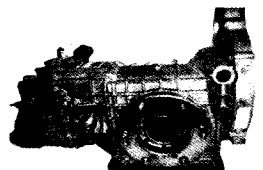
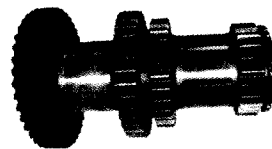
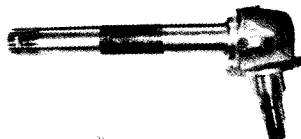
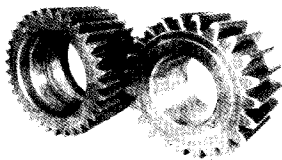
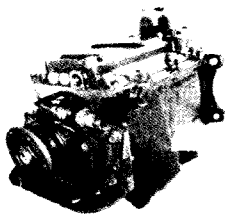


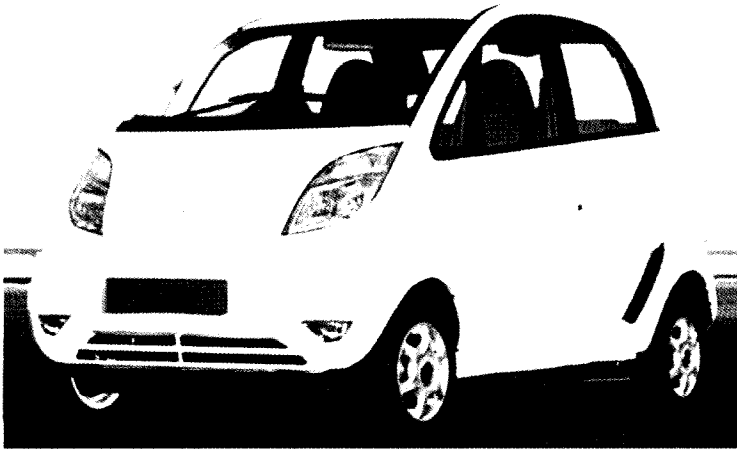
***KINETIC***

*Engineering. Innovation. Performance.*



**Kinetic Engineering Limited**  
**ANNUAL REPORT**  
**2008-2009**

# ***Kinetic in the Tata Nano***



*Tata Nano*

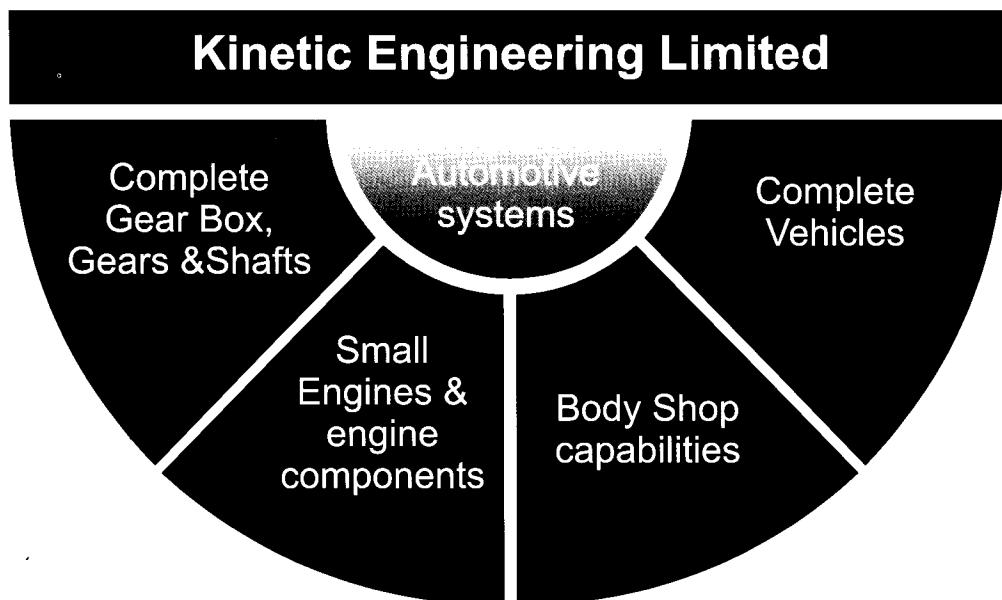


*Kinetic's new state-of-the-art facility*

The recently launched Nano car from Tata Motors is a technologic marvel appreciated across the entire world, for its breakthrough design, technology & price. Kinetic is proud to be associated with the Nano as its partner for development of the transmission gears.

Satisfied with Kinetic's commitment & supply for gearboxes for their other programmes, and with the confidence in Kinetic's technical capability, Tata Motors has selected Kinetic to supply transmission gears & shafts for their prestigious Nano car. Kinetic has begun supplies of transmission gears to Tata Nano during 2009.

Accordingly, Kinetic has set up a complete new state-of-the-art gear manufacturing facility with the latest equipment for ensuring the best quality product for Tata Nano.



# KINETIC ENGINEERING LIMITED

## Board of Directors

Mr. ARUN H. FIRODIA .... Chairman  
Mr. AJINKYA A. FIRODIA .... Managing Director  
Dr. N. A. KALYANI  
Mr. S. C. SHAH  
Dr. K. H. SANCHETI  
Mr. S. R. SANGHI  
Mr. S. R. KOTECHA  
Mrs. SULAJJA FIRODIA MOTWANI  
Mr. ASHISH KUMAR  
Mr. SANTOSH SENAPATI

## Auditors

M/s. P. G. BHAGWAT  
Chartered Accountants, Pune

## Registered Office

D1 BLOCK, PLOT NO. 18/2,  
CHINCHWAD, PUNE - 411 019.

## Works

Nagar-Daund Road, Ahmednagar, PIN - 414001

## Contents

- Notice of the Annual General Meeting
- Directors' Report
- Report on Corporate Governance
- Auditors' Report
- Balance Sheet, Profit & Loss Account (with Schedules and Notes)
- Cash Flow
- Balance Sheet Abstract and Company's General Business Profile
- Attendance Slip & Proxy Form

# KINETIC ENGINEERING LIMITED

## NOTICE

NOTICE is hereby given that the 38<sup>th</sup> Annual General Meeting of the shareholders of KINETIC ENGINEERING LIMITED will be held on Wednesday, 31st March, 2010 at 11.00 a.m., at the Registered Office of the Company at D-1 Block, Plot No. 18/2, MIDC, Chinchwad, Pune 411 019, to transact the following business :

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 30th June, 2009 and the Profit and Loss Account for the 15 months period ended on that date, together with the Reports of Auditors and Directors thereon.
2. To appoint a Director in place of Dr. K. H. Sancheti, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. S. R. Kotecha, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mrs. Sulajja Firodia Motwani, who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and fix their remuneration.

### SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:  
"RESOLVED that Mr. Ajinkya A. Firodia, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 6.4.2009, and who holds office upto the date of the forthcoming Annual General Meeting of the Company, in terms of the provisions of Section 260 of the Companies Act, 1956 (the Act), and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Act, proposing his candidature for the office of a director of the Company, be and is hereby appointed a director of the Company."
7. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:  
"RESOLVED FURTHER THAT, subject to the provisions of Sections 198, 269, 309, 310, 314 and 316, and all other applicable provisions, of the Companies Act, 1956, and subject to the approval by the Central Government, the appointment of Mr. Ajinkya A. Firodia, as the Managing Director of the Company with effect from the close of working hours on 20.4.2009, for a period of 5 years, with powers to control the whole or substantially whole of the day to day operations of the Company, subject to the overall superintendance, control and directions of the Board of Directors, as well as and the fixation of the remuneration (inclusive of salary, allowances, perquisites and other benefits payable, and including the minimum remuneration payable in the event of loss or inadequacy of profits) by the Remuneration Committee, as given below, be and is hereby approved.

#### Remuneration (per annum)

Salary	Rs. 18,00,000 (with 10% increase every year)
HRA	Rs. 6,00,000 (with 10% increase every year)
LTA	Rs. 50,000
Medical Exp. Reimb.	Rs. 15,000
Variable Pay	1.5% of Operating Profit (EBITDA)

#### Benefits

Provident Fund	} As per the Rules of the Company
Superannuation	
Gratuity	
Personal Accident & Mediclaim Benefits	
Other privileges, facilities, perquisites, benefits and amenities	
Club membership	One club
Provision of cars	2 cars - one car with driver for office use and one car with driver for private use
Telephone facility	Telephone at residence, and a mobile phone
Watchman at residence	One round-the-clock watchman at residence

#### Minimum Remuneration

In the event of loss or inadequacy of profits, the aforesaid remuneration shall be payable as the minimum remuneration

**Other terms**

Tenure	5 years w.e.f. 20.4.2009
Duties and responsibilities	Subject to the superintendence, control and direction of the Board of Directors, Mr. Ajinkya A. Firodia is entrusted with substantial powers of management and shall be responsible for the general conduct and management of the business and affairs of the Company as enumerated in the Agreement dated 20.4.2009, and shall exercise the powers conferred on him by the Agreement or such other powers as may be delegated to him by the Board from time to time, subject to such restrictions and limitations as the Board may impose.

**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 material facts concerning the Special Business mentioned at item nos. 6 & 7 of Notice of the Meeting, as required under the provisions of Section 173 of the Companies Act, 1956, and setting out the information in respect of the Directors seeking appointment / re-appointment at the Annual General Meeting (Item Nos. 2, 3, & 4 of the 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 Friday, the 26th March, 2010 to Wednesday, the 31st 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 unclaimed / unpaid 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  
For KINETIC ENGINEERING LIMITED

Anil Kale  
Company Secretary

Pune, 2nd March, 2010

**Registered Office :**  
D1 Block, Plot No. 18/2, MIDC, Chinchwad  
Pune - 411019

# KINETIC ENGINEERING LIMITED

## Annexure to Notice EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

### Item No. 6 & 7

Mr. Ajinkya A. Firodia was appointed as Additional Director in accordance with the provisions of Section 260 of the Companies Act, 1956, on the Board of Directors of the Company, and holds office as such director up to the forthcoming Annual General Meeting.

The Company has received a notice under the provisions of Section 257 of the Companies Act, 1956, from a member, proposing the candidature of Mr. Ajinkya A. Firodia for the position of director of the Company. The details relating to Mr. Ajinkya A. Firodia, as required under Clause 49 of the Listing Agreement, are given below.

Further, Mr. Ajinkya A. Firodia has been appointed by the Board of Directors as the Managing Director w.e.f. 20.4.2009, and the Remuneration Committee of the Board of Directors has fixed the remuneration payable to Mr. Ajinkya A. Firodia. The present resolution at Item No. 7 seeks shareholders approval to the said appointment and the remuneration.

Mr. Ajinkya A. Firodia is related to directors Mr. Arun H. Firodia and Mrs. Sulajja Firodia Motwani. None of the directors, except Mr. Arun H. Firodia, Mrs. Sulajja Firodia Motwani and Mr. Ajinkya A. Firodia, are to be considered as interested in the said resolution.

The directors recommend the passing of the resolution at Item No.s 6 & 7.

### DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING RE-ELECTION, AND THOSE SEEKING APPOINTMENT AS A DIRECTOR AT THIS ANNUAL GENERAL MEETING (Item Sr. No.s 2, 3, 4 & 6 of the Notice)

Name	Dr. K.H.Sancheti **	S.R.Kotecha **	Sulajja Firodia Motwani **	Mr. Ajinkya A. Firodia*
Date of Birth & Age	24.7.1936(73)	3.9.1951 (58)	26.8.1970 (39)	24.10.1979 (30)
Appointed on	27.5.1989	27.11.1987	4.5.1996	6.4.2009
Qualifications	MBBS,D.ORTHO,FCPS, M.S.(ORTHO), F.I.C.S.,F.A.C.S PH.D	MS Automobiles	Master of Science in Industrial Administration (MBA)	Bachelor of Engg. & Economics from Brown University, USA
Expertise / experience	37 years as a surgeon	27 years of manufacturing activities. Research on innovative farming methods.	Vast experience in the areas of Marketing, Finance, strategic planning and Corporate restructuring.	Worked with J. P. Morgan in New York for 2 years. Joined Kinetic Group in 2003 and worked as a member of the Senior Management Team
Directorship in other public companies	Envair Electrodyne Limited.	Kinetic Motor Company Limited,	MD- Kinetic Motor Company Limited, Kinetic Marketing and Services Limited	Kinetic Marketing and Services Limited
Chairmanship / membership of committees of public companies	Member of Audit, Remuneration and Shareholders Grievance Committee of Kinetic Engineering Limited	Member of Audit, Remuneration and Shareholders Grievance Committee of Kinetic Engineering Limited	Member of Audit Committee in Kinetic Motor Company Limited	
Shareholding	241	95660	Nil	28049

\* Seeking fresh appointment

\*\* Seeking re-appointment

By Order of the Board of Directors  
For KINETIC ENGINEERING LIMITED

Anil Kale  
Company Secretary

Pune, 2nd March, 2010

**Registered Office :**  
D1 Block, Plot No. 18/2, MIDC, Chinchwad  
Pune - 411019

**DIRECTOR'S REPORT 2008-09  
(including Management Discussion & Analysis)**

To  
The Members,  
KINETIC ENGINEERING LIMITED

The Directors present their 38th Annual Report on the business and operations of the Company and the audited financial accounts for the 15 months period ended 30th June, 2009.

