



22ND ANNUAL REPORT 2007

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INDIA



Businessworld



Say hello to Kinetic's new partner **SYM – Taiwan's** **\$1billion plus automotive giant**

Last year, we signed a key agreement with San Yang Industry Company Limited, a \$1.1 billion automotive giant from Taiwan for equity participation as well as a technical collaboration. The goal is to manufacture and introduce SYM's advanced technology range of models in India.

Sanyang Industry Co. Ltd. (SYM) headquartered in Hsin Chu Industrial Park in Taiwan, is a Billion dollar plus automobile giant. SYM has formidable R&D expertise and produces world-class two-wheelers from 50 to 500 cc engine capacities, including electric scooters and Fuel Injection Technology vehicles. It has more than 7,000 employees engaged in the manufacturing of motorcycles, scooters and ATV's, and has manufactured and sold over 1.22 crore two wheelers to date. SYM also has a co-operation with Hyundai Korea in manufacturing of cars in Taiwan. SYM's 3 major two wheeler production bases are in Taiwan, China and Vietnam and has tie-ups with leading international companies like International Truck, Bombardier Recreational Products and Hyundai, and has been recently rated one of the most valuable global brands of Taiwan. SYM's R&D lab has developed and perfected key technologies such as four valve engines, ceramic-coated cylinder engines which offer extraordinary durability and longevity (with "lifetime warranty"), one-piece cylinder head 4v, MIS intelligent ignition system and steadlite water resistant alloy cylinder technology. SYM has also developed and commercially marketed models with fuel-injection technology, which is becoming a crucial technology input with tighter emission norms such as Euro 3 on the anvil. For more details on SYM, please see www.sym.com.tw



SYM highlights:

1. Taiwan's \$1.1 billion automobile giant
2. Manufacturer of two wheelers, four wheelers, ATVs, LCVs among other product lines
3. Fastest growing two wheeler brand in Europe
4. 1.22 Cr two wheelers sold
5. Leader in quality with 15 quality awards
6. Five factories worldwide
7. Leader in technologies such as electric, fuel cell, lifetime warranty inducing ceramic coated cylinder
8. Leadership position in Vietnam over the Japanese manufacturers
9. Ranked as one of Taiwan's most valuable brands
10. Powerful brand built over 50 years of demonstrated excellence

Board of Directors**Mr.A. H. Firodia, *Chairman*****Air Chief Marshal H. Moolgavkar (Retd.)****Mrs.Sulajja Firodia Motwani, *Managing Director*****Mr. S. S. Marathe****Mr.Dinesh Munot****Mr. M. Venkataiah****Mr.R. J. Kabra****Mr. A. M. Shirolkar, *Director (Technical)*****Mr.Liu Wu - Hsiung****Mr.Chung Long Chen, *Executive Director***A large, semi-transparent watermark for 'Report Junction.com' is centered across the page. It features the word 'Report' in a light blue font, a yellow diamond icon with a blue arrow pointing right, and the word 'Junction.com' in a light green font.**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****Registered Office****Plot No.2, Industrial Area No.1
Pithampur, Dist. Dhar (M.P.) 454 775.****Head Office****D 1 Block, Plot No.18/2, Chinchwad
Pune - 411 019.**

NOTICE

Notice is hereby given that the 22nd Annual General Meeting of the Members of Kinetic Motor Company Limited will be held on Friday, 20th July, 2007 at 11 a.m. at the Registered Office of the Company at Plot No. 2 Industrial Area No.1 Pithampur Dist. Dhar 464 775 (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, 2007 and Profit and Loss Account for the 18 months period ended on that date together with Auditors' Report thereon.
2. To appoint a Director in place of Mr. R. J. Kabra, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. S. S. Marathe, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

5. To Appoint Mr. Liu Wu-Hsiung as a Director of the Company who was appointed as an Additional Director of the Company. As per provisions of Section 260 of the Companies Act, 1956, Mr. Liu Wu-Hsiung holds office of Director up to 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. Liu Wu-Hsiung be and is hereby appointed as a Director of the Company".

6. To Appoint Mr. Chung Long Chen as a Director of the Company who was appointed as an Additional Director of the Company. As per provisions of Section 260 of the Companies Act, 1956, Mr. Chung Long Chen holds office of Director up to 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. Chung Long Chen be and is hereby appointed as a Director of the Company."

