

KINETIC ➡

BECAUSE YOU DESERVE THE BEST

Annual Report 2002-2003



Chairman's Message



A. H. FIRODIA
Chairman

Dear Shareholders,

Last year was a year of revelation for us. We had taken for ourselves a mandate that we will successfully launch and showcase our company's product development skills in scooters. With this in mind, we had identified two important areas of growth, four stroke modern scooters, and entry-level scooterettes for the college going youth of the country. It is indeed a matter of pride for us that we achieved our goal with remarkable success. Last year, we launched a four stroke scooter *Kinetic Nova* and our scooterette *Kinetic Zing* and I am happy to say that both were received enthusiastically by the market. They were successful in the market as well as received critical acclaim.

The *Nova* won both the "Scooter of the Year" awards this year from eminent automobile magazines *Business Standard Motoring* and *Overdrive*. The *Nova* also won the award for design excellence in automobile design from prestigious National Institute of Design (NID) and leading business magazine *Businessworld*. These three simultaneous feathers in our cap is a rare and exceptional feat for any product manufacturer and I think we should be proud of our company and its product development capabilities. The *Kinetic Zing* also received much critical acclaim and had made quick and successful inroads into the important and growing scooterette market.

We now have a very strong range of products in the modern scooters segment with the *Nova*, *Zing* and our classic *Zoom* which remains India's most loved scooter. My expectation of the modern scooters segment is that it will continue to grow and thrive, and to take away numbers from the declining traditional scooter segment. The basic proposition of modern scooters remains very strong in urban areas with congested traffic conditions, the comfort and convenience of electric start and variomatic transmission is a real blessing to the harried commuter. Additional appeal comes from the usage universality that the modern scooter is a product suitable for everyone across all genders, age and income distribution. This makes it the ideal vehicle of choice for modern families. With the *Nova* and *Zing*, we have achieved breakthrough in mileage delivery, style statement and utility of storage space. I believe that our products are better than any others the Indian market has seen, and will continue to capture market share.

In addition, this year, we revamped our distribution network by 430 numbers. Significant cost reduction was achieved through a series of cost cutting measures including vendor base rationalization and renegotiation of our debt.

I believe that with this groundwork laid out, our company is now ready to emerge as a strong player in the scooters industry. As we know, India is the second largest two wheeler market in the world - I believe that this is a very good industry to be present in today. And I am confident that next year, we will see ample growth and success in this segment.

Thank you,

A handwritten signature in dark ink, appearing to read 'Arun Firodia'.

Arun Firodia,
Chairman

Year 2002-03 Highlights

► Kinetic Nova Wins Prestigious NID Businessworld Award For Excellence In Automobile Design

Kinetic's 4-stroke wonder scooter Kinetic Nova has won the prestigious NID - Businessworld Award for Excellence in Automobile Design. The Nova showcases Kinetic Motor's product development capability, and matches the competition on every single parameter including styling, performance, utility and economy.

► Kinetic Nova Wins "Scooter of the Year" Awards From Overdrive And Business Standard Motoring

Kinetic's recently launched 4-stroke automatic scooter Nova has won the "Scooter of the Year 2003" award given by the reputed automobile expert magazine Overdrive in conjunction with ICICI Bank. Earlier this year, Kinetic Nova also won the "Scooter of the Year 2003" award from Business Standard Motoring.

► Launch of zippy scooters, Zing & Zing Rockin'

Earlier this year, we launched two zippy scooters, Kinetic Zing and Zing Rockin' targeted at the youth segment. Zing features a 65 cc peppy engine and is a highly fuel efficient scooter with a mileage expectation of over 50 kmpl. The company has developed Zing in a record time of 14 months at an investment of Rs. 20 crores. Further more Zing Rockin' was launched at the hands of film star Karisma Kapoor. The Zing Rockin' is loaded with a host of style and never-before convenience features such as a dazzling two-tone colour combination, an under seat mobile charging facility, free FM radio and a soft drink holder.