**FINANCIAL HIGHLIGHTS**

The accounts of the Company have been made for a period of 15 months ending 30th June, 2009. (period under review)

During the year, the accounts for the period under review have been prepared after giving effect to the merger of Auto Division of Jaya Hind Sciaky Limited with the Company; and as such the current year results are not comparable with the previous year results. The gross income from operations was Rs.9228.31 lac, while the loss before tax was Rs.3133.47 lac.

The merger has added value to KEL, by way of strengthening of the balance sheet as well as assets and net worth position of the Company, due to the transfer of the assets from Jaya Hind Sciaky Limited. Furthermore, the merger will also add to the Auto Component business of the Company, by way of addition of the Variator manufacturing business of Jaya Hind Sciaky Limited, which will add to the top line and bottom line of the Company for years to come.

**Business Overview**

After transferring the loss making two-wheeler business, the Company has started focusing on the promising new Auto Components business, specially on Power Train Components and Assemblies. The Company is aiming to cover the wide spectrum of auto components business, by positioning primarily as a Tier-I supplier of the complete assemblies of gear box and engines, and also of related components that involve significant engineering and machining skills.

During the year ended 30.6.2009 (period under review), the Company has made good progress in the direction of its strategic focus. The Company has been awarded contract for the supply of Fully Assembled Transmission Gearboxes required for a new LCV Platform, to be launched by one of the country's largest automobile manufacturers, in joint venture with an American company. The full utilisation level of the contract is expected to generate revenues close to Rs.200 million annually.

The Company has been building up orders for Auto Components and received orders from leading Automotive Companies like Tata Motors, Force Motors, Mahindra Group and Carraro in India and from renowned international clients like BRP, Tomos and Rockford from Europe and USA.

Most notably, during this period, the Company was able to secure a prestigious order for manufacture of all transmission gears from Tata Motors for its NANO Car and also completed major portion of the project development work during the same period. Company has invested in setting up a new state-of-the-art gear manufacturing and processing line for the NANO car that will allow the Company to produce next generation technology gears. This new set up will also augment the overall technological base and expertise of your Company.

With a quality system set up in tune with the requirements of ISO 9001, and with ISO/TS 16949:2002 certification, the Company plans to leverage its skills in domestic as well as international market, by further striving for total customer satisfaction through relationship building and providing superior products and technological solutions to its customers.

# KINETIC ENGINEERING LIMITED

## Finance Overview

During the period under review, the Company has been investing in building up its technological base for the Nano project as well as other projects. The company's sales and orders were also affected due to the delay in implementation and start up of the Tata Nano car project on account of shifting of the project from Singur. Company also faced a short term set back due to sudden drop in schedules from its customers during the period October 2008 to March 2009, on account of global recession. Owing to all these factors, the Company has made a loss before tax of Rs. 3133.47 Lacs for the period.

However the Company has taken various steps to improve its business and financial outlook for future during this period including, but not limited to, a) business development, resulting in new orders, b) progress on completion and readiness to supply state-of-the-art technology gears to Tata Motors and completion of the Scheme of Merger with Jaya Hind Sciaky Limited.

During the year, the Hon'ble Bombay High Court approved a Scheme of Arrangement between Jaya Hind Sciaky Limited (the Transferor Company), Kinetic Engineering Limited (the Transferee Company) and Kaygee Auto Products Private Limited (the Resulting Company), and their respective shareholders. Pursuant to the said Scheme, the Auto Component business and Investments (the Remaining Undertaking) of Jaya Hind Sciaky Limited has been merged with Kinetic Engineering Limited.

Subsequent to the close of the period under review, pursuant to the said Scheme of Merger, the Company has issued and allotted 17,82,774 equity shares to the shareholders of Jaya Hind Sciaky Limited. The equity share capital of the Company has also been enhanced due to the conversion of 16,44,231 Compulsorily Convertible Cumulative Preference Shares earlier allotted to the investor AIG, the conversion of 8,65,784 Optionally Convertible Cumulative Preference Shares earlier allotted to Micro Age Instruments Pvt. Ltd., as well as due to the preferential allotment of 1,14,750 equity shares to Micro Age Instruments Pvt. Ltd.

During November, 2009, the Company has sold-off its property situated at Chinchwad, Pune, a non-core asset. The proceeds from the above transaction, of approximately Rs. 44 crores, have been primarily used for pre-paying a substantial part of the debt of the Company, thereby reducing the interest burden and for improving the working capital. The outstanding secured debt as at the commencement of the period under review, of Rs.95 crore, has been substantially reduced to Rs.32 crore (approx.) by the end of December 2009.

## Industry Overview

The Indian auto component industry is one of India's high growth industries with good future prospects owing to the expected growth in the Indian auto industry as well as cost competitiveness of Indian manufacturing from a global supply point of view. From a low-key supplier providing components to the domestic market alone, the industry has emerged as one of the key auto components centres in Asia and is today seen as a significant player in the global automotive supply chain. India is now a supplier of a range of high-value and critical automobile components to global auto makers such as General Motors, Toyota, Ford and Volkswagen, amongst others.

As per an Automotive Component Manufacturers Association of India (ACMA) report, the turnover of the auto component industry was estimated at over US\$ 18 billion in 2007-08, an increase of 27.2 per cent since 2002. It is likely to touch US\$ 40 billion, increasing India's share in the global auto component market from 1 per cent to 3 per cent by 2015-16.

Aided by a 7 per cent growth in the original equipment manufacturers (OEM) segment and an 8.5 per cent rise in exports and after-market segment, it is expected that auto ancillary production would grow by 8.2 per cent in 2009-10, according to a report by the Centre for Monitoring Indian Economy (CMIE).



### **Future Outlook**

The automotive industry is witnessing tremendous and unprecedented changes these days. This industry is slowly and gradually shifting towards Asian countries, mainly because of saturation of automobile industry in the western world. The principal driving markets for Asian automotive industry are China, India and ASEAN nations.

Low cost vehicles namely scooters, motorcycles, mopeds and bicycles have led to the massive growth of some of the fastest developing economies like China and India. The future of automotive industry in the Asian countries such as Thailand, Philippines, Indonesia, and Malaysia is bright and promising because of the ASEAN free trade area under which the export tariffs are very less.

Most of the major automotive players are shifting their production facilities in these emerging markets with the main purpose of gaining better access and reduction in their production costs. The various factors such as cheap financing and prices discounts, rising income levels and infrastructure developments will assist in the growth and development of automotive sector in the majority of Asian nations.

Your company is well positioned to tap into these growth opportunities and exploit its technological as well as locational advantage. Your company plans to remain diversified across various sectors including Indian as well as global industry and focus on commercial vehicles, two wheelers, three wheelers, tractors as well as certain non auto sectors such as recreational vehicles, to prevent cyclical swings in its growth pattern.

In this regard, Company has been able to tap into such new opportunities during the recent period. Company has started supplies of transmission gears for Tata Nano from September 2009. This car is expected to be sold in high volumes especially when the facility of Nano at Sanand, Gujarat will come up. Your company will benefit from this development. The Company has also begun supplies of various parts to Mahindra Two Wheelers limited, an associate company of Kinetic Motor Company Limited (where Kinetic Motor Company Limited holds a 20% equity stake). Sales of two wheelers by Mahindra Two wheelers Limited are showing an upward trend and are expected to contribute to top and bottom line of the Company. Further the company has won new contracts from prestigious Indian and International auto companies, including orders for development of complete gear box from Piaggio (Italian auto major) and Mahindra Navistar Company (a JV between M&M of India and Navistar of USA). These projects are under development and are expected to be completed during the middle of 2010. They are expected to contribute significantly to company's growth in the coming years.

### **Opportunities, threats, risks and concerns**

The automotive industry is witnessing tremendous and unprecedented changes. This industry is slowly and gradually shifting towards Asian countries, mainly because of saturation of automobile industry in the western world. The principal driving markets for Asian automotive industry are China, India and ASEAN nations.

Low cost vehicles namely scooters, motorcycles, mopeds and bicycles have led to the massive growth of some of the fastest developing economies like China and India. The future of automotive industry in the Asian countries such as Thailand, Philippines, Indonesia, and Malaysia is bright and promising because of the ASEAN free trade area under which the export tariffs are very less.

Owing to these factors, while the opportunities for auto component industry is expected to continue to grow, rising competition may impact margins of various players in long run.

Availability of large pool of skilled manpower and low cost labour in India have lured many new entrants from the country and abroad in manufacture of Auto Components thereby intensifying competition, which in long run will reduce margins.

With the well established infrastructure after the consolidation of auto components business post-merger, and with the availability of required resources, the Company is geared up to meet new challenges and competition. Company is also building a diversified pool of orders from customers in various sectors such as Commercial Vehicles, Two Wheelers, Three Wheelers, Automobile (Passenger cars) as well as segments like Snow mobiles and ATV to lower its risk of wide fluctuations in its business owing to cyclical impact on any particular segment.

# KINETIC ENGINEERING LIMITED

However, any significant recession in the economy, continuous rise in raw material costs, and falling prices of US dollar may have adverse impact on margins.

## **Internal Control System**

The 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.

## **Cautionary Statement**

The report contains estimates and expectations, which could be 'forward looking'. Actual results, however, might differ from estimates and expectations, as the same are affected by many uncertainties.

## **RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION**

Research and development is viewed as crucial for development of the Company. These activities aid in expanding and upgrading the product portfolio and improving the offerings to the customers.

Total amount spent on Research & Development (R&D) during the period under review was Rs. 88.42 lacs, which represents 1 % of the Company's turnover.

## **CONSERVATION OF ENERGY**

Some of the measures for conservation of energy undertaken during the period under review were:

1. Additional Power capacitors installed for improving the power factor
2. Transparent roof sheets (in place of cement sheets) fitted on all shop floors, to save day-time electricity consumption
3. Energy efficient Tube lights fittings installed in Nano Machine shop
4. Air leakages arrested in the Gear hobbing and gear shaving line
5. Low CFM compressors installed to operate second and third shifts, avoiding running of high CFM compressors.

The above measures have resulted in significant saving in energy cost.

## **FOREIGN EXCHANGE EARNINGS AND OUTGO**

The information on foreign exchange earnings and outgo is contained in Schedule-16 Notes to the Accounts (Point Nos. 13 & 14)

## **SUBSIDIARY COMPANY**

Company did not have any subsidiary, during the period under review.

## **DIRECTORS RESPONSIBILITY STATEMENT**

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

1. In preparation of the accounts for the period under review, the Company has followed the applicable accounting standards
2. Appropriate accounting policies have been selected and applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as on 30th June, 2009.
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**

Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, a report on Corporate Governance with certificate on Compliance with the conditions of Corporate Governance is given as annexure to the Directors' report.

#### **FIXED DEPOSITS**

During the period under review fixed deposits amounting to Rs.0.66 lac were repaid on maturity. The balance as on 30.6.2009 standing in the fixed deposit account was Rs.1.75 lac.

#### **DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 as well as the Articles of Association of the Company, Dr. K. H. Sancheti, Mr. S. R. Kotecha and Mrs. Sulajja Firodia Motwani retire at the ensuing Annual General Meeting, and are eligible for re-appointment.

Mr. Ajinkya A. Firodia was appointed as the Additional Director, under the provisions of Section 260 of the Companies Act, 1956, and holds office as such director till the ensuing Annual General Meeting. The Company has received a notice from a shareholder under the provisions of Section 257 of the Companies Act, 1956, proposing the candidature of Mr. Ajinkya A. Firodia as a director of the Company.

During the year, Mr. M. K. Khera resigned as a director (and as a Managing Director), with effect from 20.4.2009, and Mr. Ajinkya A. Firodia was appointed in his place as the Managing Director of the Company, subject to the approval of Central Government.

The directors Mr. Arun H. Firodia, Mr. Ajinkya A. Firodia & Mrs. Sulajja Firodia Motwani are related to each other.

#### **AUDITORS**

The auditors M/s P. G. Bhagwat, Chartered Accountants, hold office until the ensuing Annual General Meeting, and have furnished a certificate in terms of Sec. 224(1) of the Companies Act, 1956, about their eligibility.

#### **PARTICULARS OF EMPLOYEES**

Particulars of Employees as required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 form part of this report. However, as per the provisions of Section 219(1)(b)(IV) of the Companies Act, 1956, the report and the accounts are being sent to the shareholders of the company, excluding the statement of particulars of employees under Section 217(2A) of the Companies Act. Any shareholder interested in obtaining a copy of the said statement may write to the Company at the Registered Office of the Company.

#### **ACKNOWLEDGEMENT**

The directors express their sincere thanks to Reliance Capital Limited, Clearwater Capital Partners India Limited, banks, suppliers and stakeholders for the support extended to the Company and also wish to place on record their appreciation of the dedicated services rendered by the employees of the Company.

For and on behalf of the Board of Directors

**A. H. FIRODIA**  
Chairman

Pune : 2nd March 2010

# KINETIC ENGINEERING LIMITED

## REPORT ON CORPORATE GOVERNANCE FOR THE 15 MONTHS PERIOD ENDED 30<sup>TH</sup> JUNE, 2009.

### 1. 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 maximize their wealth. The stakeholders may be Promoters, Shareholders, Customers, Lenders, Vendors, Government or Employees. The concept of Corporate Governance hinges on total transparency, integrity and accountability of the Management. Kinetic Engineering Limited (KEL) believes in total transparency in sharing all relevant information with all its stakeholders and the Company is quite confident that the information shared would in turn contribute to improve the overall performance of the Company and further would strengthen relationship of the Company with all above.