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 Statements setting out material facts concerning Special Business under Item Nos. 5 & 6 as required under Section 173 of the Companies Act, 1956 and the information in respect of the Directors seeking re-appointment at the Annual General Meeting (Item Nos. 2, 3, 5 & 6 of the Notice) as per clause 49 of the Listing Agreement, are annexed hereto.

3. The Register of Members and Share Transfer Books of the Company will be closed from Monday, the 16th July, 2007 to Friday, the 20th July, 2007 (both days inclusive) for the purpose of Annual General Meeting.

4. 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 Company has transferred to IEPF the unclaimed dividend for the year ended 31st March, 1999 on 7/11/2006.

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 Sr. General Manager (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 of Directors
For **KINETIC MOTOR COMPANY LIMITED**



A. H. FIORDIA
Chairman

Place : Pune
Date : 21st June, 2007

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

Item Nos. 5 and 6

The Board of Directors of the Company at their Meeting held on 20th February, 2006 appointed Mr. Liu Wu-Hsiung as Additional Director of the Company. Mr. Liu Wu-Hsiung is holding position of Executive Vice President of Sanyang Industry Company Limited (SYM) at SYM's Vietnam plant. He has rich experience of 18 years in the field of finance, legal and secretarial.

The Board of Directors in its Meeting held on 27th March, 2006 appointed Mr. Chung Long Chen as Additional Director of the Company. Mr. Chung Long Chen is appointed as Executive Director of the Company by the Board of Directors for a period of 3 years w.e.f. 1st June, 2006. Mr. Chung Long Chen has obtained degree in Mechanical Engineering from University of Fon-Chia, Taichung City, Taiwan. He has been associated with SYM for last 24 years. He has worked in various departments of SYM and held responsible positions. His last assignment was in Vietnam as Vice President (Product Relationship) of SYM.

As per provisions of Section 260 of the Companies Act, 1956, Mr. Liu Wu-Hsiung and Mr. Chung Long Chen, hold office of Additional Directors upto date of the ensuing Annual General Meeting. The Company has received Notices from Members under Section 257 of the Companies Act, 1956 proposing their candidatures for the office of Director.

It is in the interest of the Company to continue to avail of services of the said Additional Directors. The Board of Directors recommend appointment of Mr. Liu Wu-Hsiung and Mr. Chung Long Chen as Directors liable to retire by rotation.

Mr. Liu Wu-Hsiung and Mr. Chung Long Chen may be deemed to be interested in respect of the Resolutions at item No. 5 and 6 respectively as the said resolutions relate to continuation of their appointment as Directors. No other Director is interested in the said Resolutions.

INFORMATION IN RESPECT OF DIRECTORS RETIRING BY ROTATION AND SEEKING RE-APPOINTMENT AT THIS ANNUAL GENERAL MEETING AS PER CLAUSE 49 OF THE LISTING AGREEMENT

Mr. R. J. Kabra

Mr. R. J. Kabra, aged 64 years, has completed Post Diploma in Production Engineering from V.J.T.I. Mumbai, and has gained 43 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 Chairman of Audit Committee and a member of various Committees of Board of Directors including Remuneration Committee and Shareholders' Grievance Committee of Kinetic Motor Company Limited.

Mr. S. S. Marathe

Mr. S. S. Marathe is MA (Economics) and has a long and distinguished career as an Economist and an Administrator. Prior to retirement as Secretary to Government of India, Ministry of Industry, he has held various important positions in the Ministry of Finance and other departments of Government of India.

He holds Directorships in Automotive Axles Ltd., Bharat Forge Ltd., Force Motors Ltd., Deepak Fertilisers & Petrochemicals Ltd., Finolex Industries Ltd., Futura Polyesters Ltd, Kirloskar Brothers Ltd., Sandvik Asia Ltd., Tata Asset Management Pvt. Ltd., Pan Gulf Group Ltd. St. Peter Port Guernsey Channel Islands, GDA Trustee & Consultancy Pvt. Ltd., Sunrise Technologies Pvt. Ltd., Life and General Associates Pvt. Ltd.

He is Chairman of Audit Committee of Bharat Forge Limited and Deepak Fertilisers & Petrochemicals Ltd. He is member of Audit Committee of Automotive Axles Ltd., Finolex Industries Ltd., Futura Polyesters Ltd. Kirloskar Brothers Ltd. and Sandvik Asia Ltd.

He is member of Shareholders' Grievance Committee of Automotive Axels Ltd. Finolex Industries Ltd. He is also member of Remuneration Committee of Kirloskar Brothers Ltd.

