SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

KINETIC

KINETIC ENGINEERING LIMITED
ANNUAL REPORT 2001-2002

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Dear Shareholder,

The winds of change are blowing. This year has been an interesting one for the entire industry. There have been several forces that have been creating instability in the market - world economy being in a recession, the terrorist attacks on the World Trade Center and warlike conditions in India and the world have all been sending the world stock markets in a state of fluctuations. In the domestic two wheeler industry, several important changes have taken place - the decline of the traditional geared scooters and mopeds (earlier the mainstay of the industry), fall of the two-stroke motorcycles and the emergence of four-stroke motorcycles as flagship. The anticipated Chinese two wheeler threat turned out to be an anti climax with all of them failing Indian emission norms!

At Kinetic Engineering, we have been working to realign ourselves with these new market conditions - with a very clear emphasis on the four-stroke motorcycles segment. Our strategy has been to build a strong portfolio in this segment-a portfolio that comprises of motorcycles with high mileage, attractive styling and durability. Last year, we took the first steps in this direction with the launch of the feature packed ***Kinetic Challenger***. This year, we added an exciting, stylishand high performance motorcycle to the segment-***Kinetic GF 125***. We have also launched now a bike in the big volume economy segment-***Kinetic Boss***. On the anvil is the anticipated variant of the GF with a 150cc engine for which a lot of work has been done. With these four motorcycles and a few more being worked on, we will have the necessary range to make our mark in the motorcycles segment. This range will give the company an opportunity for immense growth. In addition, the company has several strengths to build on: extensive nationwide reach in small towns as well as large cities with over 400 dealers and over 1000 authorized sales and service centers, state-of-the-art modern manufacturing facilities, and a very strong R&D department. We have also been expanding our network in the rural areas and expect a significant boost in this area this year.

A quick recap of the year throws up several highlights - we launched the GF 125 in collaboration with Hyosung Motors of Korea. We have signed an important exports agreement for the GF with Hyosung and are solidifying our working relationship including joint R&D effort for the GF 150 as well as exploring other opportunities. We opened many important overseas markets in Latin America, Asia, Middle East and Africa. Challenger proved itself through an exhaustive journey from Kashmir to Kanyakumari in under 45 litres of petrol. We will continue with these efforts in the coming year. Now with ***Boss*** making waves, we are looking ahead at the next year with optimism and a flurry of activity.

Sincerely,

Arun Firodia
Chairman

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Kinetic Engineering has added a new dimension to the world of performance motorcycling with the launch of the **Kinetic GF.** The highly stylish and powerful GF has been evolved through a technical collaboration with Hyosung Motors, a leading motorcycle manufacturer from Korea. The GF brings to India, **the first four-valve engine** technology for superior performance. The motorcycle packs **a powerful punch of 12 bhp** and is **the only motorcycle in India to have a standard electric start.**

internationally acclaimed styling with differentiated contours
square box type dual cradle chassis for improved stability.
a sculpted fuel tank design
front disc brakes
enhanced engine smoothness
low vibration and noise

"No other motorcycle offers this kind of value in the price segment. When you see the GF in a Kinetic showroom in your town, stop and take a ride; you'll like it." Business Standard Motoring, October 13th, 2001.

"The GF is a stunner with performance and technology to match. The essence of the GF 125 is in being a 'complete' bike." Auto Motor & Sport, April 2001 issue.

"The bike is a wonderfully balanced package. It is **quick, smooth, intensely comfortable and looks stunning.** We think that the GF 125 will be hard to resist." Autocar India, November 2001.

Report Junction.com

Auto Motor & Sport, a leading automobile magazine has rated the GF as the best bike in the performance bikes segment based on detailed tests conducted by the magazine's team on **Hero Honda CBZ (56 pts), Suzuki Fiero (55 pts) and Kinetic GF (61 pts).**

Similarly, Auto India rated Kinetic's GF motorcycle as the best bike in the 125 cc performance bikes segment in a shootout between the GF and Yamaha. The auto experts team gave the GF an overall five star rating, and the YBX a three star rating.