### 2. Board of Directors

2.1 Presently, the Board of the Company comprises ten members, out of which eight are Non-Executive Directors and out of eight Non-Executive Directors, five are Independent Directors. The Non-Executive Directors of the Company are highly experienced professionals in their fields and in the corporate world.

2.2 The Board is headed by an Executive Chairman.

2.3 The Composition of Directors on the Board of the Company is as under:

Category	No. of Directors	No. of Directors required under clause 49
Executive Directors	02	--
Non-Executive Directors	08	05
Independent Directors	05	05

2.4 The Category of Directors on the Board of the Company is as under:

Name of the Director	Category	No. of other Directorships in Public Ltd. Companies	Committee positions	
			Member	Chairman
Mr. A. H. Firodia	Promoter/ Executive	5	Nil	Nil
Mr. Ajinkya Firodia*	Promoter / Executive	1	Nil	Nil
Mr. M. K. Khera**	Executive	Nil	Nil	Nil
Mr. Ashish Kumar	Nominee	1	1	Nil
Mr. Santosh Senapati	Nominee	2	Nil	Nil
Dr. N. A. Kalyani	Independent	4	1	1
Mr. S. C. Shah	Independent	Nil	Nil	Nil
Dr. K. H. Sancheti	Independent	Nil	Nil	Nil
Mr. S. R. Sanghi	Independent	4	1	3
Mr. S. R. Kotecha	Independent	Nil	1	Nil
Mrs. S. F. Motwani	Promoter	2	1	Nil

\* appointed as Additional Director on 6<sup>th</sup> April 2009 and as Managing Director w.e.f. 20.4.2009.

\*\* Ceased to be a Director / Managing Director w.e.f. 20.4.2009.

**2.5** None of the Directors of the Company holds membership of more than 10 Board Committees or holds Chairmanship of more than 5 Board Committees

**2.6 Attendance of Directors at Board Meetings and at the last Annual General Meeting:**

During the 15 months period ended 30 th June, 2009 (hereinafter referred to as 'the period under review'), 9 Board Meetings were held on 30th June, 2008, 30th July, 2008, 23rd August, 2008, 25th October, 2008, 31 st January, 2009, 5th March 2009, 30 th March, 2009, 6th April, 2009, 29th April, 2009. The maximum time gap between any two Board Meetings was not more than four months. The details of Attendance of Directors at the Board Meetings and at the last Annual General Meeting are as hereunder:

Name of the Director	Board Meetings held during the tenure of the Director	Board Meeting Attended	Attendance at the last AGM held on 18/11/2008
Mr. A. H. Firodia	9	6	Present
Dr. N. A. Kalyani	9	0	Absent
Mr. S. C. Shah	9	8	Absent
Dr. K. H. Sancheti	9	1	Absent
Mr. S. R. Sanghi	9	2	Absent
Mr. S. R. Kotecha	9	8	Present
Mr. M. K. Khera	8	7	Present
Mr. Ajinkya Firodia*	1	1	N.A.
Mrs. Sulajja Firodia Motwani	9	7	Present
Mr. Ashish Kumar	9	8	Present
Mr. Santosh Senapati	9	2	Present

\* Mr. Ajinkya Firodia appointed as Additional Directors on 6.4.2009.

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.

**2.7 Pecuniary relationship or transactions of Non-Executive Directors**

1. Mr. S. R. Kotecha is a partner of Achal Industries - Purchases of goods from Achal Industries have been in the ordinary course of business and, for the period ended on 30th June, 2009, amounted to Rs. 1,44,568.80.
2. Mr. Shashikant C Shah, brother of Mr. Shantilal C Shah, is a Tax Consultant for Sales Tax purposes. For the period ended on 30th June, 2009, payment made to Shah Khandelwal Jain & Associates amounted to Rs. 44944 and has been in the ordinary course of business

**2.8 Code of Conduct**

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

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

# KINETIC ENGINEERING LIMITED

## 3. Audit Committee

### 3.1 Brief description of Terms of Reference

- Recommending the appointment and removal of Statutory Auditors and fixation of fee for both audit as well as for other services;
- Reviewing with Management the Quarterly and Annual Financial Statements before submission of the same to the Board, focusing primarily on Accounting Policies and Practices, compliance of Accounting Standards, compliance with Listing Agreement entered into with Stock Exchanges and other legal requirements, related party transactions and qualifications, if any, in Audit Report;
- Reviewing with the Management, Statutory and Internal Auditors, the adequacy of Internal Control Systems; and
- Discussion with Internal Auditors on their significant findings and follow-up thereon.

### 3.2 Composition, Name of Members and Chairman:

<i>Name of the Director</i>	<i>Category</i>	<i>Status</i>
Mr. S. C. Shah	Independent	Chairman
Mr. S. R. Kotecha	Independent	Member
Dr. K. H. Sancheti	Independent	Member
Mr. Ashish Kumar	Nominee	Member

### 3.3 Meetings and attendance during the period under review:

During the 15 months period ended on 30th June, 2009, Five Meetings of the Audit Committee were held on 30th June, 2008, 30th July, 2008, 25th October, 2008, 31st January, 2009, 29th April, 2009. Details of attendance of the Members at the meetings were as follows:

<b>Name of Director</b>	<b>No. of Meetings attended</b>
Mr. S. C. Shah	4
Mr. S. R. Kotecha	5
Dr. K. H. Sancheti	Nil
Mr. Ashish Kumar	4

The Head of Finance Department, Internal Auditors, Statutory Auditors, and other Senior Executives members of the Company are also invited to attend the Audit Committee. The Company Secretary acts as Secretary to the Committee.

## 4. Remuneration Committee

### 4.1 Brief description of Terms of reference

- Fixation of salary, perquisites etc. of all Executive Directors of the Company, as and when any new Executive Director is appointed / existing Executive Director is re-appointed; and
- Deciding commission payable to Executive Directors, based on performance of the connected Executive Director and for this purpose, fix targets for achievements.

### 4.2 Composition

<i>Name of the Director</i>	<i>Category</i>	<i>Status</i>
Mr. S. C. Shah	Independent	Chairman
Mr. S. R. Kotecha	Independent	Member
Dr. K. H. Sancheti	Independent	Member

### 4.3 A Remuneration Committee meeting was held on 20th April, 2009 during the period ended on 30th June, 2009, which was attended by Mr. S. C. Shah and Mr. S. R. Kotecha.

#### 4.4 Remuneration Policy

For the purpose of fixing the amount of remuneration of Executive Directors, 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 Directors, their qualifications, experience and past remuneration, terms of employment, etc. The components of remuneration include Basic Salary, Allowances, Perquisites and Retirement Benefits.

#### 4.5 Details of Remuneration

Details of Remuneration (fixed) paid to Executive Directors during the 15 months period ended on 30th June, 2009 are as follows:

Particulars	Mr. A. H. Firodia Chairman	Mr. M. K. Khera * Managing Director	Mr. Ajinkya Firodia* Managing Director
Basic Salary (Rs. in lac)	22.50	56.42	3.50
Allowances (Rs. in lac)	--	10.08	--
Perquisites (Rs. in lac)	0.84	5.39	1.17
Retirement Benefits (Rs. in lac)	6.08	20.56	0.94
<b>Total</b>	<b>29.42</b>	<b>92.45</b>	<b>5.61</b>

\* Mr. M. K. Khera ceased to be director with effect from the close of working hours on 20.4.2009 and Mr. Ajinkya Firodia has appointed as Managing Director of the Company W.e.f. the close of working hours on 20.4.2009. All the above remuneration was fixed / varies with respect to time-scale. The above mentioned Chairman and the Managing Director were appointed for a period of 5 years. Terms of appointment of above Executive Director and Managing Director do not provide for any notice period or severance fee. The Company has filed relevant Form 25A with the Central Government, seeking approval for the remuneration fixed for the Chairman and the Managing Director, which is awaited.

Non-Executive Directors of the Company are paid sitting fees @ Rs. 2,000 per meeting of the Board or Committee thereof attended by them besides re-imbursment of expenses on traveling etc.. No commission is being paid to Non-Executive Directors.

Details of Sitting Fees paid to Non-Executive Directors for attending Board / Committee Meetings and their shareholding in the Company during the period ended on 30th June, 2009 are as follows:

Name of Non-Executive Director	Sitting Fees (Rs.)	No. of Shares held in the Company
Dr. N. A. Kalyani	Nil	Nil
Mr. S. C. Shah	28,000	Nil
Dr. K. H. Sancheti	2,000	241
Mr. S. R. Sanghi	Nil	Nil
Mr. S. R. Kotecha	34000	95,660
Mrs. S.F.Motwani	18,000	Nil
Mr. Ashish Kumar	Nil	Nil
Mr. Santosh Senapati	Nil	Nil
<b>Total</b>	<b>82,000</b>	<b>95,901</b>

#### 5. Shareholders' Grievance Committee

Shareholders' Grievance Committee consists of Mr. S. C. Shah as its Chairman and Mr. S. R. Kotecha, Dr. K. H. Sancheti & Mr. Santosh Senapati as Members, to look into redressing of shareholders complaints like transfer of shares, non-receipt of Annual Report, non-receipt of declared dividend etc. During the period under review, no meeting of Shareholders' Grievance Committee was held.

# KINETIC ENGINEERING LIMITED

No. of shareholders complaints received during the period under review : Fifteen  
No of complaints not resolved to the satisfaction of the shareholders : None  
No. of pending Complaints as on 30th June, 2009 : Nil

During the 15 months period ended on 30th June, 2009 following executives of the Company were appointed as Compliance officer(s) -

Mr. Anil kale from 23.8.2008

During the 15 months under review the Company has dispatched 205 share certificates beyond the period of 30 days for the following reasons

- 1) Delay in processing of transfers by the Registrar and Transfer agent of the Company, and
- 2) Delay in approving transfer of shares by the Company.

## 6. Annual General Meetings

The details of the last three Annual General Meetings of the Company are as hereunder:

<i>Accounting Year Ending on</i>	<i>Date of AGM</i>	<i>Time</i>	<i>Venue</i>
31st March, 2008	18th November, 2008	9:30 a.m	D-1 Block, Plot No. 18/2, MIDC, Chinchwad, Pune 411 019.
31 <sup>st</sup> Dec 2006	20 <sup>th</sup> June, 2007	9:30 a.m	D-1 Block, Plot No. 18/2, MIDC, Chinchwad, Pune 411 019.
30 <sup>th</sup> September 2005	22 <sup>nd</sup> March 2006	9:30 a.m.	D-1 Block, Plot No.18/2, MIDC, Chinchwad, Pune 411 019.

During the 15 months period ended on 30th June, 2009 no Special Resolution was passed through Postal Ballot.

## 7. Disclosures

- (i) Disclosure on materially significant related party transactions i.e. transactions of the Company of material nature with its promoters, the directors or management, their subsidiaries or relatives etc. that may have potential conflict with interests of Company at large :

Normal trade transactions were entered into by the Company with the related parties. The Executive Directors are paid remuneration. The disclosures on related party transactions as per Accounting Standard 18 notified in the Companies (Accounting Standard) Rules, 2006, are given in Notes No. 29 in Notes Forming part of the Accounts for the 15 months period ended on 30th June, 2009 (Schedule 16) to the Accounts.

- (ii) There were no penalties, nor any strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years. However, the Annual Financial Results could not be published within the period prescribed under Clause 41 of the Listing Agreement, due to the sudden additional workload arising consequent to the Order passed by Court in relation to the merger of the Auto Division of the erstwhile Jaya Hind Sciaky Limited, with the Company.
- (iii) Company has in place a Suggestion Box system for free communication between workers, staff and management. No employee has been denied access to the Audit Committee.
- (iv) Company has complied with all mandatory requirements of clause 49 of Listing Agreement in respect of Corporate Governance. The Company does not have Whistle blower policy, which is a non-mandatory requirement under clause 49 of the Listing Agreement.
- (v) The status of implementation of non-mandatory requirements on Corporate Governance recommended under clause 49 of the Listing Agreement is as under:

The Board has set up Remuneration Committee comprising of 3 non-executive Independent directors. During the period under review, one meeting of Remuneration Committee was held on 20th April, 2009.



**8. Means of Communication**

The Company's Unaudited Quarterly Financial Results were published in 1. 'ASIAN AGE' and 2. 'PUDHARI' newspapers.. The results are also displayed on Corporate Website [www.kineticindia.com](http://www.kineticindia.com). No presentation was made to Institutional Investors or Analysts. Presentations, were however, made to potential Financial Investors.

Management Discussion and Analysis is forming part of Directors' Report.

**9. General Shareholders Information**

The 38<sup>th</sup> Annual General Meeting is proposed to be held on Wednesday, 31.3.2010 at 11:00 a.m. at the Registered Office of the Company at D-1 Block, Plot No.18/2, Chinchwad, Pune - 411019, for adopting the Audited Accounts for the period ended 30.6.2009.

**Dates of Book-Closure:**

26/03/2010 to 31/03/2010(both days inclusive).