Mr. Liu Wu-Hsung

Mr. Liu Wu-Hsung, aged 42 years, is working as Executive Vice President of Sanyang Industry Company Limited, presently stationed at Vietnam. He has rich experience of 18 years in the field of finance, legal and secretarial. He does not hold any other directorship of a Company and is not a member of any Committee of Board of Directors of any Company.

Mr. Chung Long Chen

Mr. Chung Long Chen, aged 48 years, has obtained degree in Mechanical Engineering from University of Fon-Chia, Taichung City, Taiwan. He has been associated with SYM for last 24 years. He has worked in various departments of SYM and held responsible positions. His last assignment was in Vietnam as Vice President (Product Relationship) of SYM. He does not hold any other directorship of a Company and is not a member of any Committee of Board of Directors of any Company.

DIRECTORS' REPORT

To
 The Members,

Your Directors present their Report on the business and operations of your Company for the period ended 31st March 2007

FINANCIAL RESULTS

The Accounting Year of the Company is for a period of 18 months ending 31st March, 2007. The Statement of Accounts has been prepared accordingly.

| | <i>Accounting Year ended 31.03.2007 (Rs. in Lakhs)</i> | <i>Accounting Year ended 30.09.2005 (Rs. in Lakhs)</i> |
|---------------------------------------|--|--|
| Gross Sales and Other Income | 26013 | 24718 |
| Net Profit / (Loss) for the period | (7858) | (4601) |
| Profit / (Loss) carried forward | | |
| Last Year | (5721) | (1120) |
| This Year | (13579) | (5721) |

During the Accounting Year ended 31st March, 2007 ('period under review') your Company produced 69,321 nos. Two-wheelers as against 72,237 nos. in the Accounting Year ended 30th September, 2005 ('previous period'). During the period under review, your Company sold 80,841 nos. of Two Wheelers as against sale of 79,972 nos. in the previous period. In order to maintain brand presence, the company has absorbed the increase in cost of inputs and applied aggressive pricing strategies. Lower sales volume coupled with increased cost of inputs, which were not fully passed on to customers, have resulted in loss for the period under review. However, with the benefits of consolidation of Two-wheeler business, new launching of scooter models from SYM and Italiano series, your Company expect to improve its performance in the coming years.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Technical Collaboration:

- During the period under review your Company entered into an agreement for equity participation and technical collaboration with Sanyang Industry Company Limited, a \$1.1 billion automotive giant

from Taiwan, having manufacturing bases in Taiwan, China and Vietnam. Sanyang Industry Company Limited (SYM), subscribed to 20,65,000 Equity shares in the Company @ Rs. 65 per share. With this Technical Collaboration, your Company plans to manufacture and introduce SYM's advanced technology range of models in India.

SYM's R&D lab has developed and perfected key technologies such as four valve engines, ceramic-coated cylinder engines which offer extraordinary durability and longevity (with "lifetime warranty"), one-piece cylinder head, MIS intelligent ignition system and steadite water resistant alloy cylinder technology. SYM has also developed and commercially marketed models with fuel-injection technology, which is becoming a crucial technology input with tighter emission norms such as Euro 3 on the anvil.

Business Restructuring

Members may recall that your Company is engaged in manufacturing of Scooters for last two decades. As a part of business restructuring and Company's ambition to be globally recognized, your Company immensely need to expand its business operations by undertaking manufacturing, selling and exporting of wider range of products including additional scooters, motorcycles and mopeds.

During the period under review, your Company completed its business restructuring by acquiring Moped and Motor Cycle manufacturing facilities from Kinetic Engineering Limited (KEL). Thus, your Company has consolidated its Two Wheeler business and now it is manufacturing full range of Two Wheelers viz, Mopeds, Scooterettes, Scooters and Motor Cycles.

This acquisition was done on Slump Sale basis for a consideration of Rs.53.50 crore. A part of the purchase consideration i.e Rs.30 crore was discharged by issue of 15,30,000 Convertible Cumulative Preference Shares of Rs. 65 each, 23,15,500 Optionally Convertible Cumulative Preference Shares of Rs. 65 each and 7,70,000 Redeemable Cumulative Preference Shares of Rs.65 each. The balance of the purchase consideration shall be paid/adjusted as may be mutually agreed between the parties.

