



### Chairman's Word

Dear Shareholders,

In the scooter segment of the industry, 2000-01 has been the year of Kinetic. The first year of the new millennium has been a difficult one for the scooter industry with a large decline in the overall scooter market. But despite these adverse conditions, Kinetic Motor Company Limited (KMCL) has shown good results – with a healthy 10% growth in sales and a 13% growth in Net Profit of the Company. This is a striking achievement by our team.

At KMCL, our vision has been to be able to offer an entire range of ultra modern scooters to the customers – to have a product at different power as well as price points. We want to be able to satisfy every customer. Now we are close to realising this goal with five products in this category – beginning with our zippy 75cc scooterette Style, the three models AX, DX, ZX in the Y2 Kinetic range and the most powerful and comfortable scooter Marvel. While offering a range of products, we have still maintained some common threads between all of them – convenience of autostart and autogears, comfortable ergonomics, ample storage, modern looks and high mileage. These are essentially the attributes that have differentiated Kinetic from other scooters in the market, giving rise to our widely popular advertising campaign, "Scooter Nahin, Yeh Hai Kinetic!" The market and customers have appreciated the element of pride of ownership that was humorously captured in the three-ad campaign.

The current year 2001-02 is also a year of a lot of hard work and activity as we continue to expand our product offerings in this segment. This year, we will launch at least two new scooter models – including a new four-stroke family scooter and a 65cc scooterette designed for college students. We will also be penetrating newer markets and have an ambitious growth plan for the north region. A shot-in-the-arm for the industry has come from the reduction in excise duty from 24% to 16% and now we are able to reduce the pricing of our products and offer greater value to the customers. Capitalising on our enviable brand equity, strong distribution network, very capable R&D department and modern manufacturing facility, we expect your Company to continue to deliver superior value to shareholders.

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

**KINETIC MOTOR COMPANY LTD.**

<b>Board of Directors</b>	<b>Mr. A. H. Firodia, <i>Chairman</i></b> <b>Air Chief Marshal H. Moolgavkar (Retd.)</b> <b>Mr. R. D. Sathe</b> <b>Mrs. Sulajja Firodia Motwani</b> <b>Mr. S. S. Marathe</b> <b>Mr. Dinesh Munot</b> <b>Mr. M. Venkataiah</b> <b>Mr. R. J. Kabra</b> <b>Mr. S. N. Malhotra, <i>Executive Director (Operations)</i></b> <b>Mr. P. C. Jain, <i>Director (Finance)</i></b> <b>Mr. A. P. Pande, <i>Managing Director</i></b>
<b>Audit Committee</b>	<b>Air Chief Marshal H. Moolgavkar (Retd.)</b> <b>Mr. M. Venkataiah</b> <b>Mr. R. J. Kabra</b>
<b>Company Secretary</b>	<b>Mr. V. M. Achwal</b>
<b>Auditors</b>	<b>M/s. A. F. Ferguson &amp; Co.</b> <i>Chartered Accountants</i> <b>Mumbai</b>
<b>Cost Auditors</b>	<b>M/s. Dhananjay V. Joshi &amp; Co.</b> <i>Cost Accountants</i> <b>Pune</b>
<b>Bankers</b>	<b>Canara Bank</b> <b>State Bank of Indore</b> <b>HDFC Bank Limited</b> <b>UTI Bank Limited</b>
<b>Registered Office</b>	<b>Plot No. 2, Industrial Area No. 1,</b> <b>Pithampur, Dist. Dhar (M.P.) 454 775</b>
<b>Head Office</b>	<b>Neeta Towers, Dapodi, Pune - 411 012</b>
<b>Works</b>	<b>Pithampur, Dist. Dhar (M.P.) 454 775</b> <b>Delhi Road, Meerut (U.P.) 250 002</b>

**KINETIC MOTOR COMPANY LTD.****NOTICE**

Notice is hereby given that the Seventeenth Annual General Meeting of the members of Kinetic Motor Company Limited will be held on Thursday, 13th September, 2001 at 11 a.m. at the Registered Office of the Company at Plot No.2, Industrial Area No.1, Pithampur, Dist. Dhar 454 775 (M.P.) to transact the following business :

**ORDINARY BUSINESS**

1. To consider and adopt the Directors' Report, the Audited Balance Sheet as at 31st March, 2001 and Profit and Loss Account for the year ended on that date together with Auditors' Report thereon.
2. To note the payment of Interim dividend on shares and to declare the same as final Dividend for the year 2000-2001.
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 a Director in place of Mr. S. S. Marathe, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Dinesh Munot, 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 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 :

  - (i) 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."