► Kinetic offered bouquet of benefits to delight current scooter owners

Kinetic carried out a nationwide activity for its current scooter owners called "Kinetic Rewards Week". Through this activity, we offered a host of benefits to our current scooter owners including a complete body panel change for under Rs. 2000, which made any pre-owned scooter, look brand new. In addition, a mileage improvement technology kit was available for Rs. 999. The company also introduced India's first-ever "Easy Maintenance Contract" (EMC) scheme. The EMC was priced at Rs. 333 per year (less than Re 1/- per day!) to help a customer manage lifecycle vehicle servicing needs. The Rewards Week activity was carried out by the company at its dealerships under direct company supervision.



Business Standard
Motoring Award



ICICI
Overdrive Award



NID
Businessworld Award



KINETIC

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Ms. Sulajja Firodia Motwani
Director

Special Achievement

Our Director Ms. Sulajja Firodia Motwani is selected as a Global Leader of Tomorrow by the prestigious World Economic Forum

The World Economic Forum nominates "Global Leaders of Tomorrow" from across the globe based on potential to influence and shape the future agenda of their communities and countries. This international award is very rare and a prestigious honour, and serves as recognition of Ms. Motwani's achievements.

Ms. Motwani also won the Society Achievers Award in the business category.

Board of Directors**Mr. A.H. Firodia, *Chairman*****Air Chief Marshal H. Moolgavkar (*Retd.*)****Mr. R. D. Sathe****Mrs. Sulajja Firodia Motwani****Mr. S. S. Marathe****Mr. Dinesh Munot****Mr. M. Venkataiah****Mr. R. J. Kabra****Mr. S. N. Malhotra, *Executive Director (Operations)*****Mr. P. C. Jain, *Director (Finance)*****Mr. A. M. Shirolkar, *Director (Technical)*****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
HDFC Bank Limited
UTI Bank Limited
ING Vysya Bank Limited****Registered Office****Plot No. 2, Industrial Area No. 1,
Pithampur, Dist. Dhar (M.P.) 454 775.****Head Office****D1 Block, Plot No. 18/2, Chinchwad,
Pune-411 019.**

KINETIC MOTOR COMPANY LTD.**NOTICE**

Notice is hereby given that the Nineteenth Annual General Meeting of the Members of Kinetic Motor Company Limited will be held on Tuesday, 16 th September, 2003 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 31 st March, 2003 and Profit and Loss Account for the year ended on that date together with Auditors' Report thereon.
2. To appoint a Director in place of Mr. P. C. Jain, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. M. Venkataiah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. R. J. Kabra, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

6. To appoint Mr. A. M. Shirolkar as a Director of the Company who was appointed as an Additional Director of the Company designated as Director (Technical) with effect from 1 st November, 2002. As per the provisions of Section 260 of the Companies Act, 1956, Mr. A. M. Shirolkar holds office of Director 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. A. M. Shirolkar be and is hereby appointed as a Director of the Company."

7. 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 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, consent of the Members be and is hereby accorded to the appointment of Mr. A. M. Shirolkar as Whole-time Director to be designated as 'Director (Technical)' of the Company for a period of 5 years w.e.f. 1 st November, 2002 upto 31 st October, 2007 and for payment of remuneration and perquisites and giving of benefits and amenities as set out hereunder :

1. Remuneration :

- a) Basic Salary - Rs.60,000/- (Rupees Sixty Thousand only) per month with an annual increase of 10% every year.
- b) House Rent Allowance – Rs.24,000/- (Rupees Twenty Four thousand only) per month.
- c) Special allowance – Rs.20,000/- (Rupees Twenty Thousand only) per month.

2. Perquisites :

In addition to the above, the Director (Technical) shall be entitled to the following perquisites. The perquisites shall be evaluated as per the Income Tax Rules, wherever applicable. In the absence of any such Rules, perquisites shall be evaluated at actual cost.

Unless the context otherwise requires, perquisites are classified into three categories 'A', 'B' and 'C'. These will be provided for as under :

Category 'A'

- (i) Medical Reimbursement : Reimbursement of expenses incurred for the Director (Technical) and his family shall be subject to a ceiling of Rs.15,000/- (Rupees Fifteen Thousand only) per annum, payable quarterly.
- (ii) Leave Travel Assistance : For the Director (Technical) and his family subject to a ceiling of Rs.50,000/- (Rupees Fifty Thousand only) payable per annum.
- (iii) Personal accident and Mediclaim benefits as per rules of the Company.

