



# KINETIC

*A kinetic in every automobile*

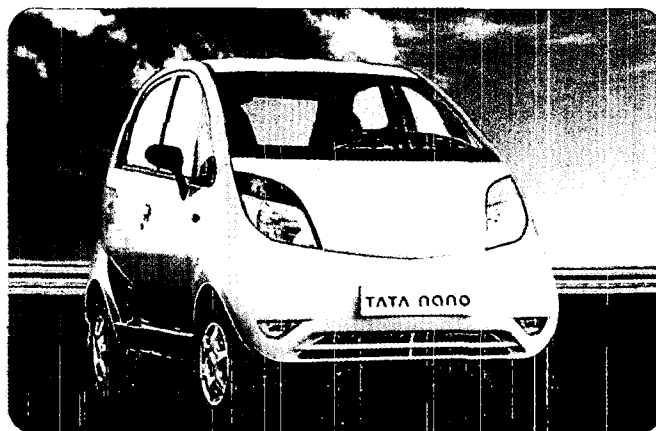
Report  Junction.com

## KINETIC ENGINEERING LIMITED

### ANNUAL REPORT

### 2007 - 2008

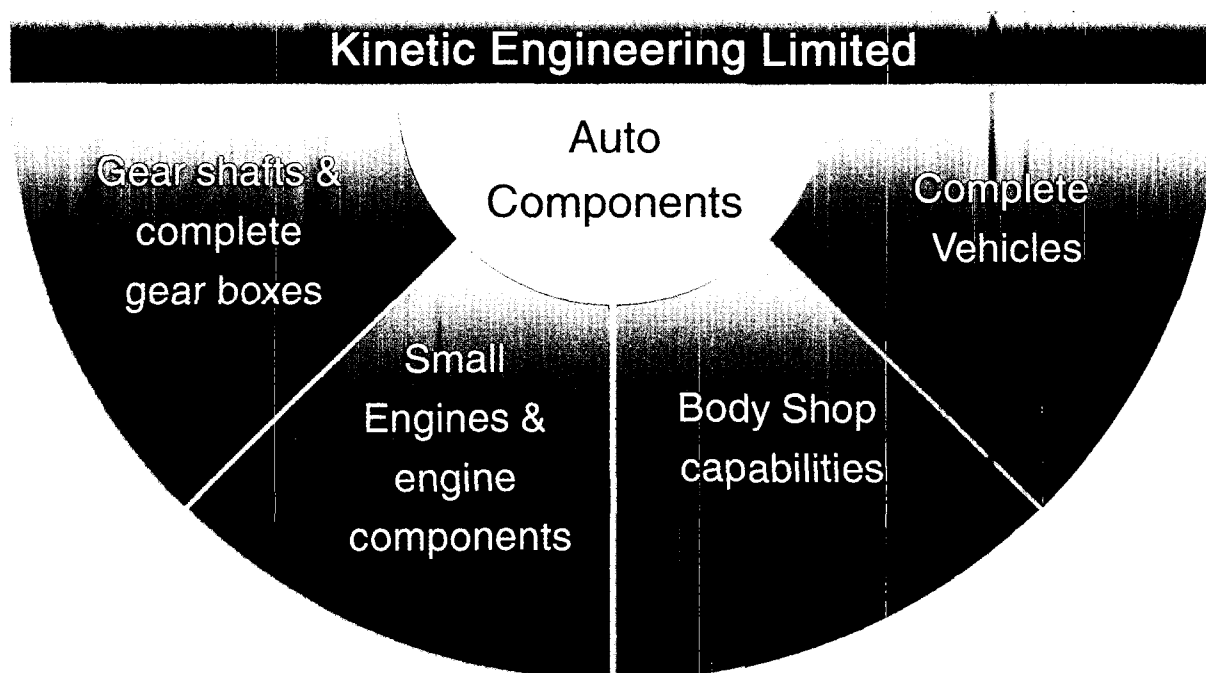
## Kinetic in the Tata Nano



The Nano from Tata Motors is the most anticipated automobile launch scheduled in 2008 in India. It has received overwhelming response at the auto expo from the media, industry and general public and is positioned to be a revolutionary product & a category creator in the world and is expected to become India's highest selling passenger car.