Kinetic Engineering has also signed an important exports agreement with Hyosung Motors for worldwide exports of the GF, under which Kinetic can send the GF across the globe. The worldwide standard specifications for motorcycles are four-stroke 125 cc engine, standard electric start and disc brakes. With the GF fitting these specifications, in addition to super features of a technically advanced four valve engine, very eco-friendly emission parameters, powerful headlight, etc. Kinetic is confident of the GF series making rapid progress globally and setting benchmarks in Export Excellence. The coming year will see the launch of the 150 cc variant of the GF which will further add to the company's portfolio.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

This year, the Kinetic Challenger undertook and successfully completed an expedition from Kashmir to Kanyakumari. The Kinetic Challenger broke new ground by covering a total distance of **3657.8 kilometers non-stop, in only 44.7 litres of petrol**, translating into a mileage of over **81.83** kilometers per litre. This reflects the solid reliability and fuel economy of the vehicle.

The rally was conducted by riders of the Pune Garage Owners Association, and completed in less than a week. The adventure commenced from Jammu and went through Ludhiana, Delhi, Agra, Gwalior, Nagpur, Hyderabad, Bangalore, Salem, to Kanyakumari. The rough terrain and rain, a natural endurance test, was comfortably surpassed by the solid reliability and tremendous fuel economy of the Kinetic Challenger.

Kinetic has now further expanded its motorcycle product portfolio with the launch of the rugged 'Kinetic Boss'- a four-stroke motorcycle in the economy segment. The motorcycle is made with a view to satisfy the needs of long distance commuters who require high fuel efficiency, riding comfort, sturdiness and durability. Kinetic expects Boss to garner substantial volumes for its motorcycle portfolio.

In addition to a high fuel efficiency (89 kmpl USTC), Kinetic Boss has distinguished styling in its class and a host of features such as a double cradle chassis, hyper suspension shock absorbers, engine guard, full steel front and rear mudguards, a large wheelbase for good road hold, wider seats for added comfort, a unique footboard for the pillion rider and multi-focal reflector head lamp, tail lamp and side indicators for better illumination.

The company has launched the vehicle at an introductory price of Rs. 31,999 ex-showroom, New Delhi, making it a value offering.

Kinetic Engineering received the "Export Excellence Award" for the fifth time for the year 1999-2000. The award is for "Continuous Excellence in Exports" and is in the category of two and three wheelers. It is given by the Engineering Export Promotion Council (EEPC) for the western region of the country. Kinetic Engineering has won the award every year since 1994-95. It has **exported more than 75,000 vehicles to 70 countries across the globe.** Major export markets tapped by the company are the United States, South Asia, Middle East, Mediterranean, Latin American and African countries. Last year, the company exported its reliable mopeds TFR and V2, step through K4-80 and K4 100, scooters *Style* and *Milano*, and motorcycle *Challenger* worldwide.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

KINETIC

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. KOTECHA	
Mr. M. K. KHERA	Joint Managing Director
Mrs. SULAJJA FIRODIA MOTWANI	Joint Managing Director
Mr. A. P. PANDE	Managing Director

DGM & Company Secretary

Mr. R. RAMKUMAR

Auditors

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

Cost Auditors

M/s.DHANANJAY V.JOSHI & CO.
Cost Accountants, Pune

Bankers

STATE BANK OF INDIA
STATE BANK OF INDORE
CREDIT LYONNAIS
PUNJAB NATIONAL BANK
BANK OF BARODA
IDBI BANK

Registered Office

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

Index

		Page No.
1.	AGM Notice	2
2.	Directors' Report	6
3.	Management Discussion and Analysis Report	9
4.	Report on Corporate Governance	10
5.	Certificate from Auditors regarding compliance of conditions of Corporate Governance	17
6.	Auditors' Report	18
7.	Balance Sheet, P& L A/c. and Schedules	20
8.	Cash Flow	38
9.	Auditors' Certificate under ESOP	39
10.	Statement u/s 212	39
11.	Auditors' Report on Consolidated Financial Statements	41
12.	Consolidated B/S;P&L; and Schedules	42
13.	Consolidated Cash Flow	54
14.	Proxy Form & Attendance Slip	55

