



24th

ANNUAL REPORT
2008 - 2009

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KINETIC MOTOR COMPANY LTD.

Board of Directors

Mr. A. H. FIRODIA

Chairman

Mrs. SULAJJA FIRODIA MOTWANI

Managing Director

Mr. DINESH MUNOT

MR. M. VENKATAIAH

Mr. S. R. KOTecha

Mr. R. J. KABRA

Mr. LIU WU - HSIUNG

Auditors

M/s. Lakhani & Co.

Chartered Accountants, Mumbai

Registered Office

429-A, Jain Shripal Bhavan, Clerk Colony,

Pardeshipura, Indore, PIN - 452011, M.P.

Corporate Office

D-1 Block, Plot No. 18/2, Chinchwad, Pune - 411019

NOTICE

Notice is hereby given that the 24th Annual General Meeting of the Members of Kinetic Motor Company Limited will be held on Tuesday, 30th March, 2010 at 11 a.m. at Hotel Surya, Surya Circle (near Dhakkanwala Kuan), 5/5 Nath Mandir Road, South Tukoganj, Indore, Pin - 452 001, M.P., to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 30th September, 2009 and the Balance Sheet as at that date, together with the Report of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. R. J. Kabra, who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Mr. Liu Wu Hsiung, who retires by rotation and is eligible for reappointment.
4. To appoint Auditors and fix their remuneration.

Notice), as per Clause 49 of the Listing Agreement, is annexed hereto.

- The Register of Members and Share Transfer Books of the Company will be closed from Thursday, 25th March, 2010 to Tuesday, 30th March, 2010 (both days inclusive), in accordance with the requirements of Clause 16 of the Listing Agreement.
- Pursuant to the provisions of Sections 205A and 205C of the Companies Act, 1956, inter-alia, all unclaimed / unpaid dividend, remaining unpaid or unclaimed for a period of 7 years from the date those are transferred to the special account in terms of the provisions of the said Sections, have been transferred to the Investors' Education and Protection Fund (IEPF) established by the Central Government.
- Members desirous of obtaining any information concerning the accounts or operations of the Company are requested to address their queries to Secretarial Department, so as to reach the Company at least 10 days before the date of the meeting.

By Order of the Board of Directors

Sulajja Firodia Motwani
Managing Director

NOTES :

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE SAID MEETING IS ENTITLED TO APPOINT A PROXY, TO ATTEND AND VOTE INSTEAD OF HIMSELF, AND THE PROXY NEED NOT BE A MEMBER. The Proxy as per the format included in the Annual Report should be returned duly completed to the Registered Office of the Company not less than FORTY-EIGHT HOURS before the time for holding the Meeting. Proxies submitted on behalf of limited companies, societies, partnership firms, etc. must be supported by appropriate resolution / authority, as applicable, issued by the member organization.
- The Explanatory Statement setting out the information in respect of the Directors seeking appointment / re-appointment at the Annual General Meeting (Item Nos. 2 & 3 of the

Pune, 1st March, 2010

Regd. Office :

429-A, Jain Shripal Bhavan,
Clerk Colony, Pardeshipura,
Indore, PIN - 452011, M.P.

ANNEXURE

Information as required under Clause 49 of the Listing Agreement, in relation to the directors seeking re-appointment at the ensuing Annual General Meeting :

Item Sr. Nos. 2 & 3

Mr.R. J. Kabra

Mr.R.J.Kabra, aged 68 years, has completed Post Diploma in Production Engineering from V.J.T.I. Mumbai, and has gained 47 years wide experience in automobile Industry at various senior positions.

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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.Liu Wu Hsiung

Mr.Liu Wu-Hsiung, aged 45 years, is working as Executive Vice president of Sanyang Industry Company Limited, presently stationed at Vietnam. He has rich experience of 21 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.

By Order of the Board of Directors

Sulajja Firodia Motwani
Managing Director

Pune, 1st March, 2010

Regd. Office :
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DIRECTORS' REPORT

To
The Members,

Your Directors present their Report on the business and operations of your Company for the period ended 30th September, 2009.

FINANCIAL RESULTS

	<i>Accounting Year ended on 30.09.2009 (Rs. in Lakhs)</i>	<i>Accounting Year ended on 30.09.2008 (Rs. in Lakhs)</i>
Gross Sales and Other Income	3422	17595
Net Profit / (Loss) for the period	9763	(11482)
Profit / (Loss) carried forward		
Last Year	(25060)	(13579)
This Year	(15299)	(25060)

During this year, considering the highly competitive market situation in two wheeler market, the Company has aligned itself with the Mahindra and Mahindra Group and as part of its business restructuring, the Company has transferred its 2-wheeler business related assets to a Mahindra group company (Mahindra Two Wheelers Limited), for cash and equity mix, which sale was completed in November, 2008. During the Accounting Year ended 30th September, 2009 ('period under review') as a result of the transfer of the business assets to Mahindra Two Wheelers Ltd., your Company had not produced two-wheelers post transaction finalisation, as against 47832 nos. in the Accounting Year ended 30.9.2008 ('previous period'); and during the period under review, your Company sold 996 numbers of two-wheelers as against a sale of 53378 numbers in the previous period.