- (ii) Existing Article 9 of the Articles of Association be amended as follows :

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

- (iii) Existing Article 75 of the Articles of Association be deleted and substituted by the following :

(i) 75A. 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) 75B. Subject to 75A 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.

- (iv) Existing Article 84 of the Articles of Association be deleted and substituted by the following :

84. The number of Directors of the Company shall not be less than 3, of which 1 shall be nominated by "B" shareholders and 1 shall be nominated by "C" shareholders. The number of Directors of the Company shall not be more than 11 (including Whole-time Directors) of which upto 6 may be nominated by the "B" shareholders and

## 17TH ANNUAL REPORT 2000-2001

upto 2 may be nominated by the "C" shareholders (such Directors being hereinafter referred to as "B" Directors and "C" Directors respectively).

- (v) After existing Article 96(1) of the Articles of Association, the following new Article 96(1A) be inserted :

96(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.

- (vi) Existing Article 103A(1) of the Articles of Association be deleted and substituted by the following :

103A(1). Subject to the provisions of Section 292 of the Act and Article 109, the Directors may delegate any of their powers to Committees consisting of such members of their body as they may think fit and they may from time to time revoke and discharge any such Committee either wholly or in part, and either as to persons or purpose; but every Committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed on it by the Directors.

All acts done by any such Committee in conformity with such regulations and in fulfillment of the purpose of their appointment, but not otherwise, shall have the force and effect as if done by the Board. Subject to the provisions of the Act, the Board may from time to time fix the remuneration to be paid to any member or members of their body consisting a Committee appointed by the Board in terms of these Articles, and may pay the same.

- (vii) Existing Article 133 of the Articles of Association be amended as follows :

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

## 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 A PROXY NEED NOT BE A MEMBER.**
2. The Explanatory Statement setting out the material facts concerning the Special Business mentioned at Item No. 7 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 closed from Saturday, 1st September, 2001 to Thursday, 13th September, 2001 (both days inclusive).
4. The Board of Directors in their Meeting held on 21st October, 2000 had declared payment of Interim Dividend of Rs. 2.50 per Equity share for the year 2000-2001. The said Interim Dividend was paid on 17th January, 2001 to those members whose names appeared on the Company's Register of Members on the Record Date i.e. 20th December, 2000. In respect of shares held in electronic form, the Interim Dividend was paid to the beneficial owners of the shares as per details furnished by the Depositories for this purpose. The said Interim Dividend is recommended as Final Dividend for the year 2000-2001 by the Board of Directors in their meeting held on 22nd May, 2001.
5. Claim for unencashed dividend for the Financial year 1994-95 may be made by an application in the prescribed form to The Registrar of Companies, Madhya Pradesh, Sanjay Complex, 'A' Block, 3<sup>rd</sup> Floor, Jayendraganj, Gwalior 474 009 (M.P). Those members who have not so far encashed Dividend Warrants for the Accounting years 1995-96 and thereafter may immediately approach the Company for revalidation of unclaimed Dividend Warrants as the amount of dividend

**KINETIC MOTOR COMPANY LTD.**

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.

6. Equity shares of the Company are listed on Madhya Pradesh Stock Exchange, Rajani Bhavan, 3rd Floor, M. G. Road, Opp. High Court, Indore 452 001, The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001 and Pune Stock Exchange Limited, 'Shivleela Chambers', 752, Sadashiv Peth R. B. Kumthekar Marg, Pune 411 030. The Company has paid the annual listing fees to each of these Stock Exchanges.
7. Members desirous of obtaining any information concerning the accounts or operations of the Company are requested to address their questions to the Director (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.
8. Members are requested to immediately advise to the Company / their Depository Participants (in respect of their electronic share accounts) of any change in their address / residential status / Dividend Mandate / Bank Account particulars to be mentioned on the Dividend Warrant.
9. 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**



Pune  
26th July, 2001

**V. M. ACHWAL**  
**Company Secretary**

## **EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956**

### **Item No. 7**

The Government has amended Companies Act, 1956 through Companies (Amendment) Act, 2000 which has been made effective from 13<sup>th</sup> December, 2000. The Listing Agreement with Stock Exchanges has been amended to incorporate the requirements of Corporate Governance, which are to be implemented by the Company during the current financial year.

The Articles of Association of the Company are proposed to be amended in conformity with the amendments made in the Companies Act, 1956, by inserting new Articles 75A and 75B in place of Article 75, inserting definition of "Postal Ballot" and amending existing Articles 9 and 133 as set out in the Resolution. In order to facilitate implementation of Corporate Governance requirements regarding composition of Board and Committees of Directors and for the purpose of administrative convenience, amendment of Articles 84 and 103A(1) and insertion of Article 96(1A) are proposed as set out in the Resolution.