Satisfied with Kinetic's commitment & supply for gearboxes for their other programmes and with the confidence in Kinetic's technical capability, Tata Motors has selected Kinetic to supply transmission gears & shafts for their prestigious Nano car.

Accordingly Kinetic has set up a complete new line with the latest equipment for ensuring the best quality product is in the Tata Nano.



# KINETIC ENGINEERING LIMITED

## Board of Directors

Mr. A. H. FIRODIA	Chairman
Mr. M. K. KHERA	Managing Director
Dr. N. A. KALYANI	
Mr. S. C. SHAH	
Dr. K. H. SANCHETI	
Mr. S. R. SANGHI	
Mr. S. R. KOTACHA	
Mrs. S. F. MOTWANI	
Mr. ASHISH KUMAR	
Mr. SANTOSH SENAPATI	

## Auditors

M/s. P G BHAGWAT  
Chartered Accountants, Pune

## Contents

- Notice of the Annual General Meeting
- Directors' Report
- Report on Corporate Governance
- Auditors' Certificate (Compliance of Corporate Governance)
- Auditors' Report
- Balance Sheet, Profit & Loss Account (with Schedules)
- Cash Flow
- Balance Sheet Abstract and Company's General Business Profile
- Attendance Slip & Proxy Form

## Registered Office

D1 BLOCK, PLOT NO. 18/2,  
CHINCHWAD, PUNE - 411 019.

## Works

Nagar-Daund Road, Ahmednagar, PIN - 414 001

# KINETIC ENGINEERING LIMITED

## NOTICE

NOTICE is hereby given that the 37<sup>th</sup> Annual General Meeting of the shareholders of KINETIC ENGINEERING LIMITED will be held on Tuesday, 18<sup>th</sup> November, 2008 at 9.30 a.m., at the Registered Office of the Company at D-1 Block, Plot No. 18/2, MIDC, Chinchwad, Pune 411 019, to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2008 and the Profit and Loss Account for the 15 months period ended on that date, together with the Report of Auditors and Directors thereon.
2. To appoint a Director in place of Dr. N. A. Kalyani, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. S. R. Sanghi, who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors and fix their remuneration.

### SPECIAL BUSINESS

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

"RESOLVED that Mr. Ashish Kumar, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 14th February, 2008, and who holds office upto the date of the forthcoming Annual General Meeting of the Company, in terms of the provisions of Section 260 of the Companies Act, 1956 (the Act), and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Act, proposing his candidature for the office of a director of the Company, be and is hereby appointed a director of the Company, liable to retirement by rotation."

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

"RESOLVED that Mr. Santosh Senapati, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 14th February, 2008 and who holds office upto the date of the forthcoming Annual General Meeting of the Company, in terms of the provisions of Section 260 of the Companies Act, 1956 (the Act), and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Act, proposing his candidature for the office of a director of the Company, be and is hereby appointed a director of the Company, liable to retirement by rotation."

### NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE SAID MEETING IS ENTITLED TO APPOINT A PROXY, TO ATTEND AND VOTE INSTEAD OF HIMSELF, AND THE PROXY NEED NOT BE A MEMBER. The Proxy as per the format included in the Annual Report should be returned to the Registered Office of the Company not less than FORTY-EIGHT HOURS before the time for holding the Meeting. Proxies submitted on behalf of limited companies, societies, partnership firms, etc. must be supported by appropriate resolution / authority, as applicable, issued by the member organization.
2. The Explanatory Statement setting out the material facts concerning the Special Business mentioned at item nos. 5 and 6 of Notice of the Meeting, as required under the provisions of Section 173 of the Companies Act, 1956, and setting out the information in respect of the Directors seeking appointment / re-appointment at the Annual General Meeting (Item Nos. 2, 3, 5 & 6 of the Notice), as per Clause 49 of the Listing Agreement, is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will be closed from Friday, the 14<sup>th</sup> November, 2008 to Tuesday, the 18<sup>th</sup> November, 2008 (both days inclusive), in accordance with the requirements of Clause 16 of the Listing Agreement.
4. Pursuant to the provisions of Sections 205A and 205C of the Companies Act, 1956, inter-alia, all unclaimed / unpaid dividend, remaining unpaid or unclaimed for a period of 7 years from the date those are transferred to the special account in terms of the provisions of the said Sections, have been transferred to the Investors Education and Protection Fund (IEPF) established by the Central Government.
5. Members desirous of obtaining any information concerning the accounts or operations of the Company are requested to address their queries to Secretarial Department so as to reach the Company at least 10 days before the date of the meeting, so that the information required may be made available at the meeting.