Financial Restructuring

During the period under review, your Company strove to explore, evaluate and implement various models for Financial and Business Restructuring for turnaround in future. In the process of implementing various initiatives taken by the Company for financial restructuring, the Promoter's

Group extended their full support to your Company.

The Companies in Promoters' Group viz. Kinetic Engineering Limited (KEL), Micro Age Instruments Private Limited (MAIPL) and Jaya Hind Sciaky Limited (JHS), subscribed to a combination of Convertible / Optionally Convertible / Redeemable Preference Shares of the Company for an aggregate amount of Rs. 55 crore,

Further, Citicorp Finance (India) Limited (CFIL), a part of Citigroup of USA also invested in your Company by way of subscribing to Equity Warrants and combination of Convertible and Non-Convertible Debentures. Your Company had issued and allotted 15,00,000 Equity Warrants of Rs. 65 each to CFIL. Each Warrant is convertible in one fully paid-up Equity share of Rs.10 each at a premium of Rs. 55 per share, within 18 months from the date of allotment, at option of CFIL. CFIL were also issued and allotted 15,00,000 Fully Convertible Secured Debentures of Rs.65 each, compulsorily convertible into 15,00,000 fully paid-up Equity shares of Rs.10 each at a premium of Rs.55 per share, 25,00,000 Secured Non-Convertible Debentures (NCDs) of face value of Rs.100 each and 9,00,000 NCDs of face value of Rs. 100 each.

As a part of Financial Restructuring, during the period under review, your Company has also issued 14,18,000 equity shares to India's leading media house, Bennet Coleman & Co. Ltd. (BCCL), Mumbai on preferential basis. BCCL has identified your Company with high growth potential and strong brand values and has chosen to invest in your Company. The proceeds of the issue is utilized towards the Brand building exercise.

Research & Development And Technology Absorption

In the first Quarter of Calendar year 2006, your Company launched 165cc powerful Scooter Model "Blaze" from "italiano" range of modern scooter models, which has received encouraging market feedback. 'Blaze' is winner of five awards from eminent experts, maximum number of product awards ever in a year by any two wheeler in India. "Blaze" is a combination of style, comfort, stability, performance and technology.

The development of first SYM product is in final stage of testing and the product development result will be confirmed by SYM Headquarter. The scooter will be launched shortly after confirmation by SYM, Taiwan.

Our R&D team continues its efforts for improvement in current Models based on customer's feedback and preferences. The

benefits from R & D activities include availability of wider range of products to customers, improvement in product performance, customer satisfaction etc. Total expenditure incurred by the company on Research & Development (R&D) during the period under review was Rs. 542 lakhs which represents 2.46% of the company's turnover.

Industry Overview

During the year 2006-07, 78.57 lakhs Two-wheelers were sold in India. Motorcycles, Scooters and Mopeds accounted for 83%, 12% and 5% of total Two-Wheeler sales respectively. Motorcycle, Scooter and Moped segments recorded growth of 12.79%, 3.48% and 6.95% respectively.

Opportunities, threats, risks and concerns

Indian Two-Wheeler market is growing rapidly and expected to cross 12 Million units by 2011. Ungeared scooter market is also growing rapidly and is estimated to be around 1.5 to 1.8 Million units by 2011. With a booming economy, better infrastructure, faster and deeper penetration amongst female customers and new launches expected, we may expect growth in scooter market to be faster and larger, as is the trend observed in many international markets like Vietnam, Europe and others. The current scooter market in India has limited competition with a few brands in the market. Your Company plans to explore this opportunity by launching new products from its available international alliances like Italjet & SYM which will ensure us to launch unique scooters of international standards and increase our market share. A larger market shall attract stronger competition and Your Company requires to constantly innovate and ensure technological superiority and new model launches.

Outlook

Your Company has received encouraging market feedback for Company's new motoscooter 'Blaze' which has been well accepted by the customers in the market, and having received 5 awards as the country's scooter of the year from reputed automagazine experts and design houses. For the coming quarters, the company has planned strategic launches of products that shall enable the company to increase its market share. The company expects to launch Kinetic SYM scooter Model in third Quarter of the calendar year 2007. This model is an existing model from the SYM range and is one of SYM's best selling models internationally for the scooterette category. Parallely the company will also launch other italjet scooters to gain new grounds for the scooter category and also explore superior electric

scooters, which is a new and growing market segment. Your Company continues its efforts to open new dealerships in important cities to cater local demands and provide better services to customers. The restructuring initiatives are also continuing. All these efforts, barring unforeseen circumstances, would help increase in sales volumes and improvement in financial position in the years to come.

