

KINETIC MOTOR COMPANY LTD.

Annual Report

1998 - 1999





CHAIRMAN'S WORD

Dear Shareholders,

We are poised at a historic moment in the progress of Kinetic Motor Company Limited. Last year saw a re-alignment of relationship between Promoters of your Company viz. Kinetic Engineering Limited (KEL) and Honda Motor Company Limited, Japan (HONDA). The new arrangements will have a very significant positive impact on your company.

From Strength to Strength on Technology:

As per the new agreements with HONDA, your Company continues to have exclusive right to manufacture and sell all the existing scooter models and spare parts in India with technical support from HONDA. At the same time, in order to introduce several new models, your Company will have freedom to choose right technologies at right price from other sources available in the countries such as Taiwan, Korea and other countries in Europe.

From Strength to Strength on Exports:

For the seventh time, your Company has received the Export Excellence Award from Engineering Export Promotion Council (EEPC), Ministry of Commerce, Government of India in recognition of the continued and growing export of scooters. Company's scooters are exported to various countries around the globe, which include several developed countries. Exports of scooters under 'HONDA' trademark through HONDA distributors will be continued.

From Strength to Strength on the Product Range:

Our scooters gave first glimpse of modern scooter technology to the Indian customers, introducing for the first time in India unique features such as auto-start, auto-gears, aerodynamic body and skid-free ride of centrally mounted engine. The disruptive looks of our new scooter 'Marvel' set a new standard in scooter styling, that others have tried to follow. During next 12 months, you will witness a series of rapid launches of new models. This will include two new 4-stroke scooter models (one auto geared and other with manual gears) and a self-start powerful 73 cc scooterette, designed to provide better mileage and exceptional styling, yet at competitive price.

From Strength to Strength on Distribution Network:

Your Company will be benefited from the significant synergies of sales, distribution, marketing and after sales service with KEL having large distribution network. The sales and service points across the country would double. The strong support from Group Finance Companies and direct marketing will propel the sales of vehicles.

Lastly, I have always felt that our core values of fairness, honesty and integrity have been the key drivers of our continued success. I see them powering our quest for higher levels of excellence and prosperity in the coming millennium.

A.H. Firodia
(Chairman & Managing Director)

KINETIC MOTOR COMPANY LTD.

(Formerly : KINETIC HONDA MOTOR LTD.)

Board of Directors

Mr. A. H. Firodia, *Chairman & Managing Director*

Air Chief Marshal H. Moolgavkar (Retd.)

Mr. R. D. Sathe

Mrs. Sulajja Firodia Motwani

Mr. S. S. Marathe

Mr. Dinesh Munot

Mr. S. N. Malhotra, *Executive Director - Operations*

Vice President (Finance) **Mr. P. C. Jain**

Company Secretary **Mr. V. M. Achwal**

Auditors **M/s. A. F. Ferguson & Co.**
Chartered Accountants
Mumbai

Cost Auditors **M/s. Dhananjay V. Joshi & Co.**
Cost Accountants
Pune

Bankers **Canara Bank**
State Bank of Indore
Times Bank Ltd.

Registered Office **Plot No. 2, Industrial Area No. 1,**
Pithampur, Dist. Dhar (M.P.) 454 775

Head Office **Neeta Towers, Dapodi, Pune 411 012**

Works **Pithampur, Dist. Dhar (M.P.) 454 775**
Delhi Road, Meerut (U.P.) 250 002

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NOTICE

Notice is hereby given that the Fifteenth Annual General Meeting of the members of Kinetic Motor Company Limited will be held on Thursday, 2nd September, 1999 at 10 a.m. at the Registered Office of the Company at Plot No. 2, Industrial Area No. 1, Pithampur, Dist. Dhar (M.P.) 454 775 to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the Directors' Report, the Audited Balance Sheet as at 31st March, 1999 and Profit and Loss Account for the year ended on that date together with Auditors' Report thereon.
2. To declare Dividend.
3. To appoint a Director in place of Mrs. Sulajja Firodia Motwani, who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS :

5. To appoint Mr. S. S. Marathe as a Director of the Company who was appointed as an Additional Director of the Company on 24th December, 1998. As per the provisions of Section 260 of the Companies Act, 1956, Mr. S. S. Marathe holds office upto the date of ensuing Annual General Meeting and in respect of whom the Company has received a Notice in writing from a Member proposing his candidature for the office of Director and signifying his intention to move the following Resolution as an Ordinary Resolution :

"RESOLVED THAT Mr. S. S. Marathe be and is hereby appointed as a Director of the Company".