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

None of the Directors may be deemed to be concerned or interested in passing of this Resolution. A copy of the Memorandum and Articles of Association of the Company along with the proposed amendments are available for inspection of the members at the Registered office of the Company between 11 a.m. and 1 p.m. on any working day upto the date of the Annual General Meeting.

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



Pune  
26th July, 2001

**V. M. ACHWAL**  
**Company Secretary**



**17TH ANNUAL REPORT 2000-2001****DIRECTORS' REPORT**

To  
The Members,

Your Directors have pleasure in presenting the Seventeenth Annual Report and Audited Statement of Accounts of the Company for the year ended 31st March, 2001.

**FINANCIAL RESULTS**

	<b>2000-2001</b>	<b>1999-2000</b>
	(Rs. in lakhs)	
Sales and other Income	42985	39146
Gross Profit	3071	2791
Depreciation	546	508
Profit before Tax	2525	2283
Provision for Taxation	934	870
Net Profit	1591	1413
Dividend	376	376
Tax on Dividend	84	41
Transfer to General Reserve	1000	650
Profit carried Forward		
Last year	746	400
This year	877	746

Your Directors are pleased to report that despite the difficult market conditions, your Company has recorded growth in the scooter sales during the year 2000-2001 when the overall Scooters market recorded negative growth rate.

Company's turnover was higher at Rs.423 crores as against Rs. 386 crores in the previous year, up by 10 %. Net Profit of the Company for the year 2000-2001 was higher at Rs.15.91 crores

as against Rs.14.13 crores in the previous year. The above good performance is the result of optimisation of materials costs, control over expenses, better fund management and synergies of sales and after sales services.

**DIVIDEND**

Interim dividend of Rs. 2.50 per share (25 %) was declared and paid to the shareholders during the year. Your Directors recommend that the Interim dividend already paid be taken as final dividend for the year ended 31st March, 2001.

**EXPORTS**

Export turnover of the Company has increased to Rs. 28 crores from Rs. 24 crores in the last year. Company's scooters were exported to various countries in South America, Mediterranean, Africa, Central America, Asia etc. In spite of worldwide slowdown in economy, the Company achieved 17 % growth in exports, compared to last year. As per agreement with Honda Motor Company Limited, Japan, the export of scooters under 'HONDA' Trade Mark is being continued.

**RESEARCH AND DEVELOPMENT**

The expenditure incurred by the Company on Research & Development (R&D) during the year under review was Rs.414 lakhs which represents 0.98 % of the Company's turnover.

During the year under review, the Company has substantially strengthened its R & D facilities aimed at :

- upgrading the present product range

**KINETIC MOTOR COMPANY LTD.**

to improve user comfort, product performance as well as product life.

- developing new vehicle models using latest technologies to keep up with our tradition of being first in the country to introduce new technologies.

- meeting the more and more stringent regulations being put forth jointly by the Government and Industry.

In order to achieve the above objectives, the Company has made investment in right people and right equipment. Your Company has established a state of the art Computer Aided Engineering facility with I-DEAS and Alias softwares, started NVH Laboratory and installed new Chassis Dynamometer.

Using this set up, your Company has introduced an economy scooter Model "Kinetic Ax" for college going youths. The Company also introduced "Marvel Cx" with bigger power plant for improved driveability.

**DEPOSITORY SYSTEM**

Trading in Company's shares in dematerialised form has commenced during the year under review. Your Company has made arrangements for simultaneous dematerialisation of share certificates lodged for transfer.

**TECHNOLOGY ABSORPTION :**

Your Company had imported technology for manufacture of scooter Model 'Marvel' from Honda Motor Company Limited in the year 1996. This technology has been fully absorbed.

**FOREIGN EXCHANGE EARNINGS AND OUTGO**

Your Company continues to be Net Foreign Exchange earner for the second successive year. During the year 2000-2001, Company's Net Foreign Exchange earning was Rs. 8.15 crores as against Rs. 1.12 crores in previous year.

The information on Foreign Exchange earnings and outgo is contained in Schedule 12, Notes to the Accounts (Point Nos.10, 11, 12 and 14).

**CONSERVATION OF ENERGY AND WATER**

During the year under review, the Company has undertaken following measures for conservation of energy :

1. Installed VVVF drives in pumps and motors.
2. Replaced filament indicating lamps with LED lamps.
3. Installed energy savers in lighting circuits.
4. Installed Intermediate controllers in compressed air system.