**Dividend Payment Date:**

The Directors have not recommended any Dividend for the 15 months period ended on 30th June, 2009

**Listing of Shares on Stock Exchanges:**

The shares of the Company are listed on Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort Mumbai - 400 001 and Pune Stock Exchange Limited, Shivleela Chambers, 752, Sadashiv Peth, R. B. Kumthekar Marg, Pune 411030. Annual Listing Fees for the year 2009-2010 have been paid to these Stock Exchanges on 30.4.2009.

**Stock Code:**

Bombay Stock Exchange Limited : KINETICE - 500240  
 Pune Stock Exchange Limited : KINEN - 5110  
 ISIN Code allotted to the Equity Shares of the Company : INE266B01017.

**Market Price Data (Source: Official Website of BSE [www.bseindia.com](http://www.bseindia.com)):**

Month & Year	KEL Share Price			BSE Sensex		
	High (Rs.)	Low (Rs.)	Close (Rs.)	High	Low	Close
April 2008	91.00	77.60	84.00	17480.74	15297.96	17287.31
May 2008	111.60	84.25	90.35	17735.70	16196.02	16415.57
June 2008	96.00	81.00	81.00	16632.72	13405.54	13461.60
July 2008	121.70	70.00	98.30	15130.09	12514.02	14355.75
August 2008	102.70	68.75	69.35	15579.78	14002.43	14564.53
September 2008	73.90	45.25	46.00	15107.01	12153.55	12860.43
October 2008	49.50	30.00	31.80	13203.86	7897.39	9788.06
November 2008	34.65	28.20	34.65	10945.41	8316.39	9092.72
December 2008	44.05	33.10	38.40	10188.54	8467.43	9647.31
January 2009	43.80	36.20	43.00	10469.72	8631.60	9424.24
February 2009	47.00	40.90	46.45	9724.87	8619.22	8891.61
March 2009	48.90	37.00	37.05	10127.09	8047.17	9708.50
April 2009	47.25	37.05	37.05	11492.10	9546.29	11403.25
May 2009	50.50	35.20	48.10	14930.54	11621.30	14625.25
June 2009	64.30	43.05	44.05	15600.30	14016.95	14493.84

# KINETIC ENGINEERING LIMITED

## Registrar and Transfer Agents:

The Company's equity shares are compulsorily traded in Demat mode and hence transferable through the depository system. Link Intime India Pvt Limited (formerly Intime Spectrum Registry Limited), Akshay Complex, Block No.202, 2<sup>nd</sup> floor, Dhole Patil Road, Pune-411001 have been appointed as Company's Registrar and Transfer Agent as per SEBI's Circular for appointment of Common Agency to carry physical and electronic share registry work.

## Share Transfer System:

All the transfers received are processed by the Registrar and Transfer Agent and approved by the Authorised Directors / Company Secretary of the Company. The share transfers, which are received in physical form, are processed and the share certificates returned within a period of 15 to 20 days from the date of receipt, subject to the documents being valid and complete in all respects.

## Distribution of Shareholding as on 30th June, 2009

Slab of No. of Shareholding (Rs.)	No. of Shareholders	% to No. of Shareholders	Amount (Rs.)	% to paid-up capital
Upto 5,000	6911	93.98	7477050	11.2843
5,001-10,000	210	2.86	1588800	2.3978
10,001-20,000	96	1.30	1365770	2.0612
20,001-30,000	30	0.41	738810	1.1150
30,001-40,000	12	0.16	421040	0.6354
40,001-50,000	14	0.19	667130	1.0068
50,001-1,00,000	26	0.35	1844730	2.7840
1,00,001 and above	55	0.75	52157460	78.7154
<b>Total</b>	<b>7354</b>	<b>100.00</b>	<b>66260790</b>	<b>100.0000</b>

## Shareholding Pattern as on 30th June, 2009

Category	No. of Shares	%
<b>A. Shareholding of Promoter &amp; Promoter Group</b>		
1 Indian	3613247	54.53
2 Foreign	0	0.00
<b>Sub Total (1)</b>	<b>3613247</b>	<b>54.53</b>
<b>B. Public Shareholding</b>		
1 Institutions:		
a.) Mutual Funds / UTI	800	0.01
b.) Financial Institutions / Banks	1,885	0.03
c.) Insurance Companies	167,150	2.52
<b>Sub Total (2)</b>	<b>1,69,835</b>	<b>2.56</b>
2 Non-Institutions		
a.) Bodies Corporate	1157783	17.47
b.) Individuals	1672286	25.24
c.) Clearing Members	5412	0.08
d.) NRI / NRN	6916	0.10
e.) OCB	600	0.01
<b>Sub Total (3)</b>	<b>2842997</b>	<b>42.91</b>
<b>GRAND TOTAL [(1)+(2)+(3)]</b>	<b>6626079</b>	<b>100.00</b>

**Dematerialisation of Shares**

The Company shares are compulsory traded in dematerialised form. As on 30th June 2009 the details of the shares of the Company held in physical and demat form are given below:

	<b>No. of Shares</b>	<b>% to the Capital</b>
Shares held in Physical Form	2017629	30.45
Shares held in Demat Form - NSDL	4333897	65.41
Shares held in Demat Form - CDSL	274553	4.14
<b>TOTAL</b>	<b>6626079</b>	<b>100.00</b>

The Company has not issued any GDRs / ADRs.

Warrants / other convertible securities outstanding at the end of the financial year :

i) To Micro Age Instruments Pvt. Ltd. (MAIPL) -

Allotted 865384 Optionally Convertible Cumulative Preference shares (OCCPS) - on 30-06-2009 .of Rs. 156/- each. Each OCCPS is convertible into one fully paid-up Equity share of Rs.10/- each at a premium of Rs.146/- per Equity share within 18 months from the date of allotment at the option of MAIPL. MAIPL has converted 546500 OCCPS in to equity shares on 30.6.2009 and remaining 318884 OCCPS are pending for conversion. In respect of the outstanding 1,02,000 Optionally Convertible Cumulative Preference Shares of Rs.156 each, the option to convert has since lapsed.

ii) ToAIG Group -

A) Allotted on 14/02/2008 16,44,231 Compulsorily Convertible Cumulative Preference Shares (CCCPS) of Rs.156/- each on which amount paid up per CCCPS is Rs.156/-. Each CCCPS will be compulsorily converted into Equity share after 18 months from the date of allotment.

B) Allotted on 14/02/2008 Foreign Currency Convertible Bonds (FCCBs) of the value of USD 18 million (Rs. 7066.80 lakh), optionally convertible into equity shares @ Rs.156 per share, equal to 45,30,000 equity shares, at any time upto 15.2.2013

**Plant Locations :**

The Company's plant is located at Ahmednagar (Maharashtra).

**Address for correspondence:**

Shareholder's correspondence may be addressed to the registrars Link Intime India pvt. Limited, Block No. 202, Akshay Complex, 2nd floor, Dhole Patil Road, Pune - 411001. Investor grievances, queries, etc. can be additionally marked to [kelinvestors@kineticindia.com](mailto:kelinvestors@kineticindia.com)

**Declaration by the Managing Director under Clause 49(1D)**

"Pursuant to Clause 49(1D) of the Listing Agreement with the Stock Exchanges, I hereby declare that all Board Members and Senior Management Personnel of the Company have affirmed Compliance with the respective provisions of the Code of Conduct of the Company for the 15 months period ended 30th June, 2009."

**For Kinetic Engineering Limited**

**Ajinkya Firodia  
Managing Director**

Pune : 2<sup>nd</sup> March, 2010.

# KINETIC ENGINEERING LIMITED

## CERTIFICATE FROM AUDITORS REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Shareholders of Kinetic Engineering Limited,

We have examined the compliance of conditions of Corporate Governance by Kinetic Engineering Limited for the 15 months period ended on 30th June, 2009, as stipulated in Clause 49 of the Listing Agreement of the said company with Stock Exchange/s in India.

The compliance of conditions of Corporate Governance is the responsibility of the management of the said company. Our examination was limited to procedures and implementations thereof adopted by the said company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the Financial Statements of the said company.

In our opinion and to the best of our information and explanations given to us, we certify that the said company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the said company nor the efficiency nor the effectiveness with which the management of the said company has conducted its affairs.

For M/s. P G BHAGWAT  
Chartered Accountants

Sandeep Rao  
Partner  
[M. No. 47235]

Place : Pune  
Date : 2nd March, 2010

## REPORT OF THE AUDITORS' TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of **KINETIC ENGINEERING LIMITED**, as at 30th June 2009, the Profit and Loss account and also the Cash Flow statement for the 15 months period ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003[as amended by Companies (Auditor's Report) (Amendment) Order, 2004] issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

2. Further to our comments in the Annexure referred to in para 1 above, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
- (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956; *Attention is drawn to the Note No. 2 (a) of the Notes forming part of the accounts regarding incorporating effect of the merger of Auto Division of erstwhile Jaya Hind Sciaky Ltd., having effective date of 10<sup>th</sup> August 2009, in the accounts for the 15 months ended 30<sup>th</sup> June 2009.*
- (v) On the basis of written representations received from the directors, as on 30th June 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th June 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and *subject to approval from Central Government, which is awaited, for managerial remuneration paid as mentioned in Note No.5 under Notes forming part of the accounts* give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the Balance Sheet, of the state of affairs of the company as at 30<sup>th</sup> June 2009;
  - (b) in the case of the Profit and Loss account, of the Loss for the 15 months period ended on that date ; and
  - (c) in the case of Cash Flow Statement, of the cash flows for the 15 months period ended on that date.

**For M/S P.G.Bhagwat,**  
Chartered Accountants,

**Sandeep Rao**  
Partner  
Membership No. 47235

Pune : 2<sup>nd</sup> March, 2010.

# KINETIC ENGINEERING LIMITED

## ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 1 of our report of even date)

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As informed to us, the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification.
- (c) In our opinion, the company has not disposed off a substantial part of its Fixed Assets during the period and the going concern status of the company is not affected.
- (ii) (a) The inventory has been physically verified during the period by the management. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. No material discrepancies were noticed on verification between the physical stocks and the book records.
- (iii) (a) The Company has not granted any loan to Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) Clause (iii) (b) is not applicable as no loans have been granted to the parties covered under (iii) (a).
- (c) Clause (iii) (c) is not applicable as no loans have been granted to the parties covered under (iii) (a).
- (d) Clause (iii) (d) is not applicable as no loans have been granted to the parties covered under (iii) (a).
- (e) The company had taken unsecured loans from two companies covered in the register maintained under section 301 of The Companies Act 1956, out of which during the current financial year one of the companies is merged with the company. During the year company has taken loans from two parties covered in the register maintained under section 301 of The Companies Act 1956. The details of the loans taken are as under:

(Rs. in Lakhs.)

Opening Balance	Accepted during the period/ Interest Credited / Transferred	Repaid during the period/ adjusted during the year	Closing balance
5426	612	4193	1845

- (f) During the year no interest is paid on any of the unsecured loans taken by the company. In our opinion, the other terms and conditions of the unsecured loans taken by the company from the companies and other parties covered in the register maintained under Section 301 of the Companies Act, 1956 are not, *prima facie*, prejudicial to the interest of the company.
- (g) In respect of the above unsecured loans, we were informed that there are no specific stipulations for repayment of the principal amount.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services. We have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) (a) According to the information and explanations given to us and on the basis of our examination, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956, have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, and exceeding the value of rupees five lakh in respect of any party during the period have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) According to the information and explanations given to us, during the period, the company has not accepted any deposits from the public to which the provisions of section 58A and 58AA or any other provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 apply. The liability of the company towards a relative of a director, arising out of forced encashment of the pledged security by a lender, has not been considered by the company to be a deposit covered by the provisions of the Companies (Acceptance of Deposits) Rules, 1975. As informed to us, no order has been passed by the Company Law Board, National Company Law Tribunal, RBI, any court or any other Tribunal.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) As informed to us, the Central Government has prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of manufacturing activities of the company. We were informed that the maintenance of cost records is in process.
- (ix)(a) According to the records of the company, there are delays in depositing undisputed statutory dues of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax and Service Tax with the appropriate authority and as such the company is not regular in depositing the same. According to the information and explanations given to us, undisputed statutory dues in respect of Income Tax deducted at source amounting to Rs.28.33 Lakhs, Investor Education and protection Fund Rs. 3.70 Lakhs and Profession Tax Rs. 8.50 Lakhs were in arrears as at 30.06.2009 for a period of more than six months from the date they became payable.
- (b) According to information and explanations given to us, following are the details of disputed dues of, Income tax, sales tax, service tax, customs duty and excise duty, which have not been deposited and the forum where such dispute is pending.

# KINETIC ENGINEERING LIMITED

## Statement of disputed dues:

Nature of dues	Amount Rs. Lakhs	Forum where dispute is pending.
Income Tax, AY 2000-2001	1.29	Income Tax Appellate Tribunal, Pune
West Bengal Sales Tax, Central Sales Tax AY 2001-02, 2002-03.	6.92	Asst. Commissioner Commercial Taxes, West Bengal.
Entry Tax, Behrampur. 1999-2000, 2000-01, 2001-02.	26.76	Sales Tax Tribunal, Cuttack.
CST (Supa Unit) 2006-07	31.46	D.C. Sales Tax (Appeals), Nasik
CST(Pune) (Rs.10 Lakhs paid in 09-10)	77.91	Sales Tax Tribunal (Mumbai)
Excise Duty	389.73	CESTAT Mumbai
Excise Duty	0.02	Commissioner (Appeals)
Service Tax	57.02	CESTAT Mumbai.
Customs Duty	6.32	CESTAT Mumbai.

