETIC ENGINEERING LIMITED** as at 31st March, 2001 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 (Auditor's 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 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, 2001.

AND

- II. In the case of the Profit and Loss Account, of the PROFIT for the year ended on that date.

- f) On the basis of confirmations received from directors, none of the director is disqualified from being appointed as a director under clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.

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

Pune  
22<sup>nd</sup> May, 2001.

**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.
7. In our opinion, the rate of interest and other terms and conditions of unsecured loan taken from Company listed in register maintained under section 301 of the