The above measures have resulted in a saving of Rs. 18 lakhs.

Energy conservation measures proposed to be implemented during the current year:

1. Installation of more VVVF drives.
2. Replacing tube rods and chokes with energy efficient ones in a phased manner.
3. Installation of gas savers in Mig welding machines to reduce consumption of Co2 gas.
4. Conducting detailed energy audit.

Anticipating water shortage due to scanty rainfall in Madhya Pradesh, the Company



**17TH ANNUAL REPORT 2000-2001**

had started implementing at its Factory at Pithampur various water conservation measures. This has resulted in substantial reduction in water consumption.

**DIRECTORS' RESPONSIBILITY STATEMENT**

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

1. In preparation of the annual accounts for the year ended 31 st March, 2001 your Company has followed the applicable accounting standards.
2. Appropriate accounting policies have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 st March, 2001 and of the profit of the Company for the year ended on that date.
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 year ended 31 st March, 2001 have been prepared on a 'going concern' basis.

**CORPORATE GOVERNANCE**

As per the Listing Agreement with Stock Exchange, your Company is required to implement various requirements of Corporate Governance by 31st March, 2002. The Company has

already initiated necessary steps to implement the Corporate Governance requirements .

**EMPLOYEE STOCK OPTION PLAN (ESOP)**

Details of ESOP are given in Annexure to this Report.

**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 Annual Accounts are being sent to the shareholders of the Company, excluding the Statement of particulars of employees. Any Shareholder interested in obtaining a copy of the said Statement may write to the Company Secretary of the Company.

**DIRECTORS**

Mrs. Sulajja Firodia Motwani, Mr. S. S. Marathe and Mr. Dinesh Munot, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment.

**AUDITORS**

You are requested to appoint Auditors for the current year and fix their remuneration.

**FIXED DEPOSITS**

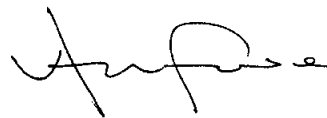
The Company has not accepted any fixed deposit during the year under review.

**KINETIC MOTOR COMPANY LTD.****ACKNOWLEDGEMENT**

Your Directors wish to place on record their appreciation of continuous support and co-operation received from Vendors and Dealers. The Board of Directors wish to thank Central Government and Government of Madhya Pradesh, Financial Institution and Banks for their valuable help and co-operation. The Directors also wish to thank the Shareholders and Customers for their

continued support and place on record their appreciation of the services rendered by the employees of the Company.

For and on behalf of the  
Board of Directors



**A. H. FIRODIA**  
Chairman

Pune  
22nd May, 2001

**ANNEXURE TO DIRECTORS' REPORT**

Last year, the Company granted Stock options under the Scheme of Employee Stock Option Plan. Exercise period of the Options commenced on 25 th February, 2001 and will end on 24 th August, 2001. So far, 19 employees have exercised their Options by subscribing to 39,100 shares. Company has received permission for listing of the said 39,100 shares on Madhya Pradesh Stock Exchange Ltd., Pune Stock Exchange Ltd. and The Stock Exchange, Mumbai.

Information required to be disclosed under SEBI (ESOP & ESOS) Guidelines, 1999 :

- |  |   |
|--|---|
| (a) Options granted  | : 37 Options granted for 64,200 shares.   |
| (b) The pricing formula  | : The Option is exercisable at the Exercise Price of Rs. 30/- per share for the number of shares contained in the Option. |
| (c) Options vested   | : 33 Options for 58,900 shares  |
| (d) Options exercised  | : 19 Options for 39,100 shares  |
| (e) The Total number of shares arising as a result of exercise of Option | : 39,100 shares   |
| (f) Options lapsed   | : 4 Options for 5300 shares   |
| (g) Variation of terms of Options  | : Nil   |
| (h) Money realised by exercise of Option                                 | : Rs. 11,73,000/-   |
| (i) Total number of Options in force                                     | : 14 Options for 19,800 shares  |
| (j) Employee wise details of Options granted to                          | :   |
| (i) Senior Managerial personnel  | :   |

Name	No. of Options granted
Mr. A.P. Pande	7000
Mr. S.N. Malhotra	7000
Mr. P.C. Jain	3500

- (ii) Any other employee who receives a grant in any one year of Option amounting to 5% or more of Options granted during that year

Name	No. of Options granted
Mr. A.M. Shirolkar	4000

- (iii) Identified Employees who were granted Option during any one year equal to or exceeding 1% of the Issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.

: None

- (k) Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of Option calculated in accordance with International Accounting Standard (IAS) 33. : Rs. 10.57