Explanation : For the purpose of Category 'A', family means the spouse, dependent children and dependent parents of the Director (Technical).

- (iv) Fees of a Club.
- (v) Such other privileges, facilities, perquisites, amenities and furniture as per the Schemes/Policies/rules of the Company as applicable to senior Executives of the Company.

Category 'B'

- i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on remuneration to the extent these either singly or put together are not taxable under Income Tax Act. Gratuity payable will not exceed half a month's salary for each completed year of service.
- ii) Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on remuneration.

Category 'C'

Provision of fully maintained Company car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Director (Technical).

RESOLVED FURTHER THAT the Director (Technical) shall also be paid a commission of such an amount as may be decided by the Remuneration Committee / Board of Directors, provided that the amount of salary, allowances, commission, perquisites and cost of benefits as may be paid / incurred by the Company in respect of the Director (Technical) together with salary, allowances, commission, perquisites and cost of benefits drawn by all other Whole-time Directors of the Company shall not exceed 10 % of the Net Profits of the Company computed as per the provisions of Section 349 & 350 of the Act or any amendments / modifications thereto.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profit in any financial year during currency of the aforesaid period, the Director (Technical) shall be entitled to same

salary, allowances and perquisites, but not exceeding the ceiling limits specified under paragraph 1. (A) / (B) / (C) of Section II of Part II of Schedule XIII to the Act or any amendments and / or modifications thereto."

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

"RESOLVED THAT in accordance with provisions of Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, and subject to the provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereinafter), and subject to such approvals, permissions and sanctions as may be necessary, and such conditions and modifications as may be prescribed or imposed by any Authority while granting such approvals, permissions or sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as 'the Board' which term shall be deemed to include any Committee thereof), consent of the Company be and is hereby accorded to delist the Company's Equity Shares from Pune Stock Exchange Ltd., Pune at such time as the Board may in its discretion consider appropriate .

RESOLVED FURTHER THAT authority be and is hereby accorded to the Board or any person authorised by the Board , to settle all questions, difficulties or doubts that may arise in this regard and to do all such acts, deeds and things as may be necessary, expedient and desirable, for the purpose of giving effect to this Resolution."

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 Nos. 6 to 8 of the Notice) as required by Section 173 of the Companies Act, 1956 and the information in respect of Directors seeking re-appointment at the Annual General Meeting (Item Nos. 2, 3 & 4 of the Notice) as per clause 49 of the Listing Agreement, are annexed hereto.

KINETIC MOTOR COMPANY LTD.

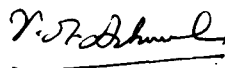
3. The Register of Members and Share Transfer Books of the Company will be closed from Monday, 1 st September, 2003 to Tuesday, 16 th September, 2003 (both days inclusive) for the purpose of the Annual General Meeting.
4. Claim for unencashed dividend for the year ended 31 st March, 1995 may be made by an application in the prescribed form to The Registrar of Companies, Madhya Pradesh and Chattisgarh, Sanjay Complex, 'A' Block, 3rd Floor, Jayendraganj, Gwalior 474 009 (M.P.).

In view of amended Section 205 C of the Companies Act, 1956 followed by the issue of Investor Education & Protection Fund (awareness and protection of the investors) Rules, 2001, any money transferred by the Company to the unpaid dividend account and remaining unclaimed for a period of seven years from the date of such transfer shall be transferred by the Company to Investor Education & Protection Fund (IEPF) set up by the Central Government. Accordingly, the unclaimed dividend, for the year ended 31 st March, 1996 shall become transferable to IEPF later this year. Shareholders who have not claimed the dividend for the year ended 31 st March, 1996 are requested to lodge their claims with the Company latest by 15 th October, 2003.

The amount of dividend remaining unclaimed for a period of 7 years from the date of transfer to unpaid dividend account for every subsequent years upto 2001-2002, will also be transferred to IEPF every year. No claims shall lie thereafter against IEPF or the Company in respect of the amounts transferred as aforesaid.

5. 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.