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

Place : Pune  
Date : 26<sup>th</sup> September, 2008

**Registered Office :**  
D1 Block, Plot No. 18/2 MIDC, Chinchwad  
Pune - 411019

**A. H. FIRODIA**  
Chairman

37<sup>th</sup> Annual Report 2007-2008**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956****Item No.s 5 & 6**

Mr. Ashish Kumar & Mr. Santosh Senapati were nominated by AIG, in terms of the Subscription Agreement dated 11.Feb.2008, and were appointed as Additional Directors in accordance with the provisions of Section 260 of the Companies Act, 1956, on the Board of Directors of the Company, and they hold office as such directors up to the forthcoming Annual General Meeting. In terms of Article 86A of the Articles of Association, the Company is obliged to procure a continued nomination of these two, as directors of the Company.

The Company has accordingly received notice under the provisions of Section 257 of the Companies Act, 1956, from a member, proposing the candidature of Mr. Ashish Kumar & Mr. Santosh Senapati for the position of directors of the Company. The details of Mr. Ashish Kumar & Mr. Santosh Senapati, as required by the provisions of Clause 49 of the Listing Agreement, are given below.

The directors recommend the passing of the resolutions at Item No.s 5 & 6.

None of the directors, except, Mr. Ashish Kumar & Mr. Santosh Senapati, are to be considered as interested in the said resolutions.

**DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING RE-ELECTION, AND THOSE SEEKING APPOINTMENT AS A DIRECTOR AT THIS ANNUAL GENERAL MEETING**  
(Item Sr. No.s 2, 3, 5, & 6 of the Notice)

Name	Dr. N. A. Kalyani	Mr. S. R. Sanghi	Mr. Ashish Kumar	Mr. Santosh Senapati
Date of Birth & Age	20.8.1928 (80)	15.12.1950 (57)	6-Mar-1972 (36)	30.7.1962 (46)
Appointed on	29.4.1978	31.10.1995	*14.2.2008	*14.2.2008
Qualifications	Doctorate in science	Commerce graduate. Adv. dip. in international business, marketing mgt. & agriculture	B-Tech. (Comp. Sci. and Engg.), PGDM (IIM Ahmedabad)	BTech (Mining Machinery, Indian School of Mines, Dhanbad) & MBA (IIM, Ahmedabad)
Expertise / experience	Promoted a sugar factory; pioneering work in co-op. movement	Instrumental in conceiving, promoting & launching diverse products	Over 10 years in financial services	Over 20 years in investment, project finance & cross border advisory services, including in pharmaceutical & healthcare sectors, oil & exploration sectors; in corporate and structured finance
Directorship in other public companies	Kalyani Forge Ltd. HCC Ltd. Kirloskar Oil Eng. Ltd. Sudarshan Chem. Ind. Ltd.	Sanghi Spinners (I) Ltd. Sanghi Polyesters Ltd. Sanghi Ind. Ltd. Sanghi Cements Ltd.	Uniparts India Ltd.	Avasarala Technologies Ltd. Skil Infrastructure Ltd.
Chairmanship / membership of committees of public companies	Chairman & Member of Audit committee & Member of Shareholders / Investors Grievance Committee of Finolex Industries Ltd., Member of Audit Committee of Finolex Cables Ltd., Chairman & Member of Remuneration Committee of HCC Ltd., Member of Audit Committee of Sudarshan Chemical Industries Ltd.	Chairman of Shareholders Grievance Committee of Sanghi Polyesters Ltd., Chairman of Investors Grievance Committee of Sanghi Ind. Ltd., Member of Audit Committee & Chairman of Investor Grievance Committee of Sanghi Spinners India Ltd.	Member of Audit committee of Uniparts (I) Ltd.	Nil
Shareholding	Nil	Nil	Nil	Nil