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

NOTICE

NOTICE is hereby given that the 32nd Annual General Meeting of the Members of KINETIC ENGINEERING LIMITED will be held on Saturday,28th September, 2002 at 2.30 p.m. at the Registered Office of the Company at D1 Block, Plot No. 18/2, MIDC, 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, 2002, 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.Sudhir Sanghi, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. K H Sancheti, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. P P Chhabria, 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 modification(s), the following Resolution as an Ordinary Resolution:

   "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 Members be and is hereby accorded for the re-appointment of Mr. M K Khera for a further period of 5 years with effect from 5/03/2002 re-designated as Joint Managing Director, and for payment of remuneration and perquisites and giving of benefits and amenities, as set out hereinunder :

   1 Remuneration :

   Mr. M K Khera shall be paid :

   i. Basic Salary of Rs. 1,00,000/- p.m. (Rupees One lakh per month only) with an annual increase of 10 % every year;
   ii. Special Allowance of Rs.25,000/- p.m. (Rupees Twenty Five thousand per month only); and
   iii. Special Performance Allowance of Rs.35,000/- p.m. (Rupees Thirty Five thousand per month only).

   2. Other Reimbursements / Perquisites :

   Mr. M K Khera shall be entitled to :

   i. Company leased unfurnished accommodation; 10 % of the basic salary shall be deducted towards rent for the accommodation; Furniture would be provided by the Company as per Company's Scheme;
   ii. Provision of one watchman at the residence of Mr. M K Khera;
   iii. Reimbursement of medical expenses incurred for self and family, subject to a ceiling of Rs.24,000/- p.a.;
   iv. Leave Travel Assistance for self & family upto Rs.48,000/- in a year;
   v. Personal Accident Insurance and Mediclaim benefits as per rules of the Company;
   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 one car with driver for use on Company's business, provided that use of this car for private purposes shall be billed by the Company;
   xi. Provision of second car for private use and amount of reimbursement towards running and maintenance shall be limited to Rs.14,400/- p.a.; and
   xii. 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 Mr. M K Khera 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 Mr. M K Khera 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 Mr. M K Khera from the Company together with remuneration, if any, drawn by him 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 Mr. M K Khera is a managerial person.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during the pendancy of aforesaid period, Mr. M K Khera 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 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 Mr. M K Khera."

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

"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 Members be and is hereby accorded for the re-appointment of Mr. A H Firodia, Chairman, for a further period of 5 years with effect from 1/07/2002 upto 30/06/2007 and for payment of remuneration and perquisites and giving of benefits and amenities, as set out hereinunder :

1. Remuneration :

   Mr. A H Firodia shall be paid :

   i. Basic Salary of Rs. 1,50,000/- p.m. (Rupees One lakh Fifty thousand per month only) with an annual increase of 10 % every year;

   ii. Special Allowance of Rs. 25,000/- p.m. (Rupees Twenty Five thousand per month only); and

   iii. Special Performance Allowance of Rs. 50,000/- p.m. (Rupees Fifty thousand per month only).

2. Other Reimbursements / Perquisites :

   Mr. A H Firodia shall be entitled to :

   i. House rent allowance of 40 % of basic salary;

   ii. Free furniture, gas, electricity and water as per Company's policies (which will be valued as per Income Tax Rules);

   iii. Provision of watchmen, cooks, servants, sweepers and gardeners at the residence of Mr. A H Firodia as per Company's policies;

   iv. Reimbursement of medical expenses incurred for self and family, subject to a ceiling of Rs.50,000/- p.a.;

   v. Leave Travel Assistance for self & family upto Rs.60,000/- in a year;

   vi. Personal Accident Insurance and Mediclaim benefits as per rules of the Company;

   vii. Fees of two clubs, provided that admission and life membership fees shall not be paid by the Company;

   viii. Reimbursement of annual subscription of one credit card;

   ix. Contribution to Provident Fund as per Statutory Regulations or Company Policies;

   x. Gratuity as per Statutory Regulations or Company Policies;