6. To appoint Mr. Dinesh Munot as a Director of the Company who was appointed as

an Additional Director of the Company on 17th March, 1999. As per the provisions of Section 260 of the Companies Act, 1956, Mr. Dinesh Munot holds office upto the date of ensuing Annual General Meeting and in respect of whom the Company has received a Notice in writing from a Member proposing his candidature for the office of Director and signifying his intention to move the following Resolution as an Ordinary Resolution :

"RESOLVED THAT Mr. Dinesh Munot be and is hereby appointed as a Director of the Company."

7. To appoint Mr. S. N. Malhotra as a Director of the Company who was appointed as an Additional Director of the Company on 11th May, 1999. As per the provisions of Section 260 of the Companies Act, 1956, Mr. S. N. Malhotra holds office upto the date of ensuing Annual General Meeting and in respect of whom the Company has received a Notice in writing from a Member proposing his candidature for the office of Director and signifying his intention to move the following Resolution as an Ordinary Resolution :

"RESOLVED THAT Mr. S. N. Malhotra be and is hereby appointed as a Director of the Company."

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

"RESOLVED THAT pursuant to provisions of Sections 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as 'the Act') including any statutory modification or re-enactment thereof, for the time being in force, the consent of the Company be and is hereby accorded to the appointment of Mr. S. N. Malhotra as Whole-time Director to be designated as Executive Director

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(Operations) of the Company for a period of 5 years with effect from 1st June, 1999 on the remuneration, perquisites, benefits and amenities as set out hereinafter :

1. Remuneration :

Basic Salary of Rs.55,000/- per month with an annual increase of 10% thereon every year.

2. Special allowance of Rs.10,500/- p.m.

3. Perquisites :

i. Company leased unfurnished accommodation.

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 upto one month's salary in a year for self and family.

Explanation : For the purpose of above perquisites, 'family' means the spouse and dependent children and dependent parents of the Executive Director (Operations).

iv. Contribution to Provident Fund as per Company policies.

v. Contribution to Superannuation Fund as per Company policies.

vi. Gratuity as per Company policies.

vii. Provision of car with Driver for use on Company's business, provided that use of car for private purpose shall be billed by the Company to the Executive Director (Operations).

viii. Free telephone facility at residence, provided that personal long distance calls shall be billed by the Company to the Executive Director (Operations).

In addition to the above, the Executive Director (Operations) shall be entitled to the following benefits viz. personal accident insurance, mediclaim benefits, car, furniture, bank credit card, housing loan and other privileges, facilities and benefits in accordance with the Schemes/ Policies/Rules applicable to the Employees of the Company from time to time.

4. The Executive Director (Operations) shall also be paid a Commission of such an amount as may be decided by the Board of Directors or any Committee thereof, 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 the Executive Director (Operations) and all the other Whole-time Directors of the Company, shall not exceed 10% of the Net Profits of the Company computed as per provisions of Section 349 and 350 of the Act or any modifications/ amendments thereto.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during the currency of aforesaid period, the Executive Director (Operations) shall be entitled to the same salary, special allowance and perquisites but not exceeding Rs.87,500/- per month or Rs.10,50,000/- per annum or the ceiling laid down in this behalf in Schedule XIII of the Act, from time to time".

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9. To consider and if thought fit, to pass with or without modifications, the following Resolution as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956, including any statutory modifications or re-enactment thereof as may for the time being be in force and subject to the Guidelines issued by the Securities and Exchange Board of India (SEBI) or any other competent Authority and subject to such approvals, permissions and sanctions as may be necessary, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as 'the Board') to create, offer and issue, to or for the benefit of its employees including employees of Holding Company, in terms of a scheme of Employee Stock Option Plans (ESOP) to be hereafter framed by the Board, such number of equity shares of the Company of the face value of Rupees 10/- (ten) each, not exceeding 7,50,000 equity shares in aggregate, as the Board may deem fit, for subscription for cash, in one or more tranches, on terms as may be fixed and determined by the Board prior to the issue thereof in accordance with such Guidelines or provisions of law as may be prevailing at that time and otherwise ranking pari-passu with the equity capital then issued and in existence and on such other terms and conditions and at such time or times as the Board may in its absolute discretion and in the best interest of the Company may deem fit; provided that the issue price and lock-in period of such shares shall be determined by the Board in accordance with the prevailing Guidelines issued by SEBI and specified in the offer at that time.

RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution,

the Board be and is hereby authorised to do and perform all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any questions, difficulty or doubt that may arise in regard to the offer/issue, allotment and utilisation of the proceeds and further to do all such acts, deeds, matters and things and to finalise and execute all documents and writings as may be necessary, proper, desirable or expedient as it may deem fit."

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

"RESOLVED THAT pursuant to the provisions of Section 16 and other applicable provisions, if any, of the Companies Act, 1956 the existing Clause V of Memorandum of Association of the Company be and is hereby altered by deleting the same and substituting in its place the following new Clause V :

Clause V

The Authorised share capital of the Company is Rs.20,00,00,000 (Rupees Twenty Crores) divided into 2,00,00,000 (Two Crores) Ordinary shares of Rs. 10/- each consisting of 67,70,000 "A" Ordinary shares, 1,01,84,000 "B" Ordinary shares and 30,46,000 "C" Ordinary shares with all privileges and conditions attached thereto as are provided by the Articles of Association of the Company and with power to increase or reduce and repay the capital or any portion thereof at any time and from time to time in accordance with the Articles of Association of the Company and the legislative provisions for the time being in that regard. The shares in the capital of the Company for the time being whether original or increased may be divided, consolidated and subdivided into several classes by any issue or any class of new issue of any value with such

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preferential or special rights, privileges or conditions and with any special right or limited right or without any right of voting as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company."

11. To consider and if thought fit, to pass with or without modifications, the following Resolution as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 31 of the Companies Act, 1956, clause (1) of Article 6 of Articles of Association of the Company be altered by deleting the same and substituting in its place the following clause :

6. (1) The Authorised Share Capital of the Company shall be divided into 67,70,000 "A" Ordinary shares, 1,01,84,000 "B" Ordinary shares and 30,46,000 "C" Ordinary shares of Rs. 10/- each".

closed from Saturday, 14th August, 1999 to Thursday, 2nd September, 1999 (both days inclusive) for ascertaining the entitlement to dividend.

4. Dividend, if declared, will be paid on or before 12th October, 1999 to those members whose names will appear in the Register of Members of the Company on 2nd September, 1999.
5. The Company has transferred Unclaimed Dividend for the Accounting year 1994-95 amounting to Rs.2,59,547/- to the Central Government as per Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978. Any claim for payment of the unclaimed dividend may be made by an application in the prescribed form to The Registrar of Companies, Madhya Pradesh, Chamber Bhavan, Dharma Mandir Marg, Gwalior 474 009 (M.P).

Those members who have not so far encashed dividend warrants for the Accounting years 1995-96, 1996-97 and 1997-98 may immediately approach the Company for revalidation of unclaimed Dividend Warrants as the amount of dividend remaining unclaimed for a period of Seven years shall be transferred to the Investor Education and Protection Fund as per the provisions of Section 205C of the Companies Act, 1956.

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.
2. The Explanatory Statement setting out the material facts concerning the Special Business mentioned at Item Nos. 5 to 11 of the Notice, as required by Section 173 of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will be
6. Equity shares of the Company are listed on Madhya Pradesh Stock Exchange Limited, Rajani Bhavan, 1st Floor, M.G. Road, Opp. High Court, Indore, The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai and Pune Stock Exchange Limited, PMT Commercial Building, Deccan Gymkhana, Pune. The Company has paid the annual listing fees to each of these Stock Exchanges.

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7. Stickers bearing new name of the Company were posted to the members in the month of April, 1999. Shareholders are requested to immediately affix the Stickers on their Share Certificates.
8. Members desirous of obtaining any information concerning the accounts or operations of the Company are requested to address their questions to the Vice President (Finance) at the Head Office address of the Company so as to reach at least 10 days before the date of the meeting so that the information required may be made available at the meeting.
9. Members are requested to advise the Company immediately of any change in their address/residential status/Dividend Mandate/Bank Account particulars to be mentioned on the Dividend Warrants.
10. Members are advised to consolidate their ledger folios where they are holding shares in different ledger folios in the same sequence of name(s).
11. The Non-Resident Indian Shareholders of the Company are requested to furnish their NRE / NRO Account Numbers in India with name and address of the Bank in order to facilitate prompt credit of the Dividend amount.