\* Appointed as Additional Directors

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

Place : Pune

Date : 26<sup>th</sup> September, 2008

**Registered Office :**

D1 Block, Plot No. 18/2 MIDC, Chinchwad  
Pune - 411019

**A. H. FIRODIA**  
Chairman

# KINETIC ENGINEERING LIMITED

## DIRECTOR'S REPORT 2007-08

(including Management Discussion & Analysis)

To,  
The Members,  
KINETIC ENGINEERING LIMITED

The Directors present their 37<sup>th</sup> annual report on the business and operations of the Company and the audited financial accounts for the 15 months period ended 31<sup>st</sup> March 2008.

## FINANCIAL YEAR

The accounts of the Company have been made for a period of 15 months ending 31<sup>st</sup> March 2008.

## FINANCIAL HIGHLIGHTS

(Rs. in Lakhs)

	For the 15 months period ended on 31 <sup>st</sup> March, 2008	For the 15 months period ended on 31 <sup>st</sup> December, 2006
Gross Sales and Other Income	13937.64	22082.82
Loss for the period / year	(2583.52)	(4329.16)
Profit / (Loss) carried forward		
Last Year	(7160.84)	(2831.68)
Current Year	(9744.35)	(7160.84)

## Business re-structuring

As part of the business realignment and to focus on the promising new Auto Components business, the Company has disposed off its two wheeler business in December 2006, to Kinetic Motor Company Limited on "Slump sale" basis. Therefore during the 15 months ended 31<sup>st</sup> March 2008, the Company has geared-up to be an Auto Component manufacturer, focusing specially on Power Train components and assemblies. During the period, the Company has taken several steps in the financial as well as on manufacturing front as under:

- The Company has been building up orders for Auto Components and received orders from leading Automotive Companies like Tata Motors, Force Motors, and Carraro in India and from renowned international clients like BRP, Tomos and Rockford from Europe and USA.
- Most notably, the Company was able to secure a prestigious order for manufacture of all transmission gears from Tata Motors for its upcoming NANO Car.

## Consolidation by way of Merger with JAYA HIND SCI AKY LIMITED (JHS)

As a part of consolidation of Auto Component business especially components related to power-train, it has been envisaged that the JHS ( other than capital Goods manufacturing division) which manufactures Variators, which are Power Train components, will be merged with the Company, w.e.f. 1<sup>st</sup> April, 2005

It will give your Company two advantages firstly, by transfer of the net assets strengthening the balance sheet and net worth of the Company; and secondly, it will add to the Auto Component business new scope and products, which will build top line and bottom line of your Company. The necessary procedure is expected to be completed by February, 2009.

## Finance and Funding :

After completing the One Time Settlement (OTS) with all the lenders last year, the Company has raised US \$ 18.00 millions through Foreign Currency Convertible Bonds ('FCCB') to meet the capital expenditure requirements for putting up the manufacturing facility for small car gear box, and Rs.256 millions through Compulsorily Convertible Cumulative Preference Shares ( CCCPS) for meeting the long terms working capital requirement.

Both the instruments were subscribed by AIG Group of Companies. The proceeds of FCCB are to be used for the capital expenditure to install the state of the art manufacturing facility for NANO gear box / parts, while the CCCPS funds would be used mainly for long term working capital needs.



*37<sup>th</sup> Annual Report 2007-2008***Company's performance**

During the period under review, the Company sourced and accepted orders for manufacturing of Auto Components from domestic companies as well as from abroad including well-known Fortune 500 companies.

