



25th
ANNUAL REPORT
2009-2010

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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

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Registered Office :

429-A, Jain Shripal Bhavan, Clerk Colony,

Pardeshipura, Indore, M.P. PIN - 452011

Corporate Office :

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

NOTICE

Notice is hereby given that the 25th Annual General Meeting of the Members of Kinetic Motor Company Limited will be held on Monday, 28th March, 2011 at 11:30 a.m. at Hotel Surya, Surya Circle (near Dhakkanwala Kuan), 5/5 Nath Mandir Road, South Tukoganj, Indore, PIN - 452001, 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, 2010 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. Dinesh Munot, who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Mr. M. Venkataiah, who retires by rotation and is eligible for reappointment.
4. To appoint Auditors and fix their remuneration.
2. A 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 Notice), as per Clause 49 of the Listing Agreement, is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will be closed from Thursday, 24th March, 2011 to Monday, 28th March, 2011 (both days inclusive), in accordance with the requirements of Clause 16 of the Listing Agreement.
4. 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.
5. 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.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE SAID MEETING IS ENTITLED TO APPOINT A PROXY, TO ATTEND AND VOTE INSTEAD OF HIMSELF, AND THE PROXY NEED NOT BE A MEMBER. The Proxy as per the format included in the Annual Report should be returned 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.

By Order of the Board of Directors

Sulajja Firodia Motwani
Managing Director

Pune : February 12, 2011

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

ANNEXURE

Item Sr. Nos. 2 & 3

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

Mr. Dinesh Munot is a professional Engineer having to his credit over 36 years experience in Automobile Industry. He is the past president of Automotive Components Manufacturer's Association of India, an apex body representing automotive component manufacturers from all over India.

Mr. M. Venkataiah, age 69 years, is a MIE graduate and has started his career as Planning Engineer and has wide experience of over 43 years in

Automobile Design, Manufacturing process, Tool designing, Capital Goods procurements, etc.

None of the directors other than the above two directors, is to be considered as interested in the proposed resolutions.

By Order of the Board of Directors

Sulajja Firodia Motwani
Managing Director

Pune : February 12, 2011

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



DIRECTORS' REPORT

To
The Members,

Your Directors present their Report on the business and operations of your Company for the year ended 30th September, 2010.

FINANCIAL RESULTS

	<i>Accounting Year ended on 30th September, 2010 (Rs. in Lakhs)</i>	<i>Accounting Year ended on 30th September, 2009 (Rs. in Lakhs)</i>
Gross Sales and Other Income	762	3422
Net Profit / (Loss) for the period	(605)	9763
Profit / (Loss) carried forward		
Last Year	(15300)	(25060)
This Year	(15906)	(15300)

After transferring its 2-wheeler business related assets to a Mahindra group company (Mahindra Two Wheelers Limited) as part of its business restructuring, in November, 2008, the Company has aligned itself with the Mahindra and Mahindra Group. As a result of the transfer of the business assets to Mahindra Two Wheelers Limited, during the Accounting Year ended 30th September, 2010 ('period under review'), the Company has not produced any two-wheelers. During the period under review, the Company has sold from out of its stocks 100 no.s of two-wheelers as against a sale of 996 no.s in the previous period.

During the year, the company has transferred / sold off its manufacturing unit (land and building) at Supa near Ahmednagar, to Mahindra Two Wheelers Limited (MTWL), pursuant to the agreement relating to transfer / sale of its two wheeler business related assets. The other assets relating to the Supa unit, were transferred / sold to MTWL, in the month of November, 2010.

MANAGEMENT DISCUSSION & ANALYSIS REPORT**Business Restructuring**

After transferring its 2-wheeler business related assets to a Mahindra group company (Mahindra Two Wheelers Limited) as part of its business restructuring, in November, 2008, the Company has been evaluating different avenues for newer businesses. Recently it has succeeded in commencing the trading and marketing of Postal Soleckshaw - a power driven light-duty 3-wheeler carrier, intended to be used by postal services. The Company expects the concept of Postal Soleckshaw to get accepted well in the market. The Company also aims to undertake further developmental work, for exploring newer applications of the concept.

Financial Restructuring

After utilizing the funds available from the sale of two-wheeler business related assets, for settling secured lenders and various other liabilities, during the year under review the Company has continued the process of settlement of unsecured creditors.

During the year, 8,71,795 6% Compulsorily Convertible Cumulative Preference Shares of Rs.39 each, were converted into equity shares of Rs. 10 each, at a premium of Rs.29 each.

Further, during the year, the Company issued and allotted 56 lac Optionally Convertible Cumulative Preference Shares (OCCPS) of Rs.14.20 each, through preferential allotment, in terms of the SEBI DIP Guidelines. Out of these, 18 lac OCCPS were converted into equity shares of Rs.10 each, at a premium of Rs.4.20 each.

Research & Development And Technology Absorption

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

Industry Overview

The Company has a strategic investment, in terms of holding of 20% equity of Mahindra Two Wheelers

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Limited (MTWL). MTWL operates in the fast growing market of two wheelers, and manufactures two wheelers at the well established Pithampur factory. MTWL has earlier launched two new models / variants of scooters last year reached a monthly sales level of about 16000-17,000 numbers in the scooter segment. MTWL achieved a yoy growth of over 50% as compared to the industry growth of about 28%, as reported in SIAM (Jan,2011).