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



V. M. ACHWAL
Company Secretary

Pune
28 th July, 2003

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

Item Nos. 6 & 7

The Board of Directors of the Company in its meeting held on 28 th October, 2002 appointed Mr. A. M. Shirolkar as Additional Director and also as Director (Technical) for a period of five years w.e.f. 1 st November, 2002, subject to approval of members of the Company in General Meeting.

Mr. Shirolkar is a Mechanical Engineer and has gained over 28 years experience in R & D, Projects, Design & Testing and Purchase Departments. Prior to joining Kinetic Group, he worked with TELCO for over 10 years in Design and Testing Division. He joined Kinetic Group in the year 1985 and has made important contribution for indigenisation of components, development of vehicles conforming to stringent emission standards, improvement in fuel economy of vehicles, development of new models ZX Zoom and Style. He was Chief of the project for Kinetic Marvel. In view of his long association with the Company and the valuable contribution made by him, the Board is of the opinion that his being a member of the Board would be of considerable benefit to the Company.

Having regard to his knowledge and experience, the Remuneration Committee and Board of Directors consider the proposed remuneration, perquisites, benefits and amenities as reasonable and recommend that the same be approved by the members.

As per Part III of Schedule XIII to the Companies Act, 1956, appointment of Whole-time Director and payment of remuneration to him is subject to approval by a resolution of the shareholders in General Meeting and hence this Resolution. The remuneration drawn by the Appointee during the financial year 2002-03 is within the ceiling limit of remuneration prescribed under Paragraph 1(A) of Part II of Section II of the said Schedule XIII and the same is approved by the Remuneration Committee.

None of the Directors except Mr. A.M. Shirolkar is concerned or interested in the said Resolution.

Mr. A. M. Shirolkar does not hold any directorship and membership of any Committee.

Item No. 8

The Company's shares are presently listed on Madhya Pradesh Stock Exchange, Indore,

Regional Stock Exchange (MPSE), Pune Stock Exchange Limited, Pune (PSE) and The Stock Exchange, Mumbai (BSE). As per Securities and Exchange Board of India's direction, trading in the Company's shares is compulsory in demat form for all investors. There is insignificant trading of Company's shares on PSE for a long period. As such, the shareholders of the Company are not enjoying any extra benefit by continuing the listing of the Company's shares on PSE. The delisting of shares from PSE will not adversely affect the shareholders of the Company. It would further contribute to reducing administrative cost and repetitive procedures and formalities.

As per Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, for delisting of shares, a Special Resolution is required to be passed in the general meeting. Hence, the approval of shareholders is sought to the Resolution proposed at item No. 8 of the Notice for voluntary delisting of Company's shares from PSE.

The shares of the Company will continue to be listed on BSE and MPSE. There would not be any change in the capital structure of the Company post delisting.

The Board of Directors recommend this Special Resolution for your approval.

None of the Directors of the Company is interested in this Resolution.

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



V. M. ACHWAL
Company Secretary

Pune
28 th July, 2003

INFORMATION IN RESPECT OF DIRECTORS RETIRING BY ROTATION AND SEEKING RE-APPOINTMENT AT THIS ANNUAL GENERAL MEETING :

Item No. 2

Mr. P. C. Jain is Chartered Accountant and also qualified Company Secretary, besides being Law Graduate. He has gained varied experience of 26 years in the areas of Accounts, Finance, Taxation,

Costing, Secretarial, Legal etc. He has been associated with the Company for last 18 years since beginning of the scooter project. Prior to his appointment as Director (Finance), he has held important positions in the Company including Vice President (Finance). He is also on the Board of Directors of Kinetic Finance Limited, Kinetic Marketing & Services Ltd. and Kinetic Escalator & Elevators Limited and member of Audit Committee and Remuneration Committee of Kinetic Finance Limited. He is Chairman of Investors' Grievance Committee of Kinetic Finance Limited.