The Company's revenue from Auto Component business during the period under review was Rs. 7862.08 lacs. With infusion of required funds for Capital expenditure and Working Capital the Company is poised for a big leap in sales turnover in the coming years.

**Opportunities, threats, risks and concerns**

Demand for Auto components is rising consistently. Availability of large pool of skilled manpower and low cost labour in India have lured many new entrants from the country and abroad in manufacture of Auto Components thereby intensifying competition, which in long run will reduce margins. With the well established infrastructure and availability of required resources the Company is fully geared up to meet new challenges and competition. Company is also building a diversified pool of orders from customers in various sectors such as Commercial Vehicles, Two Wheelers, Three Wheelers, Automobile (Passenger cars) as well as segments like Snow mobiles and ATV to lower its risk of wide fluctuations in its business owing to cyclical impact on any particular segment. Any significant recession in the economy, continuous rise in raw material costs, and falling prices of US dollar may have adverse impact on margins.

**Business outlook and overview****Auto components:**

Company's entire focus is on Auto Component business as a Tier-I supplier of the complete assemblies, gear box and engine components & assemblies. Developments of majority components is over, which will be transferred to mass production and regular supplies. Company is continuing aggressively its efforts to get further orders for increasing its Auto Components business. Recently, Company has been able to bag various orders from prestigious customers including all transmission gears from Tata Motors for its upcoming NANO Car and regular supply of it in next few months will increase revenue significantly.

**Quality**

The Company has already built up a quality system in tune with the requirements of ISO 9001. With ISO/TS 16949:2002 certification the Company has leverage in international market. Company strives for total customer satisfaction through relationship building and providing superior after sales service. The Company has a well-established system of fixing problems at sight, on the spot analysis and prevention of recurrence of the problem in the future.

**Internal Control System**

The Company has adequate internal control system commensurate with its size and nature of business for ensuring efficiency of operations and protection of Company's assets. The Company's Audit Committee periodically reviews compliance with Company's policies, procedures and laws.

**Financial performance with reference to Operational performance**

Gross Sales and other income in the period under review were Rs. 13938 lacs as against Rs. 21949 lacs in the previous period. Net Loss for the period under review is Rs. 2584 lacs as against Rs. 4329 lacs in the previous period.

**Cautionary Statement**

The report contains estimates and expectations, which could be 'forward looking'. Actual results, however, might differ from expectations, as the same depend upon many uncertainties.

**RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION**

Research and development is viewed as crucial for development of the Company. These activities aid us in expanding and upgrading our product portfolio and improving our offerings to our customers.

Total amount spent on Research & Development (R&D) during the period under review was Rs. 91.50 lacs, which represents 0.7 % of the Company's turnover.

## KINETIC ENGINEERING LIMITED

### CONSERVATION OF ENERGY

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

1. Installed CFL M/C lamps on machine instead of 40w bulb.
2. Maintained Unity Power Factor through out the year and got Incentives in electricity bill.
3. Installed Electronic Ballast for lighting in Paint Shop & Engine Assembly.
4. Installed 5 hp motor in place of 7.5 hp in Paint Shop Oven Blower.
5. Replaced hose pipe by PU tubing in Gear Box assembly to reduce air leakages. (20 Nos. Connections).
6. Installed 125W Mercury Vapour lamps instead of 250W in Gear Line of Machine Shop.
7. Effective measures were taken for reduction in Transformer losses throughout the year

The above measures have resulted in substantial saving in energy cost.

### FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on foreign exchange earnings and outgo is contained in Schedule-16 Notes to the Accounts (Point Nos. 11, 12 & 13)

### SUBSIDIARY Company

Company does not have any subsidiary.

### DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

1. In preparation of the accounts for the period under review, the Company has followed the applicable accounting standards
2. Appropriate accounting policies have been selected and applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31<sup>st</sup> March 2008.
3. 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
4. The annual accounts for the period under review have been prepared on a 'going concern' basis

### CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, a report on Corporate Governance with certificate on Compliance with the conditions of Corporate Governance is given as annexure to the Directors' report.