- (x) The accumulated losses of the company as at the end of the financial year are not less than 50% of its net worth. The company has incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) During the period the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders however there were minor delays in repayment to the debenture holders. Instalment due on 30<sup>th</sup> June 2009 was paid on 28<sup>th</sup> October 2009.
- (xii) The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the company is not a chit fund or a *nidhi* / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Therefore the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xv) According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The company has not raised any Term Loan during the period.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet we are of the opinion that there are no funds raised on short term basis which have been used for long term investments.
- (xviii) The company has made preferential allotment of shares during the period to a company covered in the register maintained under section 301 of The Companies Act 1956. The price, which is in accordance with the SEBI (Disclosure & Investor Protection) Guidelines, 2000, is not prejudicial to the interest of the company.
- (xix) During the period covered by our audit report, the company has not issued any debentures. As informed to us, the company has created security in respect of debentures issued in the earlier accounting year.
- (xx) The company has not raised any money by public issues during the period.
- (xxi) According to the information and explanations given to us, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For M/s P. G. Bhagwat,  
Chartered Accountants,

**Sandeep Rao**  
Partner

Membership No. 47235

Pune : 2<sup>nd</sup> March, 2010.



**Balance Sheet As At 30th June, 2009**

	Schedule	Rs. in lakhs	As at 30th June, 2009 Rs. in lakhs	As at 31st March, 2008 Rs. in lakhs
<b>SOURCES OF FUNDS</b>				
<b>1. Shareholders' Funds :</b>				
(a) Share Capital	1	6062.44		7461.92
(b) Convertible Warrants	2	-		926.64
(c) Reserves & Surplus	3	4792.35		2439.76
			10854.79	10828.32
<b>2. Loan Funds :</b>				
(a) Secured Loans	4	7000.00		9500.00
(b) Unsecured Loans	5	10750.56		12673.01
			17750.56	22173.01
	<b>TOTAL</b>		<b>28605.35</b>	<b>33001.33</b>
<b>APPLICATION OF FUNDS</b>				
<b>1. Fixed Assets :</b>	6			
(a) Gross Block		30578.81		20129.88
(b) Less : Depreciation / Amortisation		18573.54		14942.09
(c) Net Block		12005.27		5187.79
(d) Capital Work-in-Progress		1589.36		56.37
			13594.63	5244.16
<b>2. Investments</b>	7		8822.19	11089.22
<b>3. Deferred Tax Balance</b>				
(a) Deferred Tax Asset		822.70		1416.58
(b) Less : Deferred Tax Liability		822.70		707.03
			-	709.55
<b>4. Current Assets, Loans &amp; Advances :</b>	8			
(a) Inventories		1416.17		1814.31
(b) Sundry Debtors		2163.90		5904.16
(c) Cash and Bank Balances		2306.78		2988.36
(d) Other Current Assets		0.20		0.20
(e) Loans and Advances		2588.63		2799.10
		8475.67		13506.13
<b>Less : Current Liabilities and Provisions</b>	9			
(a) Current Liabilities		4642.01		4429.90
(b) Provisions		420.17		587.06
		5062.19		5016.95
<b>Net Current Assets</b>			3413.48	8489.18
<b>5. Miscellaneous Expenditure (To the extent not written off / Adjusted)</b>	10		81.38	326.00
<b>6. Debit Balance in Profit and Loss Account</b>			2693.67	7143.21
	<b>TOTAL</b>		<b>28605.35</b>	<b>33001.33</b>

**Notes to the Accounts**

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As per our report attached  
for **M/S P. G. BHAGWAT**  
Chartered Accountants

**Sandeep Rao**  
Partner  
Pune : 2nd March, 2010

**Anil Kale**  
Company Secretary

**A. H. Firodia** Chairman  
**A. A. Firodia** Managing Director  
**S. F. Motwani** Director  
**Ashish Kumar** Director

# KINETIC ENGINEERING LIMITED

## Profit & Loss Account for the Fifteen Months Period Ended 30th June, 2009

	Schedule	Rs. in lakhs	For the Fifteen Months period ended 30th June, 2009 Rs. in lakhs	For the Fifteen Months Period Ended 31st March, 2008 Rs. in lakhs
<b>INCOME :</b>				
Sales and Other Operating Income				
Gross	11	6997.38		9302.78
Less : Excise Duty		540.56		981.06
Net		6456.82		8321.72
Other Income	12	1858.48		246.86
Profit on Sale of Assets		372.44		4387.99
			8687.75	12956.58
<b>EXPENDITURE :</b>				
Materials	13	4847.40		7183.80
Other Expenses	14	3979.15		5349.16
Interest & Financial Charges	15	1746.38		2135.63
Voluntary Retirement Scheme Expenses Written off		471.63		326.00
		11044.55		14994.59
Depreciation / Amortisation		1286.62		704.05
Less : Transfer from General Reserve		380.70		-
Net Depreciation/Amortisation		905.91		704.05
Total Expenditure		11950.47		15698.64
Less : Expenses Capitalised		129.24		177.55
			11821.22	15521.09
<b>PROFIT / (LOSS) FOR THE PERIOD BEFORE TAX</b>			(3133.47)	(2564.51)
(Provision) / Credit for Taxation				
- Current Tax			-	-
- Deferred Tax (DTA written off)			(638.47)	-
- Fringe Benefit Tax			(13.50)	(19.00)
(Provision) / Credit for Taxation for earlier years			(10.78)	-
<b>PROFIT / (LOSS) AFTER TAX</b>			(3796.22)	(2583.51)
Less : Exchange gain of previous year adjusted against Fixed Assets			(35.02)	-
Add : Profit of Merged Division from Appointed Date			1446.29	-
Add : Balance of Profit/ (Loss) as per last account			(9744.35)	(7160.83)
			(12129.29)	(9744.34)
Deducted from Uncommitted Reserves			9435.63	2601.15
<b>Balance Profit / (Loss) carried to Balance Sheet</b>			(2693.66)	(7143.20)
Basic / Diluted Earning per Equity Share (Nominal value per share Rs.10)			(70.46)	(49.74)

Notes to the Accounts

16

As per our report attached  
for **M/S P. G. BHAGWAT**  
Chartered Accountants

**Sandeep Rao**  
Partner  
Pune : 2nd March, 2010

**Anil Kale**  
Company Secretary

**A. H. Firodia** Chairman  
**A. A. Firodia** Managing Director  
**S. F. Motwani** Director  
**Ashish Kumar** Director

**Cashflow Statement For The Period Ended 30th June, 2009**

Particulars	For the period ended 30th June, 2009 Rs. In lakhs	For the period ended 31st March, 2008 Rs. In lakhs
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) before Tax and extraordinary items	(3,133.48)	(2,564.52)
Adjustment for :		
Depreciation / Amortisation	905.91	704.05
Provision for Doubtful Debts / advances	18.83	686.12
Bad debts / advances written off	2,464.48	-
Doubtful provision written back	(2,157.53)	-
(Profit) / Loss on Sale of Assets (Net)	(365.62)	(4,375.48)
Interest and Financial Charges (Net)	1,585.29	2,127.28
Loan Waiver Receipt	(252.59)	-
Voluntary Retirement Scheme Expenses written off	471.63	326.00
Voluntary Retirement Compensation paid	(227.00)	-
Dividend Received	(42.26)	(34.54)
Excess provision written back	(170.59)	(64.07)
Income from units	(191.22)	(14.93)
Transitional provision of gratuity Adjusted against general reserve	(4.50)	-
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>(1,098.66)</b>	<b>(3,210.08)</b>
Adjustment for		
Inventories	469.76	949.13
Trade and Other Receivables	5,190.89	(1,118.27)
Trade Payables	(315.70)	(3,853.27)
<b>CASH GENERATED FROM OPERATIONS</b>	<b>4,246.30</b>	<b>(7,232.50)</b>
Interest and Financial Charges	(1,492.88)	(2,124.94)
Direct Taxes	(59.55)	(50.98)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>2,693.87</b>	<b>(9,408.42)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(3,082.06)	(2,056.10)
Sale of Fixed Assets	399.03	5,022.48
Purchase of Investments	(500.00)	(4,341.52)
Sale of Investments	4,244.69	-
Interest Received	74.46	5.70
Dividend Received	42.26	34.54
Income from units	191.22	14.93
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>1,369.59</b>	<b>(1,319.99)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issue of Share Capital / Warrants/ share application money	-	4,645.11
Redemption premium paid	(341.08)	(236.50)
FCCB issue exps	-	(318.10)
SICOM Subsidy	13.20	-
Proceeds from Long Term Borrowings	-	10,085.10
Proceeds from Short Term Borrowings	60.58	124.82
Repayment of Long Term Borrowings	(4,521.54)	(1,497.10)
Repayment of Short Term Borrowings	-	(392.54)
Dividend paid including tax thereon	-	(1.71)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(4,788.84)</b>	<b>12,409.08</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(725.37)</b>	<b>1,680.68</b>
Opening Cash and Cash Equivalents	3,032.16	1,307.68
Closing Cash and Cash Equivalents	2,306.78	2,988.36

(Contd.)

# KINETIC ENGINEERING LIMITED

## Cashflow Statement For The Period Ended 30th June, 2009 (Contd.)

- 1 The Figures in the cash flow are based on or have been derived from the annual financial statements of the Company
- 2 Figures in the bracket represent outflow of cash and cash equivalents
- 3 Current Year's cash flow figures include cash flows of Auto Division of erstwhile Jaya Hind Sciaky Ltd. on account of merger and as such they are not comparable with Previous Year's cash flow.
- 4 Cash and cash equivalents comprises of :

	<b>Rs. in lakhs</b>	<b>Rs. in lakhs</b>
	<b>As at 30th</b>	<b>As at 31st</b>
	<b>June, 2009</b>	<b>March, 2008</b>
Cash and cheques on hand	0.97	1.04
Cash with Scheduled Banks :		
In Current Accounts	795.27	1,147.27
In Deposit Accounts	<u>1,510.54</u>	<u>1,883.84</u>
	<u>2,306.78</u>	<u>3,032.16</u>

As per our report attached  
for **M/S P. G. BHAGWAT**  
Chartered Accountants

**Sandeep Rao**  
Partner  
Pune : 2nd March, 2010

**Anil Kale**  
Company Secretary

**A. H. Firodia** Chairman  
**A. A. Firodia** Managing Director  
**S. F. Motwani** Director  
**Ashish Kumar** Director

## Schedules Forming Part Of The Balance Sheet As At 30th June, 2009

	As at 30th June, 2009 Rs. in lakhs	As at 31st March, 2008 Rs. in lakhs
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised :</b>		
1,93,60,202 (1,93,60,202) Equity Shares of Rs.10/- each	1936.02	1936.02
1,50,00,000 (1,50,00,000) Redeemable Non Convertible Non Cumulative Preference Shares of Rs.10 each	1500.00	1500.00
15,07,400 (15,07,400) Optionally Convertible Cumulative Preference Shares of Rs.156/- each	2351.54	2351.54
3,20,500 (320,500) Redeemable Cumulative Preference Shares of Rs. 156/- each.	499.98	499.98
19,23,080 (19,23,080) Compulsorily Convertible Cumulative Preference Shares of Rs 156/- each	3000.00	3,000.00
5,24,560 (5,24,560) Unclassified Shares of Rs.10/- each	52.46	52.46
	<u>9340.00</u>	<u>9340.00</u>
<b>Issued :</b>		
66,26,079 (54,54,170) Equity Shares of Rs.10/- each fully paid up	662.61	545.42
1,50,00,000 (1,50,00,000) Redeemable Non Convertible Non Cumulative Preference Shares of Rs.10 each	1500.00	1500.00
4,20,884 (6,42,000) Optionally Convertible Cumulative Pref. Shares of Rs. 156/- each	656.58	1001.52
16,44,231 (16,44,231) Compulsorily Convertible Cumulative Preference Shares of Rs 156 each	2565.00	2,565.00
3,20,500 (3,20,500) Redeemable Cumulative Preference Shares of Rs. 156/- each.	499.98	499.98
	<u>5884.17</u>	<u>6111.92</u>
<b>Subscribed :</b>		
66,26,079 (54,54,170) Equity Shares of Rs.10/- each fully paid up	662.61	545.42
1,50,00,000 (1,50,00,000) Redeemable Non Convertible Non Cumulative Preference shares of Rs. 10 each fully paid up	1500.00	1500.00
4,20,884 (6,42,000) Optionally Convertible Cumulative Preference Shares of Rs.156/ each fully paid up	656.58	1001.52
16,44,231 (16,44,231) Compulsorily Convertible Cumulative Preference Shares of Rs 156/- each	2565.00	2565.00
3,20,500 (3,20,500) Redeemable Cumulative Preference Shares of Rs. 156/- each fully paid up	499.98	499.98
Share application money pending allotment in respect of Nil (865384) OCCPS of Rs. 156/- each	-	1350.00
Share Suspense Account (Refer Note No 2 - Sch 16)	178.28	-
	<u>6062.44</u>	<u>7461.92</u>

## Notes :

- Out of above equity shares 18,85,450 (18,85,450) Equity Shares allotted as fully paid up Bonus Shares on Capitalisation of the General Reserve (Refer Note No.15)
- 36,700 (36,700) Equity Shares allotted under Employee Stock Option Scheme
- Redeemable Non Convertible Non Cumulative Preference Shares shall be Redeemable at the end of 18 months from the date of their allotment. Redemption premium @ 14.00 % p.a. is payable at the time of redemption.
- Each Optionally Convertible Cumulative Preference Share (OCCPS) is convertible into one fully paid up equity share of the face value of Rs. 10/- each at a premium of Rs. 146/- per share within 18 months from the date of allotment at the option of the proposed allottee. The OCCPS shall carry a preferential right to be paid a fixed rate of dividend @ 1% p.a. due and payable on the date of their conversion into equity shares or such other date(s) as may be acceptable to allottee. If any OCCPS is not converted into equity shares. Such unconverted preference shares shall carry preferential right to be paid a fixed rate of dividend @ 8.50% p.a. due and payable at the date of their redemption or such other date(s) as may be acceptable to the allottee and will be redeemed any time after expiry of a period of 5 years from the date of allotment at the option of the Company subject to necessary consent and approval.
- Redeemable Cumulative Preference Shares shall be redeemed at the option of the Company at any time after the expiry of a period of 5 years from the date of allotment subject to necessary consent or approval. They will carry a preferential right to be paid a fixed rate of dividend @ 8.50% p.a. due and payable on the date of their redemption or other date(s) as may be acceptable to the allottee.
- Each Compulsorily Convertible Cumulative Preference Shares (CCCPS) is convertible into one fully paid up equity share of the face value of Rs.10/- each at a premium of Rs.146/- per share any time after 90 days upto 18 months from the date of allotment at the option of the proposed allottee. After 18 months the same are compulsorily convertible. The CCCPS shall carry a preferential right to be paid a fixed rate of dividend @ 6% p.a. which shall become payable following declaration of any dividend with respect to Equity Shares by the Company.