   xi. Contribution to Superannuation Fund as per Statutory Regulations or Company Policies;

   xii. Free telephone facility at residence, provided that personal long distance calls shall be billed by the Company;

   xiii. Provision of one car with driver for use on Company's business, provided that use of this car for private purposes shall be billed by the Company;

   xiv. Provision of second car for private use and amount of reimbursement towards running and maintenance shall be limited to Rs.60,000/- p.a.; and

   xv. 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 Mr. A H Firodia 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 Mr. A H Firodia 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 Mr. A H Firodia from the Company together with remuneration, if any, drawn by him 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 Mr. A H Firodia is a managerial person.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during the pendancy of aforesaid period, Mr. A H Firodia 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.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

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 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 Mr. A H Firodia."

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

   "RESOLVED that pursuant to provisions of Sec. 293 (1)(a) and other applicable provisions of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company to mortgage / ratify mortgage, if any, already created, of all specific immovable and movable properties of the Company located at Supa, Dist. Ahmednagar, in favour of ICICI Ltd. for securing repayment of loans, financial assistance, borrowings and facilities for an amount not exceeding Rs.48 crores (Rupees Forty Eight 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 16/09/2002 to 28/09/2002(both days inclusive), for ascertaining the entitlement to dividend. Dividend, subject to deduction of tax at source, 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 the Company on or before 15/09/2002 and
   (b) In respect of shares held in electronic form, to those beneficial owners, as at the end of business hours on 15/09/2002, as per the Statement of Beneficial Owners to be furnished by National Securities Depository Limited/ Central Depository Services (I) Limited.
5. As per provisions of the Income Tax Act, 1961, as amended by Finance Act, 2002, tax at 10.5 % is required to be deducted if the gross amount of dividend payable to a resident individual shareholder during the financial year exceeds Rs.1000/-. Resident individual shareholders who are likely to receive dividend exceeding Rs.1000/- during the financial year and their estimated total income from dividend and sources as provided in Sec.197A (1B) of the Income Tax Act during such financial year is not likely to exceed Rs.50,000/- can claim gross dividend without deduction of tax at source by submitting declaration in **Form 15G (in duplicate)** with the Company **on or before 15th September, 2002.**
6. 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.
7. Those members/beneficial owners of shares who have so far not encashed dividend warrants for the Financial Year 1995-96 and thereafter, and those depositors who have so far not encashed their refund orders/interest warrants 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.
8. Members desirous of obtaining any information concerning the accounts or operations 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.
9. Members are requested to advise immediately any change in their address to the Company's Registered Office quoting their registered folio number.

By Order of the Board of Directors,
for **Kinetic Engineering Limited**

R.Ramkumar
DGM & Company Secretary

Pune
27th June, 2002.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

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

Item no. 7

The Directors of the Company re-appointed Mr. M K Khera for a further period of 5 years w.e.f. 5/03/2002, and re-designated him as Joint Managing Director.

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.

Mr.M K Khera is an University topper and Gold Medalist in BE (Mechanical Engineering); first in the Graduate Class of 1973 at IIT, Madras and MBA from New Mexico State University, USA. Mr. M K Khera was with reputed companies like Hindustan Aeronautics, Maruti Udyog, GMA Inc., USA and IFB Industries, before joining Kinetic Engineering Ltd. as ED(O) in the year 1997. His complex responsibilities include Manufacturing Operations, Commercial functions, Quality, Research & Development and HR.

Considering his experience and expertise, the remuneration on his re-appointment 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.M K Khera 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. 8

The Directors of the Company re-appointed Mr. A H Firodia for a further period of 5 years w.e.f. 1/07/2002 as Chairman.

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.

Mr.A H Firodia has obtained his B.Tech. with distinction in Elec. Engg. from IIT, Mumbai. Later he did his MS in Elec. Engg. (MIT) and MS in Management (Sloan School of Management). He had a bright acadamic career and was a recipient of several Gold Medals and Merit Certificates.