Financial performance vis-à-vis Operational performance:

Sales and Other Income

Sales and other income in the period under review were Rs. 260 crores as against Rs. 247 crores in the previous period.

Margin

The company reported a net loss of Rs. 78.58 crores in the period under review as against net loss of Rs. 46.01 crores in the previous period.

Interest Cost

Interest cost in the period under review was Rs. 10.40 crores as against Rs. 6.67 crores in the previous period.

Inventory

Inventory for the period under review was Rs. 35 crores as against Rs. 25 crores in the previous period.

Debtors

Debtors for the period under review were Rs. 32 Crores as against Rs. 36 crores in the previous period.

Internal Control System

Your 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.

Human Resource Development

During period under review, HR Department conducted programmes for training, health and safety of employees for development of their capabilities. As a result of acquiring Two Wheeler business during the period under review, the number of employees increased to 1197 as on 31st March 2007. Throughout the period under review, the relationship with labour has been cordial.

Cautionary Statement

This 'Management & Discussion Analysis Report' is a 'forward looking statement', based on

company's projections, estimates and perceptions about socio-economic conditions, government policies etc. The company does not guarantee its accuracy and cautions that circumstance beyond control of the Management may affect the actual working.

FOREIGN EXCHANGE EARNINGS AND OUTGO

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

CONSERVATION OF ENERGY

The energy conservation cell of the company creates awareness among employees for energy conservation and also encourages employees for efficient utilization of energy within the organization by means of imparting training, displaying posters, control usage & massaging through e-mails. Following measures for conservation of energy were taken during the period under review :

- 1) Maintaining the plant power factor to unity by the effective monitoring which has helped the Company to get maximum Power Factor incentive (Rs.15.80 lacs) from Madhya Pradesh Paschim Kshetra Vidyut Vitran Co.Ltd.
- 2) Implementation of the Demand Side Management within the organization helped in reduction of Maximum Demand & system losses to the great extent.
- 3) Switched Off non-essential loads in logical sequence during non-productive hours like Air compressors, shops & street lightings, idle running of machines.
- 4) Company participated in the National Campaign on Energy Conservation 2006 and Organized an Awareness programme on Energy Conservation Methods & Techniques for school children in Feb'2006 and for employees in May '2006 under the guidance of Bureau of Energy Efficiency, Ministry of Power.
- 5) Compressed air leakage testing in regular intervals & prevention of air leakages resulted in saving of Rs.0.30 lacs/Month.

Future plans for Energy Conservation:

- 1) Installation of 2 nos. Air Booster for High Speed CNC Chiron machines.
- 2) To conduct Energy Audit by an accredited Energy Auditor & implementation of energy conservation measures suggested by the auditor.
- 3) Installation of VVVF drives for ABS paint shop ARP unit & pumps.
- 4) Replacement of electrical heating system by solar heating system for Canteen, guesthouse & housing colony.

- 5) Replacement of AC Sheet by Translucent sheet in Production Hall no.2.
- 6) Installation of Automatic Power Factor Controls in place of Manual controls.
- 7) Incorporate OFF Timers for 25 machines running idle for more than 5 minutes.
- 8) Replace 400 W HPMV lamps with 250W Metal Halide Energy Efficient lamps for Production hall no.2 & 3.
- 9) Under Compressed Air Management & control to collect the data of individual shopwise compressed air requirement & to act accordingly.

DIRECTORS' RESPONSIBILITY STATEMENT

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

1. In preparation of the accounts for the period under review, your company has followed the applicable accounting standards.
2. Appropriate accounting policies have been selected and applied consistently and have made judgments 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 31st March, 2007 and of the loss of the Company for the period 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 period under review have been prepared on a 'Going Concern' basis.

CORPORATE GOVERNANCE

Your Company is implementing Corporate Governance code as per the Listing Agreement with Stock Exchange. A separate Report on Corporate Governance is given as Annexure to the Directors' 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 and forming part of this Report. However, as per the provisions of Section 219(1)(b)(vi) of the

Companies Act, 1956, the Report and Annual Accounts are being sent to the shareholders of the Company, excluding the particulars of employees. Any shareholder interested in obtaining a copy of the said Statement may write to the Company.