# KINETIC ENGINEERING LIMITED

## Schedules Forming Part Of The Balance Sheet As At 30th June, 2009

	As at 30th June, 2009 Rs. in lakhs	As at 31st March, 2008 Rs. in lakhs
<b>SCHEDULE 2 : CONVERTIBLE WARRANTS</b>		
<b>Issued and subscribed :</b>		
Nil (6,00,000) Convertible Warrants of Rs. 156/- each, Rs. 154.44 paid up	-	926.64
<b>TOTAL</b>	<u>-</u>	<u>926.64</u>
<b>SCHEDULE 3 : RESERVES &amp; SURPLUS</b>		
<b>Capital Reserve :</b>		
As per last account	308.35	124.60
Add : Capital Subsidy from SICOM	13.20	-
Add : Forfeiture of partly paid warrants	926.64	183.75
	1248.19	308.35
<b>Securities Premium Account :</b>		
As per last account	2130.95	2043.95
Add : Received during the period	1753.83	641.60
Less : Utilised during the period :		
(a) Premium of Redemption of Preference Shares/ Debentures	341.08	236.50
(b) Expenses incurred for FCCB issue	-	318.10
	3543.70	2130.95
<b>General Reserve :</b>		
As per last account	2601.15	2601.15
Add : As per Merger Scheme (Refer Note No 2 - Sch 16)	8674.88	-
Less : Adjustment for Depreciation (Refer Note No 2 - Sch 16)	1840.39	-
	9435.63	2601.15
Less : Debit balance in Profit and Loss Account	9435.63	2601.15
	-	-
<b>Special Reserve :</b>		
Amount reserved for issue of 4,550 (4,550) bonus shares kept in abeyance as per Sec.206A of the Companies Act, 1956. (Refer Note No. 15)	0.46	0.46
<b>TOTAL</b>	<u>4792.35</u>	<u>2439.76</u>

**Schedules Forming Part Of The Balance Sheet As At 30th June, 2009**

	<b>As at 30th June, 2009 Rs. in lakhs</b>	<b>As at 31st March, 2006 Rs. in lakhs</b>
<b>SCHEDULE 4 : SECURED LOANS</b>		
<b>Debentures : (Note 1 below)</b>		
75,00,000 - 11.50% Non Convertible Debentures of Rs. 100 each [Repayable within one year Rs.2000 lakhs (Rs. 2000 lakhs)]	4500.00	6500.00
<b>From Others :</b>		
Term Loan from Others (Note 2 below) [Repayable within one year Rs.Nil (Nil)]	2500.00	3000.00
<b>TOTAL</b>	<u>7000.00</u>	<u>9500.00</u>

**NOTES :**

1. Non Convertible Debentures are secured by a first pari-passu charge on Immovable properties of the Company both present and future and are also secured by first pari - passu charge on movable fixed assets excluding the assets specifically charged to Financial institution. In addition to above, first and exclusive charge on the receivables from Tata Motors Ltd., second charge by way of hypothecation on the current assets of the Company (both present and future, tangible and intangible) and pledge of 45,79,500 shares held in Kinetic Motor Company Limited.  
  
Debentures are redeemable in 15 quarterly installments starting from 31st December, 2007. Debenture redemption premium @ 12.73% is payable on non happening of certain events stipulated in the Debenture subscription agreement. In the event of waiver of debenture redemption premium, rate of interest would be revised at GOISEC yield plus a spread of 4.25%.
2. Term Loan from others is secured by a first pari-passu mortgage and charge on all immovable properties of the Company both present and future and are also secured by first pari-passu charge on movable fixed assets excluding the assets specifically charged to Financial institution. In addition to above second pari passu charge on the current assets of the Company both present and future. Creation of security in respect of movable fixed assets and current assets is in process.

**SCHEDULE 5 : UNSECURED LOANS**

<b>I. Interest Free Sales Tax Loan</b>		
From Govt. of Maharashtra through SICOM [Including Rs. 11.44 Lakhs (Nil) due in next 12 months]	186.14	8.19
<b>II. Short Term Loan :</b>		
<b>Others</b> [Including Rs. 185.40 Lacs (124.81) due in next 12 months]	185.40	124.82
<b>III. Other Loans :</b>		
<b>a) Foreign Currency Convertible Bonds</b>	8533.80	7113.60
<b>b) From Others</b> [Including Rs. Nil (Nil) due in next 12 months]	1845.22	5426.40
<b>TOTAL</b>	<u>10750.56</u>	<u>12673.01</u>

## Schedules Forming Part Of The Balance Sheet As At 30th June, 2009

## SCHEDULE 6 : FIXED ASSETS

Rs. in lakhs

Particulars	Tangible						In-Tangible		Total	Balance As At 31st Mar., 2008	
	Lease-hold Land **	Free-hold Land	Buildings	Plant & Machinery	Electrical Installation & Fittings	Dies, Jigs & Fixtures	Furniture Fix. & Office Equipment	Vehicles			Technical Know-how ** June, 2009
<b>(1) GROSS BLOCK : OWNED ASSETS</b>											
As At 31st March, 2008	2262.88	2305.01	4934.86	12048.73	172.22	4874.24	627.23	71.18	594.39	27890.75	27987.94
Additions	176.83	0.00	61.64	2388.25	5.74	157.57	2.02	0.00	0.00	2792.06	1891.68
Deductions	8.42	5.46	27.69	22.62	3.06	0.00	17.14	23.68	0.00	108.07	1988.86
<b>As At 30th June 2009</b>	<b>2431.29</b>	<b>2299.55</b>	<b>4968.81</b>	<b>14414.37</b>	<b>174.90</b>	<b>5031.82</b>	<b>612.10</b>	<b>47.50</b>	<b>594.39</b>	<b>30574.74</b>	<b>27890.75</b>
<b>Depreciation / Amortisation</b>											
Upto 31st March, 2008	74.62	0.00	2431.24	9486.28	150.25	4042.89	529.27	50.42	592.57	17357.53	17940.48
For The Year 2008-2009	47.80	0.00	446.43	461.81	7.59	305.93	13.56	2.49	1.00	1286.62	758.48
Deductions	2.39	0.00	19.39	22.52	3.00	- 0.00	14.45	12.91	0.00	74.66	1341.42
<b>Tot Dep/Amort Upto 30th June 2009</b>	<b>120.04</b>	<b>0.00</b>	<b>2858.28</b>	<b>9925.57</b>	<b>154.84</b>	<b>4348.81</b>	<b>528.38</b>	<b>40.00</b>	<b>593.57</b>	<b>18569.50</b>	<b>17357.53</b>
<b>Net Block As At 30th June 2009</b>	<b>2311.26</b>	<b>2299.55</b>	<b>2110.54</b>	<b>4488.80</b>	<b>20.05</b>	<b>683.01</b>	<b>83.72</b>	<b>7.50</b>	<b>0.82</b>	<b>12005.24</b>	<b>10533.21</b>
Net Block As At 31st March, 2008	2188.25	2305.01	2503.63	2562.45	21.97	831.36	97.96	20.76	1.83	10533.21	10047.46
** Amortisation Charges For The Year Are In Respect Of Leasehold Land And Technical Know-how.											
<b>(2) GROSS BLOCK : LEASED ASSETS</b>											
As At 31st March, 2008	0.00	0.00	0.00	4.07	0.00	0.00	0.00	0.00	0.00	4.07	4.07
Additions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deductions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>As At 30th June 2009</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>4.07</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>4.07</b>	<b>4.07</b>
<b>Depreciation / Amortisation</b>											
Upto 31st March, 2008	0.00	0.00	0.00	4.05	0.00	0.00	0.00	0.00	0.00	4.05	4.04
For The Year 2008-2009	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01
Deductions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Tot Dep/Amort Upto 30th June 2009</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>4.05</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>4.05</b>	<b>4.05</b>
<b>Net Block As At 30th June 2009</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.02</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.02</b>	<b>0.02</b>
Net Block As At 31st March, 2008	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.02	0.03
<b>Net Block As At 30th June 2009</b>	<b>2311.26</b>	<b>2299.55</b>	<b>2110.54</b>	<b>4488.82</b>	<b>20.05</b>	<b>683.01</b>	<b>83.72</b>	<b>7.50</b>	<b>0.82</b>	<b>12005.27</b>	<b>10533.24</b>
<b>Net Block As At 31st March, 2008</b>	<b>2188.25</b>	<b>2305.01</b>	<b>2503.63</b>	<b>2562.48</b>	<b>21.97</b>	<b>831.36</b>	<b>97.96</b>	<b>20.76</b>	<b>1.83</b>	<b>10533.24</b>	<b>10047.49</b>

## NOTE :

1 Gross block as on 31st March, 2008 and Accumulated depreciation as on 31st March, 2008 include figures of the Auto Division of erstwhile M/s. Jaya Hind Sciaky Ltd., which was merged with the company.

2 Gross block includes revaluation of assets made in terms of scheme of Arrangement approved by 'Bombay High court as under

	Rs. in Lakhs
a) Free Hold Land	2098.95
b) Lease Hold Land	989.07
c) Building	3125.73



## Schedules Forming Part Of The Balance Sheet As At 30th June, 2009

	Rs. in lakhs	As at 30th June, 2009 Rs. in lakhs	As at 31st March, 2008 Rs. in lakhs
<b>SCHEDULE 7 : INVESTMENTS</b>			
<b>LONG TERM INVESTMENTS :</b>			
<b>(A) In Government &amp; Trust Securities :</b>			
Unquoted :			
7 year National Savings Certificates		0.22	0.22
<b>(B) In Quoted Shares :</b>			
Equity Shares of Rs.10/- each fully paid :			
<b>Trade :</b>			
112,49,000 (101,59,000) in Kinetic Motor Company Ltd. (45,79,500 Shares pledged with Debenture holders )	4808.74		4297.79
55,19,513 (48,47,672) in Athena Financial Services Ltd.	1959.49		1773.79
Less : Provision for diminution in the value of Investment	1959.49		1773.79
80 (80) in Tata Motors Ltd.	0.26		0.26
4,37,400 (4,28,700) in Z F Steering Gear (India) Ltd.	89.09		85.74
(4,28,700 Shares pledged with SIDBI for Bill discounting limit)	4898.09		4383.79
<b>Others :</b>			
500 (500) in Ashok Leyland Ltd.[ of Rs. 1/- each)	0.11		0.11
50 (50) in DCM Toyota Ltd.	0.01		0.01
39 (39) in Eicher Ltd.	0.03		0.03
26 (26) in Eicher Motors Ltd.	0.02		0.02
50 (50) in Escorts Ltd.	0.05		0.05
630 (630) in Hero Honda Motor Ltd. [of Rs.2/- each]	0.19		0.19
100 (100) in Hindustan Motors Ltd.	0.05		0.05
50 (50) in LML Ltd.	0.03		0.03
95 (95) in Majestic Auto Ltd.	0.27		0.27
1 (10) in Hero Motors Ltd.	0.03		0.03
166 (166) in Mahindra & Mahindra Ltd.	0.15		0.15
50 (50) in Swaraj Mazda Ltd.	0.01		0.01
50 (50) in The Premier Automobiles Ltd.	0.03		0.02
500 (500) in TVS Motor Co. Ltd. [ of Rs. 1/- each]	0.08		0.08
	1.08		1.06
<b>(C) In Unquoted Shares :</b>		4899.17	4384.85
<b>Trade :</b>			
Equity Shares of Rs.10/- each fully paid :			
16,000(16,000) in Kinetic Communications Ltd.	1.60		1.60
36,000 (36,000) in Kinetic Escalator and Elevator Ltd.	3.60		3.60
1,63,400 (73,400) in Kinetic Marketing & Services Ltd.	16.34		7.34
<b>Preference Shares of Rs.65/- each fully paid in Kinetic Motor Company Ltd. :</b>			
5,30,000 (15,30,000) Convertible Cumulative Pref. Shares	344.50		344.50
23,15,500 (23,15,500 ) Optionally Conv. Cumul. Pref Shares	1505.08		1505.08
22,17,000 (7,70,000) Redeemable Cumulative Preference Shares	1441.05		500.50
5,00,000 (Nil) Redeemable Cumulative Pref. Shares of Rs.100/- each	500.00		0.00
	3812.17		2362.62
<b>Preference Shares of Rs.10/- each fully paid in Athena Financial Services Ltd :</b>			
13,650 Preference Shares	1.37		-
Less : Provision for diminution in the value of Investment	1.37		-
	-		-
<b>Others :</b>			
5 (5) Equity Shares of Rs. 50/- each fully paid in Pushpak Co-op Hsg. Soc.Ltd.	-		0.003
13,800 (Nil) in Ajinkya Auto Fab Pvt. Ltd	13.80		-
	13.80		0.003
<b>CURRENT INVESTMENTS :</b>		3825.97	2362.62
<b>(D) In Mutual Funds :</b>			
HDFC Cash Management Fund (valued at NAV)	96.85	96.85	-
AIG India Treasury Plus Fund	-	-	4341.52
<b>TOTAL</b>		<b>8822.21</b>	<b>11088.99</b>
Aggregate amount of Investments			
	<b>As on 30th June, 2009</b>		<b>As on 31st March, 2008</b>
	<b>Cost</b>	<b>Market value</b>	<b>Cost</b>
	<b>Rs. In lakhs</b>	<b>Rs. In lakhs</b>	<b>Rs. In lakhs</b>
Quoted	4996.02	2,061.35	8726.38
Unquoted	3826.19	N.A.	2362.62
			7219.72
			N.A.