### FIXED DEPOSITS

During the period under review fixed deposits amounting to Rs.2.19 Lakhs were repaid / transfered to I.E.P.F Account on maturity. The balance as on 31.03.2008 standing in the fixed deposit account was Rs. 2.41 Lakhs.

### DIRECTORS

- In accordance with the provisions of the Companies Act, 1956 as well as the Articles of Association of the Company, Dr. N. A. Kalyani and Mr. S. R. Sanghi retire at the ensuing Annual General Meeting, and are eligible for re-appointment.



*37<sup>th</sup> Annual Report 2007-2008*

- Mr. Ashish Kumar & Mr. Santosh Senapati were nominated by AIG, in terms of the Subscription Agreement dated 11. February. 2008, and were appointed as Additional Directors, and they hold office as such directors up to the forthcoming Annual General Meeting. In terms of Article 86A of the Articles of Association, their candidature has been proposed for the position of directors of the Company. Attention of the members is invited to the Notice calling the Annual General Meeting and the Explanatory Statement annexed thereto, for the relevant details.

**AUDITORS**

The auditors M/s P. G. Bhagwat, Chartered Accountants, hold office until the ensuing Annual General Meeting, and have furnished a certificate in terms of Sec. 224(1) of the Companies Act, 1956, about their eligibility.

**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 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 at the Registered Office of the Company.

**ACKNOWLEDGEMENT**

The directors express their sincere thanks to Reliance Capital Limited, Clearwater Capital Partners India Limited, AIG Group, banks, dealers, suppliers and stakeholders 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



Place : Pune  
Date : 30<sup>th</sup> June, 2008

**A. H. FIRODIA**  
Chairman

# KINETIC ENGINEERING LIMITED

## REPORT ON CORPORATE GOVERNANCE FOR THE 15 MONTHS PERIOD ENDED ON 31<sup>ST</sup> MARCH, 2008.

### 1. Corporate Governance Philosophy

Corporate Governance, in essence, is a set of systems and procedures which aims to ensure that the Company is managed to suit the best interest of all its stakeholders with an objective to maximize their wealth. The stakeholders may be Promoters, Shareholders, Customers, Lenders, Dealers, Vendors, Government or Employees. The concept of Corporate Governance hinges on total transparency, integrity and accountability of the Management. Kinetic Engineering Limited (KEL) believes in total transparency in sharing all relevant information with all its stakeholders and the Company is quite confident that the information shared would in turn contribute to improve the overall performance of the Company and further would strengthen relationship of the Company with all above.

### 2. Board of Directors

**2.1** Presently, the Board of the Company comprises ten members, out of which eight are Non-Executive Directors and out of eight Non-Executive Directors, seven are Independent Directors. The Non-Executive Directors of the Company are highly experienced professionals in their fields and in the corporate world.

**2.2** The Board is headed by Executive Chairman.

**2.3** The Composition of Directors on the Board of the Company, is as under:

Category	No. of Directors	No. of Directors required under clause 49
Executive Directors	02	--
Non-Executive Directors	08	05
Independent Directors	07	05

**2.4** The Category of Directors on the Board of the Company as on 31.03.2008:

Name of the Director	Category	No. of other Directorships in Public Ltd. Companies	Committee positions	
			Member	Chairman
Mr. A. H. Firodia	Executive; Promoter group	5	Nil	Nil
Mr. M. K. Khera	Executive	Nil	Nil	Nil
Mr. Ashish Kumar*	Independent	1	1	Nil
Mr. Santosh Senapati*	Independent	2	Nil	Nil
Dr. N. A. Kalyani	Independent	4	1	1
Mr. S. C. Shah	Independent	Nil	Nil	Nil
Dr. K. H. Sancheti	Independent	Nil	Nil	Nil
Mr. S. R. Sanghi	Independent	4	1	3
Mr. S. R. Kotecha	Independent	Nil	1	Nil
Mrs. S. F. Motwani	Independent	2	1	Nil

\* appointed as Additional Directors on 14<sup>th</sup> February 2008.