Mr. A H Firodia has experience of more than 33 years in the Automobile Industry. He is Executive Chairman of both Kinetic Engineering Ltd. and Kinetic Motor Co. Ltd. (two flagship manufacturing companies of the Kinetic Group). He is also non-executive chairman of Kinetic Finance Ltd., Kinetic Communications Ltd., Kinetic Marketing and Services Ltd., Kinetic Escalator and Elevator Ltd., Jaya Hind Sciaky Ltd. and ZF Steering Gear (India) Ltd. ,besides being Director in five other Private Limited Companies. He is also President of Mahratta Chamber of Commerce and Industries.

Considering his experience and expertise, the remuneration on his re-appointment 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 Mrs. Sulajja Firodia 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.48 crores from ICICI to meet long term requirement of funds. One of the terms of finance by ICICI for the term loan is mortgage of specific immovable and movable properties of the Company located at Supa, Dist. Ahmednagar.

The ordinary resolution under Item No.9 authorises the Board of Directors to mortgage specific immovable and movable properties above stated / ratification thereof.

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
DGM & Company Secretary

Pune
27th June, 2002.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

KINETIC

DIRECTORS' REPORT 2001-2002

To

The Members,
Kinetic Engineering Limited

Your Directors take pleasure in presenting the 32nd Annual Report and audited accounts of your Company for the year ended 31st March, 2002.

FINANCIAL HIGHLIGHTS :

	2001-2002	2000-2001
	(Rs.in Lakhs)	
Sales & Other Income	**35832**	36283
Gross Profit	**2287**	3488
Depreciation	**1179**	1317
Profit before tax	**1108**	2171
Provision for taxation	**394**	513
Profit after tax	**714**	1658
Proposed Dividend & Additional tax (if any)	**102**	222
Transfer to General Reserve	**200**	300
Profit Carried forward		
Last year	**7461**	6325
This year	**7873**	7461
Book value per share – Rs.	**274.05**	297.28

YEAR IN RETROSPECT :

Gross Profit during the year under review was Rs.2287 lakhs, as compared to Rs.3488 lakhs in the previous year. The net profit after depreciation, interest and tax during the year was Rs. 714 lakhs as compared to Rs.1658 lakhs in the previous year. The fall in profit can be attributed to the decline in the overall moped market. Your Company is presently in the process of converting itself from a predominantly moped making Company into a predominantly motorcycle making Company. This transition is expected to be completed by end of current financial year.

DIVIDEND :

Your Directors recommend dividend of Rs.2.50 per share for the year ended 31st March, 2002. In respect of 18,400 shares allotted under the scheme of ESOP during 2001-2002, your Director recommend pro-rata dividend of Rs. 1.25 per share.

EXPORTS AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

Your Company has once again achieved the distinction of receiving the ***Export Excellence Award*** for the fifth time from Engineering Export Promotion Council.

Export turnover during the year is Rs.751.79 lakhs. Your Company opened new markets in Sri Lanka, Kuwait, United Kingdom, Costa Rica, Congo and Benin and introduced new products like Challenger in both existing as well as new export markets.

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

Earnings Rs. 556.57 lakhs
Outgo Rs. 450.23 lakhs

EMPLOYEES STOCK OPTION PLAN (ESOP) :

During the period 1st April 2001 to 24th August, 2001, 8 employees have exercised their options by subscribing to 18,400 shares. Your Company has received permission for listing of the said 18,400 shares from both Pune and Mumbai Stock Exchanges.

Particulars of stock options exercised during the year are annexed as Annexure-1.

RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION :

During the year under review :

- your Company has developed a new 100cc motorcycle "Kinetic Boss", entirely through in-house R & D. Your Company has also absorbed technology from Hyosung of Korea for GF series of motorcycles and has launched its 125cc model "GF-125" which has been well received in the market. Your Company is in the process of absorbing technology for 150cc models which will be launched during the coming year both in City and Sports versions.
- your Company is also developing through in-house R & D new models such as :
  - upgraded version of Luna TFR with 25% higher pick-up;
  - 4-stroke engines for Mopeds to meet future emission norms; and
  - electric vehicles for export markets.

www.reportjunction.com