# KINETIC ENGINEERING LIMITED

## Schedules Forming Part Of The Balance Sheet As At 3th June, 2009

	Rs. in lakhs	As at 30th June, 2009 Rs. in lakhs	As at 31st March, 2008 Rs. in lakhs
<b>SCHEDULE 8 : CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
<b>I) Current Assets :</b>			
<b>(a) Inventories :</b>			
Stores and Other Materials	409.93		447.32
Stock-in-trade :			
Raw Material & Components	631.74		786.37
Finished Goods	8.60		96.53
Traded Goods	-		-
Work-in-progress	365.91		477.11
Goods-in-transit	-		6.97
[Inventories as certified by the Managing Director]			
		1416.17	1814.31
<b>(b) Sundry Debtors (Unsecured) :</b>			
Debts outstanding for a period exceeding 6 months			
Considered Good	828.88		2148.73
Considered Doubtful	377.86		2535.39
	1206.74		4684.12
Other Debts	1335.01		3755.43
	2541.75		8439.55
Less : Provision for doubtful debts	377.86		2535.39
		2163.90	5904.16
<b>(c) Cash and Bank Balances :</b>			
Cash and Cheques on hand	0.97		1.04
Cash with Scheduled Banks			
In Current Accounts	795.27		1103.47
In Deposit Accounts	1510.49		500.77
Cash with Other Banks			
In Barclays Bank Plc.	0.05		1383.08
[Maximum balance during the year Rs.13,83,07,681]			
		2306.78	2988.36
<b>(d) Other Current Assets :</b>			
Income Accrued on Investment		0.20	0.20
<b>II) Loans &amp; Advances :</b>			
(Unsecured, considered good unless otherwise stated)			
Advances recoverable in cash or in kind or for value to be received :			
Considered Good	1760.82		2154.11
Considered Doubtful	173.54		154.78
	1934.37		2308.89
Less : Provision for doubtful advances	173.54		154.78
	1760.82		2154.11
Other Advances [includes Rs. NIL (NIL) due from Director / Officer of the Company. Maximum amount due Rs.Nil (Rs.36,000) at any time during the period]	33.91		30.04
Sundry Deposits	295.26		279.55
Bills Discounted	206.65		206.65
Advance Income -Tax (Net of Provision)	291.98		128.75
[Refer Schedule 9 (b)]		2588.62	2799.10
<b>TOTAL</b>		<b>8475.67</b>	<b>13506.13</b>

## Schedules Forming Part Of The Balance Sheet As At 30th June, 2009

	Rs. in lakhs	As at 30th June, 2009 Rs. in lakhs	As at 31st March, 2008 Rs. in lakhs
<b>SCHEDULE 9 : CURRENT LIABILITIES &amp; PROVISIONS</b>			
<b>(a) Liabilities :</b>			
Acceptances	100.31		138.24
Sundry Creditors	3307.72		2971.09
Interest Accrued but not Due	46.46		46.47
Advances against Sales	301.01		915.76
Advance received against warrants	-		-
Other Liabilities	880.63		351.19
Investor Education and Protection Fund shall be credited by the following amounts if they remain unpaid on respective due dates for credit to the above fund :			
Unpaid Dividends	3.70		3.70
Matured Fixed Deposits	1.75		2.41
Interest on Matured Fixed Deposits	0.43		1.04
		4642.01	4429.90
<b>(b) Provisions :</b>			
Taxation			
Taxation provision for earlier years	2490.73		2465.66
Taxation provision for the period	-		-
	2490.73		2465.66
Less : Advance payment of Tax	2782.71		2594.41
[Contra refer Schedule 8(II)]	(291.98)		(128.75)
Provision for Fringe Benefit Tax	98.65		72.00
Less : Advance Tax - Fringe Benefit Tax	95.37		70.21
Net Provision for Fringe Benefit Tax	3.28		1.79
Leave Encashment	71.20		93.36
Gratuity	286.77		432.99
Others	58.93		58.91
		420.18	587.04
<b>TOTAL</b>		<b>5062.19</b>	<b>5016.95</b>

**SCHEDULE 10 : MISCELLANEOUS EXPENSES**

(To the extent not written off / adjusted)

Deferred Expenses - Voluntary Retirement Scheme	81.38	326.00
<b>TOTAL</b>	<b>81.38</b>	<b>326.00</b>

# KINETIC ENGINEERING LIMITED

## Schedules Forming Part of The Profit and Loss Account For The Fifteen Months Period Ended 30th June, 2009

	Rs. in lakhs	For the Fifteen months period ended 30th June, 2009 Rs. in lakhs	For the Fifteen months period ended 31st March, 2008 Rs. in lakhs
<b>SCHEDULE 11 : SALES AND OTHER OPERATING INCOME</b>			
Sales including Excise Duty		6638.19	8467.26
Machining and Processing Receipts		359.20	835.52
Royalty Receipts		-	-
TOTAL		<u>6997.38</u>	<u>9302.78</u>
<b>SCHEDULE 12 : OTHER INCOME</b>			
Interest received on bank, other accounts, and Short Term Deposits (Gross)[Tax deducted at source Rs.22.95 Lacs (Rs 1.16 Lacs)		160.95	8.35
Dividend Received			-
From : Trade Investments	41.52		34.49
Others	<u>0.75</u>		<u>0.05</u>
		42.26	34.54
Income from units		191.22	14.93
Sale of Brand Licence		775.00	-
Loan waiver gain		252.59	-
Miscellaneous Receipts		265.87	124.98
Excess Provision Written Back		170.59	64.07
TOTAL		<u>1858.48</u>	<u>246.86</u>
<b>SCHEDULE 13 : MATERIALS</b>			
Stock at Commencement :			
Finished Goods	96.53		177.34
Work-in-Progress	492.01		854.89
Trading Goods	<u>0.00</u>		<u>1.59</u>
		588.54	1033.82
Spare Parts Purchased		-	11.31
Raw Materials and Components Consumed			
Stock at commencement	842.91		1387.06
Purchases	<u>3367.11</u>		<u>4645.76</u>
	4210.02		6032.82
Less : Closing Stock	<u>631.74</u>		<u>786.37</u>
		3578.28	5246.46
Fabrication & Processing Charges		359.44	387.21
Stores Consumed		573.52	839.90
Freight, Octroi & Forwarding Charges		<u>122.12</u>	<u>238.76</u>
		5221.91	7757.46
Less : Closing Stock			
Finished Goods	8.60		96.53
Work-in-Progress	<u>365.91</u>		<u>477.12</u>
		374.50	573.65
TOTAL		<u>4847.40</u>	<u>7183.81</u>

**Schedules Forming Part of The Profit and Loss Account For The Fifteen Months Period Ended 30th June, 2009**

Rs. in lakhs	For the Fifteen months period ended 30th June, 2009 Rs. in lakhs	For the Fifteen months period ended 31st March, 2008 Rs. in lakhs
<b>SCHEDULE 14 : OTHER EXPENSES</b>		
Excise Duty Paid (Net)	24.81	61.18
Light, Power and Fuel	485.57	743.88
Repairs :		
Building	37.64	60.38
Machinery	126.63	153.17
Others	56.63	64.24
	220.89	277.78
Service Charges and Warranty Claims	22.27	43.38
Payments to & Provisions for Employees :		
Salaries, Wages, Bonus etc.	1703.57	2084.93
Contribution to Provident Fund & Other Funds	142.88	174.15
Gratuity	4.01	5.59
Staff & Labour Welfare Expenses	72.90	108.16
	1923.37	2372.83
Insurance	41.96	35.89
Rent	0.64	1.86
Rates & Taxes	81.76	50.68
Publicity & Sales Promotion	1.07	3.96
Legal Professional & Consultancy Fee	263.09	275.11
Travelling Expenses	40.81	39.15
Packing and Forwarding Charges	122.53	200.29
Miscellaneous Expenses	310.78	385.01
Donations	-	0.05
Directors' Fees & Travelling Expenses	1.40	1.04
Loss on Sale of Assets	6.83	12.51
Provision for Doubtful Debts / Advances	18.82	686.12
Discount on sales	-	80.60
Bad Debts / Advances written off	2464.48	0.00
Provision for Bad Debts written back	(2157.53)	0.00
Outward Freight charges	60.21	77.83
Prior Period Adjustment	45.41	0.00
<b>TOTAL</b>	<u>3979.15</u>	<u>5349.16</u>
<b>SCHEDULE 15 : INTEREST &amp; FINANCIAL CHARGES</b>		
Fixed Loans	815.97	536.23
Debentures	791.50	1100.20
Others	109.27	479.18
Financial Charges	29.64	20.02
	1746.38	2135.63
<b>TOTAL</b>	<u>1746.38</u>	<u>2135.63</u>

# KINETIC ENGINEERING LIMITED

## Notes Forming Part Of The Accounts For The Fifteen Months Period Ended 30th June, 2009

### SCHEDULE 16 :

Figures in Parentheses relate to the Previous Period :

#### 1. ACCOUNTING POLICIES

##### A) . FIXED ASSETS :

Fixed Assets are stated at cost of acquisition or construction less depreciation. Cost comprises of the purchase price and other attributable costs and includes the financing costs relating to borrowed funds attributable to construction or acquisition of Qualifying Fixed Assets up to the date the asset is put to use and exchange difference on long term foreign currency monetary items relating to acquisition of the respective assets.

##### B) DEPRECIATION :

###### I) On Fixed Assets acquired up to 31st March, 1995 :

Depreciation on fixed assets is provided as per Written Down Value method at the rates specified for those assets in Appendix I to the Income Tax Rules, 1962 with reference to the Written Down Value of the Fixed Assets. Plant & Machinery, Electrical Installation, Dies, Jigs, Fixtures & Electrical Fittings costing below Rs. Five Thousand each was written off.

###### II) On Fixed Assets acquired from 1st April, 1995 to 31st March, 2000 :

Depreciation on fixed assets is provided as per Written Down Value Method at the rates specified in Schedule XIV to the Companies Act, 1956. Pro-rata depreciation as specified in Schedule XIV to the Companies Act, 1956 is not provided on the assets sold during the year.

###### III) On Fixed Assets acquired from 1st April, 2000 onwards and on Fixed Assets transferred on Merger of Auto Division of erstwhile Jaya Hind Sciaky Ltd:

Depreciation on fixed assets is provided as per Straight Line Method at the rates specified in Schedule XIV to the Companies Act, 1956. Pro-rata depreciation as specified in Schedule XIV to the Companies Act, 1956 is not provided on the assets sold during the year.

###### IV) Intangible Assets : Technical Know-how fees in respect of manufacturing process and Computer Software are treated as Intangible Asset and the same are written off over a period of four years and in respect of Auto Division of erstwhile Jaya Hind Sciaky Ltd., the same are written off over a period of five years starting from the year of receipt of the same.

##### C) VALUATION OF INVENTORY :

Inventories are stated at the lower of cost and net realisable value. Cost has been determined by using annual weighted average cost formula. Work in Progress and manufactured finished goods include material cost, labour and allocation of fixed and variable production overheads as per Accounting Standard 2 (revised), Valuation of Inventories notified in the Companies (Accounting Standard) Rules 2006.

##### D) INVESTMENTS :

###### I) Long Term investments are carried at cost. Provision for diminution in the value of long term investment is made only if, such a decline is other than temporary in the opinion of the management.