DIRECTORS

During the period under review, Mr. Liu Wu-Hsiung and Mr. Chung Long Chen were inducted on the Board as Additional Directors. Further Mr. Chung Long Chen was also appointed as Executive Director of the Company for a period of 3 years w.e.f. 01/06/2006. Both are the Nominees of SYM. They hold office as Additional Directors 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 their candidature for the office of Director.

Mrs. Sulajja Firodia Motwani was appointed as Managing Director of the Company for a period of 5 years w.e.f. 4th May, 2006.

Mr. R.J. Kabra and Mr. S. S. Marathe, liable to retire by rotation, offers themselves for re-appointment.

AUDITORS

The Auditors, M/s. A. F. Ferguson & Co, Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible, have given their consent for re-appointment.

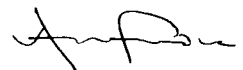
FIXED DEPOSITS

The company has not accepted any fixed deposit from public during the period under review.

ACKNOWLEDGEMENT

Your Directors appreciate support from Financial Investors and cooperation received from vendors and dealers. The Board of Directors wishes to thank Central Government and Government of Madhya Pradesh, and banks for their cooperation. The Directors also wish to thank our 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



Place : Pune
Date : 21st June, 2007

A. H. FIRODIA
Chairman

REPORT ON CORPORATE GOVERNANCE FOR THE 18 MONTHS PERIOD ENDED 31ST MARCH, 2007.

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 maximise their wealth. The stakeholders may be Promoters, Shareholders, Customers, Lenders, Dealers, Vendors, Government or Employees. Your Company is committed for implementation of good corporate governance practices in the interest of its stakeholders.

Composition of Board of Directors

The Board of Directors consists of 10 Directors. The number of Non-Executive Directors is more than fifty per cent of the total number of directors. Independent Directors are one-half of the total strength. Details of Directors, their Directorships / Memberships in Committees of other Companies and attendance at Board / Annual General Meeting of Kinetic Motor Company Limited (KMCL) are as under:

| Name of Director | Category | No. of KMCL Board Meetings Attended | Attendance at last AGM of KMCL | No. of Other Directorships in Public Limited Companies as on 31/3/2007 | Committee Membership of Other Companies as on 31/3/2007 | |
|--|------------|-------------------------------------|--------------------------------|--|---|----------|
| | | | | | Member | Chairman |
| Mr. A. H. Firodia | P, ED, NI | 15 | Yes | 6 | Nil | Nil |
| Air Chief Marshal H. Moolgavkar (Retd.) | NED, I | 13 | No | Nil | Nil | Nil |
| Mrs. Sulajja Firodia Motwani | P, ED, NI | 13 | No | 2 | Nil | Nil |
| Mr. S. S. Marathe | NED, I | 2 | No | 9 | 9 | 2 |
| Mr. Dinesh Munot | NED, I | 12 | No | 2 | Nil | Nil |
| Mr. M. Venkataiah | NED, I | 12 | No | 2 | Nil | Nil |
| Mr. R. J. Kabra | NED, I | 14 | Yes | Nil | Nil | Nil |
| Mr. A. M. Shirolkar | ED, NI | 13 | No | Nil | Nil | Nil |
| Mr. Lie Wu-Hsiung (appointed w.e.f. 20/2/2006) | NED, NI, N | 2 | No | Nil | Nil | Nil |
| Mr. Chung Long Chen (appointed w.e.f. 01/06/2006) | ED, NI, N | 6 | No | Nil | Nil | Nil |

ED: Executive Director, NED: Non-Executive Director, I: Independent Director

NI: Not considered as Independent Director, P: Promoter, N: Nominee of Financial Investor viz. Billion Ally Limited, a wholly owned subsidiary company of Sanyang Industry Company Limited.

During the 18 months period ended 31st March, 2007 (hereinafter referred to as 'the period under review'), 16 Board Meetings were held on 11/10/2005, 21/11/2005, 1/12/2005, 10/1/2006, 30/1/2006, 20/2/2006, 27/3/2006, 28/4/2006, 21/6/2006, 29/7/2006, 16/8/2006, 30/9/2006, 30/10/2006, 22/11/2006, 31/1/2007 and 26/2/2007. The maximum time gap between any two Board Meetings was not more than four months. The Company did not have any pecuniary relationship or transactions with Non-Executive Directors except for payment of sitting fees during the period under review.

The Board reviews Compliance Report of all laws applicable to the Company, prepared by the Company as well as steps taken by the Company to rectify instances of non-compliance.