MANAGEMENT DISCUSSION & ANALYSIS REPORT**Business Restructuring**

Due to intense competition, and entry of multinational giants in Indian market, your

Company had been suffering losses in the past few years. In order to protect the interests of the various stakeholders, your Company, therefore, has been evaluating different options. In the process, your Company could finalise and complete a deal with Mahindra & Mahindra Limited. Pursuant to the deal, the two wheeler business related assets were transferred to Mahindra Two Wheelers Limited, a subsidiary of Mahindra & Mahindra Limited, for a cash consideration of Rs.110 crore and a 20% equity stake in Mahindra Two Wheelers Limited.

Post restructuring, your Company has also been evaluating different avenues for starting a new business.

Financial Restructuring

During the period under review, the funds available from the sale of assets relating to the two wheeler business of the Company, have been utilised for settling various liabilities of the Company, including all the secured lenders, thereby making your Company 100% free from secured debt. Further, out of the remaining funds, the Company is continuing the process of settlement of unsecured creditors.

As a part of the deal with Mahindra & Mahindra Limited w.r.t. two wheeler business, the corporate mark & logo "KINETIC", which has been licensed to your Company from Kinetic Engineering Ltd., was sub-licensed to Mahindra Two Wheelers Limited, for which correspondingly an extension of licence for a period of 25 years, has been obtained from Kinetic Engineering Limited, and in part consideration thereof during the period under review, the Company has issued Redeemable Preference Shares of the value of Rs. 5 crore to Kinetic Engineering Limited.

Research & Development And Technology Absorption

During the period under review, the Company has not acquired any new technology, and there were no research and development activities

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undertaken by the Company, as the company has focused on completion of restructuring during the year.

Industry Overview

The Company has made a strategic investment of 20% in the equity of Mahindra Two Wheelers Limited (MTWL). MTWL operates in the area of two wheelers and manufactures two wheelers at the well established Pithampur factory. MTWL has also launched new models or variants of scooters in the last few months, with a view to expand the scooter sales; and as reported to SIAM, have reached a sale of 8,000 scooters per month and a market share of approximately 8% in the scooter segment. With the growing trend in the sales of two wheelers in India, we remain optimistic about the prospects of MTWL and thereby, of generating value from our investment in that company.

Opportunities, threats, risks and concerns

The Company having sold its assets relating to two wheeler business in November, 2008 as above, is cautiously optimistic regarding the future prospects and opportunities for its associate, MTWL in the long term.

Your company has been able to pay off its debts, significantly reduce its creditors and greatly reduce its operating cost. As a result, the company has arrested the losses that were being made in previous years and greatly reduced the liabilities that were outstanding as of previous period. The Company has also greatly reduced its operating cost base, as the same have been transferred to MTWL by way of transfer of maximum number of employees and other operations.

After completing above restructuring, your company is now exploring opportunities for new businesses as well.

Outlook

After having sold its assets relating to two wheeler business in November, 2008 and after paying off its secured debts and substantially reducing its other liabilities, your Company is now evaluating different avenues for newer businesses. Company remains optimistic that the investment made in Mahindra Two Wheelers Limited, in terms of 20% equity stake will appreciate in coming years and create value for the shareholders of the Company.

After completing above restructuring, your company is now exploring opportunities for new businesses as well. However, it may take some time for the Company to identify a new business and build revenues from the same.

Financial performance vis-à-vis Operational performance:**Sales and Other Income**

Sales and other income in the period under review were Rs.34.22 crores as against Rs. 176 crores in the previous period, due to discontinuance of two-wheeler business.

Margin

The company reported a net profit of Rs.97.63 crores in the period under review as against net loss of Rs. 114.82 crores in the previous period. The profit has mainly accrued on account of restructuring, leading to profit on sale of assets and settlement of various liabilities.

Interest Cost

Interest cost in the period under review was Rs.0.36 crores as against Rs. 12.88 crores in the previous period, as the Company has paid off its secured loans.

Inventory

Inventory for the period under review was Rs. 0.67 crores as against Rs. 22.83 crores in the previous period.

Debtors

Debtors for the period under review were Rs.3.63 crores as against Rs. 4.83 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 the period under review, most of the employees were transferred to Mahindra Two Wheelers Limited. Throughout the period under review, the relationship with the remaining employees has been cordial.