MTWL recently also announced their plans of an aggressive foray into motorcycles and have entered the large-potential market segment of motor-cycles by launching a new motorcycle, the 110 cc Stallio.

Opportunities, threats, risks and concerns

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

The concept Postal Soleckshaw is still in its infant stage, and needs to meet the rigors of the real life situations, for its future success.

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, and after embarking upon the new business of trading and marketing of Postal Soleckshaw, the Company is now evaluating different avenues for further 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.

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

Sales and other income in the period under review were Rs. 7.62 crores as against Rs. 34.22 crores in the previous period, due to discontinuance of two-wheeler business.

Margin

The company reported a net loss of Rs.6.05 crores in the period under review as against net profit of Rs. 97.63 crores in the previous period. The loss is due to discontinuation of two-wheeler business.

Interest Cost

Interest cost in the period under review was Rs. 0.12 crores as against Rs. 0.36 crores in the previous period.

Inventory

Inventory for the period under review was Rs. 0.60 crores as against Rs. 0.67 crores in the previous period.

Debtors

Debtors for the period under review were Rs. 1.34 Crores as against Rs. 6.08 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. With a view to ensure better internal control systems, 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 13, Notes to the Accounts (Point Nos.8, 9 and 10)

CONSERVATION OF ENERGY

The present level of 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, 2010 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

The Company is implementing Corporate Governance code as per the Listing Agreement with Stock Exchanges. A separate Report on Corporate Governance is given as Annexure to the Directors' Report.

REGISTERED OFFICE

The Registered Office of the Company has been proposed to be shifted from its present location at Indore, M.P. to Pune, Maharashtra. A Petition in that behalf is being submitted to Company Law Board.

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 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

Mr. Dinesh Munot and Mr. M. Venkataiah are liable for retirement by rotation at the ensuing AGM of the Company, and they are eligible for reappointment.

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 : February 12, 2011

KINETIC MOTOR COMPANY LTD.**REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED
30TH SEPTEMBER, 2010****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 of the Company comprises 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 30/09/2010	Committee Membership of Other Companies as on 30/09/2010	
					Member	Chairman
Mr. A. H. Firodia	ED	5	No	7	Nil	Nil
Mrs. Sulajja Firodia Motwani	ED	5	No	4	Nil	Nil
Mr. Dinesh Munot	IND	1	No	2	Nil	Nil
Mr. M. Venkataiah	IND	3	Yes	Nil	Nil	Nil
Mr. R. J. Kabra	IND	2	No	Nil	Nil	Nil
Mr. Liu Wu-Hsiung	Nominee	0	No	Nil	Nil	Nil
Mr. S. R. Kotecha	ED	4	No	1	Nil	Nil

ED : Executive Director, IND : Independent Director

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During the 12 months period ended 30th September, 2010 (hereinafter referred to as 'the period under review'), 5 Board Meetings were held on 04/12/2009, 08/01/2010, 31/03/2010, 22/05/2010 and 14/08/2010. 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 04/12/2009, 08/01/2010, 31/03/2010, 22/05/2010 and 14/08/2010. 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	3
Mrs. Sulajja Firodia Motwani	5
Mr. S. R. Kotecha	3

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.

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.

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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.

Non-Executive Directors of the Company are paid sitting fees @ Rs. 2,000 per meeting of the Board/ Committee attended by them. No commission is paid to Non-Executive Directors.

No Remuneration Committee Meeting was held during the year.

Details of Remuneration (fixed) paid / payable to Executive Directors during the period is as follows:

Name of Director	Designation	*Salary (Rs.)	Retirement Benefits (Rs.)	Total (Rs.)
Mr. A. H. Fiodia	Chairman	1980000	534600	2514600
Mrs. Sulajja Firodia Motwani	Managing Director	3866904	648000	4514904

* Salary includes Basic Salary, allowances and perquisites. No commission is payable to Executive Directors for the period under review.

The above remuneration excludes liability for leave encashment as the same is provided for on an actuarial basis for the Company as a whole.

The above Executive Directors are appointed for a period of 5 years. There is no notice period and no severance fees is payable to them.

Details of Sitting fees paid to Non-Executive Directors for attending Board / Committee Meetings and their shareholding are as follows:

Name of Director	Shares Held	Sitting Fees (Rs)
Mr. Dinesh Munot	4950	2000
Mr. M. Venkataiah	300	12000
Mr. R. J. Kabra	200	8000
Mr. Liu Wu-Hsiung	Nil	Nil
Mr. S. R. Kotecha	Nil	14000

Shareholders' Grievance Committee

Shareholders' Grievance Committee consists of Mr. M. Venkataiah as its Chairman and Mr. R. J. Kabra as Member, to look into redressing of shareholders complaints like transfer of shares, non-receipt of Annual Report, non-receipt of declared dividend etc. No Shareholders' Grievance Committee Meeting was held during the year.

During the period under review, the Company has received NIL Complaints.

The Board of Directors have delegated authority for approval of share transfers to Mr. A. H. Firodia, Chairman and Mrs. Sulajja Firodia Motwani, Managing Director.

The Company has approved all valid applications for transfer of shares received during the period ended 30th September, 2010.