Item No. 3

Mr. M. Venkataiah is graduate in Mechanical Engineering with specialisation in Production Technology & Industrial Engineering. He has to his credit 38 years wide experience in automobile industry. Mr. M. Venkataiah held position of Sr. General Manager (Manufacturing and Engineering) in Bajaj Tempo Limited, responsible for complete Manufacturing Operations of the Company such as Production, Quality Control, Maintenance & Stores etc. Presently he is on the Board of Directors of Bajaj Tempo Limited. He is also Executive Director (Technical) of Jaya Hind Industries Limited responsible for manufacturing of Pressure Die Castings, Gravity Die Castings and Auto Components. He is member of Audit Committee and Shareholders' Grievance Committee of Kinetic Motor Company Limited.

Item No. 4

Mr. R. J. Kabra has completed Post Diploma in Production Engineering from V.J.T.I., Mumbai, and has gained 36 years wide experience in automobile industry at various senior positions. During the said period he has done creative research work in terms of continuous improvements in the products, process and quality. He has also made notable contribution for increasing productivity, vendor development etc. He is a member of the Indian Institution of Production Engineers, Bangalore and The Institute of Automobile Engineers, Ahmednagar. He has been awarded 'ENGINEER OF THE YEAR' by Institution of Engineers, for the year 1999. Mr. R. J. Kabra does not hold any other directorship. He is member of Audit Committee of Kinetic Motor Company Limited.

KINETIC MOTOR COMPANY LTD.**DIRECTORS' REPORT**

To
The Members,

Your Directors have pleasure in presenting the Nineteenth Annual Report and Audited Statement of Accounts of the Company for the year ended 31st March, 2003.

FINANCIAL RESULTS

	2002-03	2001-02
	(Rs. in lakhs)	
Sales and other Income	32568	38339
Gross Profit	783	2806
Depreciation	634	576
Profit before Tax	149	2230
Provision for Taxation	16	810
Net Profit	133	1420
Dividend	-	377
Tax on Dividend	-	39
Transfer to General Reserve	100	900
Profit carried Forward		
Last year	981	877
This year	1014	981

DIVIDEND

With a view to conserve the resources of the Company, the Directors do not propose to recommend any dividend for the year ended 31 st March, 2003.

MANAGEMENT DISCUSSION & ANALYSIS REPORT**Indian Two-Wheeler Industry**

During the year 2002-03, 51 lakhs Two-Wheelers were sold as against sale of 43 lakhs in the last year. The growth was driven by Motorcycle sales which recorded 30% rise, whereas the sale of Scooters and Mopeds continued to record negative sales growth.

Company's Performance

Your Directors are pleased to inform you that during the year under review Kinetic NOVA, Company's 115cc 4 Stroke engine scooter has won two awards in the very first year of its introduction, from independent reputed automobile expert magazines.

NOVA has been chosen as SCOOTER OF THE YEAR 2003 by '*Business Standard Motoring*', after putting NOVA through 2000 km evaluation at the hands of their road testers. NOVA won the second 'SCOOTER OF THE YEAR 2003' award from the reputed automobile expert magazine *Overdrive*, in conjunction with ICICI Bank. The award was given based on Overdrive's in-house testing as well as assessment of an independent jury panel comprising of senior leaders in automobile industry from India as well as abroad. NOVA won this award over other reputed nominees including Multi-National Company (MNC) brand holders.

Company produced 1,17,683 nos. and sold 1,11,929 nos. of Two-Wheelers in the year 2002-03. Company's domestic sales marginally declined to 1,11,523 nos. from 1,12,950 nos. last year. Export turnover, however received major setback with decline of 90% from 4063 nos. to 406 nos. As a result, export turnover of the Company has sharply come down to Rs. 1.82 crore from Rs. 14.17 crore. Your Company has already initiated necessary steps for establishment of a new and stronger product distribution network abroad as the agreement with Honda Motor Company Limited, Japan (HONDA) for export of your Company's products will be expiring during the current year.

Opportunities, threats, risks and concerns

With opening up of Indian economy and liberalisation of EXIM policy, many MNCs have entered into Indian Automobile market. Their aggressive marketing and pricing strategies have put tremendous pressure on margins of domestic manufacturers resulting into intense competition. In order to stand to MNC competition, the domestic manufacturers will have to strengthen themselves and focus on best product quality and after-sales service, cost rationalization, productivity improvement, rightsizing of manpower and consolidation of capacities to achieve the benefits of synergies of operations.