By Order of the Board of Directors
For **KINETIC MOTOR COMPANY LIMITED**



V. M. ACHWAL
Company Secretary

Pune
5th June, 1999

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15TH ANNUAL REPORT 1998-99**EXPLANATORY STATEMENT
PURSUANT TO SECTION 173 OF
THE COMPANIES ACT, 1956****Item Nos. 5 & 6**

The Board of Directors of the Company in their Meetings held on 24th December, 1998 and 17th March, 1999 appointed Mr. S. S. Marathe and Mr. Dinesh Munot as Additional Directors respectively. The said Additional Directors hold the office of Directors upto the date of ensuing Annual General Meeting. The Company has received Notices from Members under Section 257 of the Companies Act, 1956 proposing the candidature of Mr. S. S. Marathe and Mr. Dinesh Munot for the office of Director.

Mr. S. S. Marathe, an Economist, has held various important positions in the Ministry of Finance and other Departments of Government of India prior to his retirement as Secretary to Government of India, Ministry of Industry (Department of Industrial Development). He has been on the Board of Directors of several renowned Companies. Mr. Dinesh Munot is a professional Engineer having to his credit over twenty seven years of experience in the automobile industry. He has been elected as President of Automotive Component Manufacturers Association of India (ACMA). Both the above mentioned Directors are Nominees of Kinetic Engineering Limited. It is in the interest of the Company to continue to avail of their services as Directors.

Mr. S. S. Marathe and Mr. Dinesh Munot may be deemed to be interested in respect of the Resolution No. 5 and 6 respectively as the said Resolutions relate to their appointment as Directors. No other Director is interested in the said Resolutions.

Item Nos. 7 & 8

The Board of Directors of the Company in their meeting held on 11th May, 1999 appointed

Mr. S. N. Malhotra as an Additional Director. He holds the office of Director upto the date of ensuing Annual General Meeting. The Company has received Notice from a Member under Section 257 of the Companies Act, 1956 proposing the candidature of Mr. S. N. Malhotra for the office of Director.

The Board of Directors also appointed Mr. S.N. Malhotra as Executive Director (Operations) for a period of five years with effect from 1st June, 1999 on the terms mentioned in the Resolution.

Mr. S. N. Malhotra is a Mechanical Engineer. He has gained over 33 years of rich and varied working experience in the organisations including Escorts Limited, Majestic Auto Limited, Metal Box India Ltd. etc. Prior to joining the Company, he was Executive Director (Operations) in Escorts Construction Equipment Limited. Having regard to his knowledge and experience, the Board considers the remuneration, perquisites, benefits and amenities proposed to be paid or granted to the Executive Director (Operations) are reasonable and recommends that the same be approved by the Members.

Except Mr. S. N. Malhotra, no other Director is interested in the said Resolutions.

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

Item Nos. 9,10 & 11

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

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The Board of Directors of the Company considers it necessary to introduce ESOP scheme which shall be framed for employees of the Company including employees of Kinetic Engineering Limited, Holding Company of your Company in accordance with the Guidelines stipulated by the Securities and Exchange Board of India (SEBI). The operation of the Scheme would be under the superintendence and direction of a Compensation Committee of the Board of Directors. Majority of members of the Compensation Committee will consist of independent Directors.

As these further shares shall be issued otherwise than a Right Issue to the existing shareholders of the Company, consent of the shareholders is being sought by way of a Special Resolution pursuant to the provisions of Section 81(1A) of the Companies Act, 1956 and as per the requirement of the Guidelines issued by SEBI.

The present Authorised Share Capital of the Company is Rs. 20,00,00,000 divided into 2,00,00,000 Ordinary shares of Rs.10/- each consisting of 60,20,000 "A" Ordinary shares, 1,01,84,000 "B" Ordinary shares and 37,96,000 "C" Ordinary shares. In order to facilitate the further issue of 7,50,000 shares, it is necessary to restructure the present composition of the Authorised Share Capital into 67,70,000 "A" Ordinary shares, 1,01,84,000 "B" Ordinary shares and 30,46,000 "C" Ordinary shares. The Resolution


set out at Item No.10 of the Notice is for the purpose of restructuring composition of the Authorised Share Capital of the Company. Amendment to clause (1) of Article 6 of the Articles of Association of the Company as set out in Resolution at Item No.11 of the Notice is consequential.

A copy of the Memorandum and Articles of Association of the Company together with the proposed changes 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.

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

The Board recommends passing of the Resolutions.

By Order of the Board of Directors
For **KINETIC MOTOR COMPANY LIMITED**



Pune
5th June, 1999

V. M. ACHWAL
Company Secretary

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