Cautionary Statement

This 'Management & Discussion Analysis Report' contains 'forward looking statements, based on Company's projections, estimates and perceptions about socio-economic conditions, government policies etc. The Company does not guarantee their 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 14, Notes to the Accounts (Point Nos. 12, 13 and 14)

CONSERVATION OF ENERGY

Present level of the energy consumption of the Company is very insignificant.

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 30th September, 2009 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

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with Companies (Particulars of Employees) Rules, 1975 are contained in a Statement 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. A. M. Shirolkar and Mr. Chung Long Chen resigned as directors of the Company.

Mr. R. J. Kabra & Mr. Liu Wu Hsiung are liable for retirement by rotation at the ensuing AGM of the Company, and they are eligible for reappointment.

Mr. Arun H Firodia and Mrs. Sulajja Firodia Motwani, directors, are related to each other.

AUDITORS

The Auditors M/s Lakhani & Co, Chartered Accountants, hold their office until the conclusion of the ensuing AGM, and have furnished a certificate in terms of Sec. 224(1) of the Companies Act, 1956, about their eligibility.

FIXED DEPOSITS

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

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

A. H. FIRODIA
Chairman

Pune, 8th January, 2010



REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH SEPTEMBER, 2009.

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 during the year consisted of 9 Directors and as at 30th September, 2009 of 7 directors. The number of Non-Executive Directors is more than fifty per cent of the total number of directors. Independent Directors are atleast 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 30/9/2009	Committee Membership of Other Companies as on 30/9/2009	
					Member	Chairman
Mr. A. H. Firodia	ED	3	No	6	Nil	Nil
Mrs. Sulajja Firodia Motwani	ED	6	No	3	Nil	Nil
Mr. Dinesh Munot	IND	2	No	2	Nil	Nil
Mr. M. Venkataiah	IND	4	No	Nil	Nil	Nil
Mr. R. J. Kabra	IND	3	Yes	Nil	Nil	Nil
Mr. Chung Long Chen	ED	1	No	Nil	Nil	Nil
Mr. Lie Wu-Hsiung	Nominee	0	No	Nil	Nil	Nil
Mr. S. R. Kotecha	IND	7	No	1	Nil	Nil

ED : Executive Director, IND : Independent Director

During the 12 months period ended 30th September, 2009 (hereinafter referred to as 'the period under review'), 7 Board Meetings were held on 19/12/2008, 31/01/2009, 02/04/2009, 30/04/2009, 05/06/2009, 31/07/2009, and 08/08/2009. 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.

Code of Conduct

The Board has laid down a code of conduct for all Board members and senior management of the Company.

All Board Members and senior management have affirmed compliance with the code of conduct on an annual basis and the Annual Report contains declaration to that effect signed by the Managing Director of the company.

The Company has laid down procedures to inform Board about risk assessment and minimization procedures. These procedures are periodically reviewed by executive management to control the risks.

Audit Committee

The Audit Committee consists of 4 members viz Mr. R. J. Kabra as Chairman, Mrs. Sulajja Firodia Motwani, Mr. M. Venkataiah and Mr. S. R. Kotecha. Two-third of the members of the Audit Committee are Independent Directors. All members of the Audit Committee are financially literate and one member has accounting and related management expertise. The terms of reference of Audit Committee include reviewing the Quarterly and annual financial statements before submission to the Board, to take note of report on statutory compliance, ensure compliance of timely payment of statutory dues and review other matters as per requirements of Corporate Governance. The Audit Committee reviews Internal Control reports of the Internal Auditor and meets Internal and Statutory Auditors periodically for discussions and suggestions. Disclosures were made to Audit Committee about uses/application of funds raised by the Company through Preferential issues of securities.

During the period under review, 5 Audit Committee Meetings were held on 19/12/2008, 31/01/2009, 02/04/2009, 30/4/2009 and 31/07/2009. The time interval between two meetings was not more than four months. Directors' attendances at the meetings were as follows:

Name of Director	No. of Meetings attended
Mr. R. J. Kabra	2
Mr. M. Venkataiah	4
Mrs. Sulajja Firodia Motwani	4
Mr. S. R. Kotecha	5

The meetings of Audit Committee are also attended by Head of Finance Department, Internal Auditors, Statutory Auditors, Cost Auditor and other senior executives on invitation.

Chairman of the Audit Committee was present at the last Annual General Meeting held on 19/01/2009.

Remuneration Committee

The Remuneration Committee consists of 3 Non-Executive Independent Directors viz Mr. Dinesh Munot as Chairman, Mr. R. J. Kabra and Mr. S. R. Kotecha, as Members. The terms of reference of the Remuneration Committee include fixation of salary, perquisites etc to Executive Directors.

For the purpose of fixing the amount of remuneration of Executive Director, the Remuneration Committee takes into account various factors viz. remuneration package offered to senior directors in the automobile and engineering industry, trends in industry, financial position of the Company, performance of the Executive Director, his qualification, experience and past remuneration, terms of employment etc.