###### II) Current investments are valued at lower of cost and realisable value.

##### E) EMPLOYEE BENEFITS

###### (a) Short term employee benefits

All employee benefits falling due wholly within the accounting period of rendering the services are classified as short term employee benefits, which include benefits like salaries, wages, short term compensated absences and performance incentives and are recognised as expenses in the period in which the employees renders the relevant service.

###### (b) Post employment benefits

Contributions to defined contribution schemes such as Provident Fund, Superannuation Fund etc., are recognised as expenses in the period in which the employee renders the related service. The company also provides post employment defined benefit in the form of gratuity. The cost of providing benefit is determined using the projected unit credit method based on actuarial valuation report.

**F) RESEARCH AND DEVELOPMENT EXPENSES :**

Revenue Expenditure on Research and Development is charged off as an expense in the year in which it is incurred except where such expenses are treated as Intangible Assets or Capital Expenditure which is grouped with Fixed Assets under appropriate heads and depreciation is provided as per Accounting Policy 1(B)

**G) FOREIGN CURRENCY TRANSACTIONS :**

I) Gains / Losses of transactions in foreign currency are recognised in the Profit & Loss Account except gains / losses on long term foreign currency monetary items relating to acquisition of a depreciable capital asset. Such gains / losses are adjusted against cost of the capital asset and depreciated over the remaining life of the assets.

II) Current Assets and Current Liabilities in foreign currency are translated at the rates of exchange prevailing at the date of Balance Sheet and exchange difference is recognised in the Profit & Loss Account. Exchange difference in respect of liabilities covered under forward contracts is recognised as income or expense over the life of the Contract.

**H) INCOME RECOGNITION RELATING TO LEASE :**

Income relating to lease / finance charges is recognised as per the terms of Agreement except where there is uncertainty of ultimate collection of such income.

**I) DEFERRED REVENUE EXPENDITURE :**

Expenses relating to Voluntary Retirement Scheme is treated as Deferred Revenue Expenditure. These Expenses are written off over a period of three years from the year in which such expenses are incurred or 31st March 2010 whichever is earlier.

- 2 A Scheme of Arrangement between Jaya Hind Sciaky Ltd. (the "Transferor Company"), Kinetic Engineering Ltd. (The "Transferee Company") and Kaygee Auto Products Private Ltd. (the "Resulting Company") and their respective shareholders was approved by the Honorable Bombay High Court vide order dated 27<sup>th</sup> July, 2009. The said scheme became effective from 10<sup>th</sup> August, 2009 and is applicable from the Appointed date, 1<sup>st</sup> April, 2005. In terms of the said scheme, the Remaining Undertaking (Auto Component Division of Jaya Hind Sciaky Ltd), which was engaged in manufacturing of Auto Components, has been transferred to Kinetic Engineering Limited.

In accordance with the approved Scheme :

- a) The Assets and Liabilities of the Auto Component Division have been transferred to and vested with the Company with effect from 1<sup>st</sup> April 2005 and have been recorded at their respective fair values under the Purchase Method of Accounting for Amalgamation in the Accounts for the year ended 30<sup>th</sup> June, 2009 though the effective date of amalgamation is 10<sup>th</sup> August, 2009. This has been considered Prudent by the Management of the Transferee Company in order to provide a correct state of financials to the shareholders at the earliest available opportunity.
- b) 17,82,774 Equity Shares of Rs. 10/- each fully paid up are to be issued to the Equity Shareholders of the erstwhile Jaya Hind Sciaky Ltd. as per the Scheme. In view of the allotment being done subsequent to the close of the accounting year, the paid-up value of such shares has been shown as "Equity Share Suspense A/c". The Company has since allotted the shares on 12<sup>th</sup> August, 2009.
- c) The Issued, Subscribed and Paid up Equity Share Capital of Rs. 2,93,410/- consisting of 29,341 Equity shares of Rs. 10/- each held by erstwhile Jaya Hind Sciaky Ltd. in the Transferee Company has been cancelled pursuant to the Scheme.
- d) The difference between amount of share capital to be issued by the Transferee Company and the net assets transferred by the Auto Component Division after giving effect of cancellation of Share Capital mentioned in clause (c) above and taking into consideration the revaluation of the assets of the Auto Component Division and the Transferee Company aggregating to Rs. 8674.88 Lacs has been credited to the General Reserve of the Transferee Company.  
Had the Scheme not prescribed this accounting treatment, the amount of Rs. 8674.88 Lacs would have been credited to Capital Reserve.
- e) Freehold Land, Leasehold Land and Buildings in Auto Component Division and Transferee Company have been revalued as per the Scheme of Arrangement and additional depreciation arising on account of revaluation of such assets amounting to Rs. 1459.69 Lacs pertaining to period 1<sup>st</sup> April 2005 to 31<sup>st</sup> March 2008 has been adjusted against General Reserve of Transferee Company. Depreciation for the period 1<sup>st</sup> April 2008 to 30<sup>th</sup> June 2009 amounting to Rs.380.70 Lacs has been withdrawn from General Reserve and credited to Profit and Loss Account.

- 3 Estimated amount of contracts to be executed on Capital Account and not provided for is **Rs. 1425 Lacs** (Rs.1665 Lacs).

# KINETIC ENGINEERING LIMITED

## 4 CONTINGENT LIABILITIES :

Contingent Liabilities in respect of

	Rs. in Lacs	Rs. in Lacs
a. Income Tax matter under appeal, approx (See Note Below)	157.70	(124.28)
b. Sales Tax matter under appeal	195.80	(112.97)
c. Excise Duty in dispute	401.76	(481.03)
d. Octroi Duty in dispute (High court Order received in Company's favour but the case is in appeal before Supreme Court hence shown in Contingent Liability.)	335.74	(335.74)
e. ESIC liability in dispute	1.26	(1.26)
f. Municipal Property Tax in dispute	162.70	(149.04)
g. Service Tax in dispute	65.02	(57.02)
h. Labour Cases	22.19	(22.19)
i. Custom Duty	6.82	(6.33)
j. General Surety Bond executed in favour of Excise Dept for JHS Taigene Electrical Co. Pvt. Ltd.	300.00	0.00

Note : Income Tax matter under appeal, **Rs.157.70 Lacs** (Previous period Rs. 124.28 Lacs) is excluding **Rs.821.15 Lacs** (Rs. 821.15 Lacs) in respect of which favourable decision has been given by the Income Tax Appellate Tribunal, Pune on similar grounds in an earlier assessment year.

## 5 MANAGERIAL REMUNERATION PAID / PAYABLE

	Rs. in Lacs	Rs. in Lacs
Salary	101.55	(153.07)
Contribution to Provident Fund, Superannuation Scheme	22.94	(34.27)
Perquisites	7.45	(29.38)
	<u>131.94</u>	<u>(216.72)</u>

Company has filed Form No 25A with the Central Govt. seeking approval for the remuneration paid to Chairman, Managing Director including the erstwhile Managing Director. The approval from the Central Govt. is awaited.

## 6 (a) TURNOVER AND STOCKS

Class of Finished Goods	Unit	Turnover		Stocks			
		Quantity	Rs. in lakhs	Quantity #		Amount Rs. in lakhs	
				Opening	Closing	Opening	Closing
*Two Wheelers	Nos.	8 (1,321)	0.82 (303.11)	18 (833)	10 (18)	4.21 (170.85)	3.20 (4.21)
*Traded Two Wheeler	Nos.	-	-	(9)	-	(1.59)	-
Steering Arm/ Slip Yoke	Nos	52728 (51,804)	1,170.26 (858.88)	640 (441)	36 (640)	5.31 (3.13)	0.54 (5.31)
Gear Box/ Shaft drive	Nos	472631 (426,345)	3,578.10 (3,360.12)	0	0	0.00	0.00
I C Engines	Nos	9797 (10,969)	345.00 (329.29)	- (183)	-	- (3.14)	-
**Variator, Front Fork & Front Shockabsorber	Sets	21118	349.53	-	-	-	-
Auto Components & Others	-	-	1,194.48 (3,615.86)	-	-	87.01 (0.22)	4.86 (87.01)
<b>Grand Total</b>			<b>6,638.19</b> (8,467.26)			<b>96.53</b> (178.93)	<b>8.60</b> (96.53)

\* Excluding - Nil (36) vehicles for Research & Development, Training Centre, capitalised and Sales Promotion etc. and Nil (350) vehicles dismantled and Nil (9) traded vehicles dismantled.

# Excluding 6 (6) Nos. of Car trial production.

\*\* Sales Quantity excludes 127 sets Rejected



(b) CAPACITIES AS ON 30th JUNE 2009 AND PRODUCTION FOR THE PERIOD :

Class of goods manufactured	Unit	Capacities (p. a.)		Production
		Licensed	Installed	
Steering Arm/ Slip Yoke	Nos.	N.A. (N.A.)	*	52124 (52003)
Gear Box/ Shaft drive	Nos.	N.A. (N.A.)	*	472631 (426345)
I C Engines	Nos.	N.A. (N.A.)	*	9797 (10786) #

Company has discontinued vehicle manufacturing activity. Production for previous year was 892 Nos

\* The installed capacity being of a generic nature is interchangeable between Auto component product groups and as such individual product group capacities cannot be ascertained

# Excluding Nil (3119) I C Engines returned to production shop

7 Company has purchased six bills of exchange and paid **Rs. 206.65 Lacs** (Rs. 206.65 Lacs) for the same. These bills have matured but have not been honoured. Company has filed suits in the High Court of Judicature at Bombay.

8 **Net Gain / (loss) on exchange difference recognised in the Books of Account is Gain Rs.147.4 Lacs (Gain Rs.0.76 Lacs)**

9 PAYMENT TO AUDITORS

	Rs. in Lacs	Rs. in Lacs
Audit Fees (Including fees of Rs. 2.51 Lacs (Rs. 2.50 Lacs) for audit under Section 44AB of Income Tax Act, 1961)	5.23	(5.00)
For Other Services	1.18	(1.22)
For Expenses	0.26	(0.10)

10 CONSUMPTION OF RAW MATERIALS AND COMPONENTS

Description	Unit	Quantity	Value (Rs. in Lacs)
<b>(A) Raw Materials :</b>			
Steel Sheets	Kgs	30386 (139310)	10.80 (55.43)
Steel Tubes	Mtr	21457 (42657)	32.17 (45.10)
Steel Tubes	Pcs	30118 (22956)	195.18 (252.09)
Steel Bars	Kgs	358842 (369057)	263.93 (363.33)
Non-ferrous metals	Kgs	13719 (48611)	17.58 (88.78)
<b>(B) Components &amp; Others</b>			
			3058.62 (4,441.73)
			<u>3578.28</u> (5,246.46)

11 IMPORTED & INDIGENOUS RAW MATERIALS CONSUMPTION

(Including Components)

	Rs in Lacs	%	Rs. in Lacs	%
Imported	200.59	5.61	(314.75)	6.00
Indigenous	3377.69	94.39	(4931.71)	94.00
	<u>3578.28</u>	<u>100.00</u>	<u>(5246.46)</u>	<u>100.00</u>

12 CIF VALUE OF IMPORTS

	Rs. in Lacs	Rs. in Lacs
Components and Others	174.79	(291.08)
Capital Goods	1,041.86	(60.71)

13 EXPENDITURE IN FOREIGN CURRENCY

	Rs. in Lacs	Rs. in Lacs
I) Travelling and Other Expenses	9.08	(5.73)
II) Interest & Bank Charges	252.43	(18.84)
III) FCCB issue expenses	-	(190.76)

# KINETIC ENGINEERING LIMITED

<b>14 EARNING IN FOREIGN CURRENCY</b>	<b>Rs. in Lacs</b>	<b>Rs. in Lacs</b>
I) Export of Goods (FOB)	<b>2130.98</b>	(1,614.13)
II) Interest	-	-
III) Other Charges	<b>74.43</b>	(59.05)
<b>15 Issue of 4550 (4550) Bonus Shares and 480 (480) Rights shares have been kept in abeyance as per the provisions of Section 206A of the Companies Act, 1956.</b>		
<b>16 The Expenditure on RESEARCH AND DEVELOPMENT during the period is :</b>		
<b>A) Revenue</b>	<b>Rs in Lacs</b>	<b>Rs. in Lacs</b>
I) Material and Other Expenses	<b>1.35</b>	(19.51)
II) Salary, Wages & Bonus	<b>22.52</b>	(52.75)
III) Contribution to Provident Fund and Other Funds	<b>0.87</b>	(2.37)
IV) Depreciation	<b>63.67</b>	(16.87)
<b>B) Capital</b>	-	-
<b>17 Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets and capitalised as part of cost of asset is Rs. Nil (Rs. Nil).</b>		
<b>18 Earning Per Share :</b>		
a) The amount used as the numerator in calculating basic and diluted earning per share is the Loss after tax disclosed in the Profit and Loss Account after adjusting dividend on cumulative preference shares of <b>Rs. 333.76 Lacs</b> (Rs. 85.54 Lacs)		
b) The weighted average number of equity shares used as the denominator in calculating basic and diluted earnings per share is <b>58,61,803</b> (Previous year 53,65,617).		
<b>19 Foreign Currency Convertible Bonds ( FCCB)</b>		
FCCBs equal to US \$ 18 million Optionally Convertible @ Rs 156 per share at a fixed exchange rate of Rs 39.26 per dollar were issued vide loan agreement dated 14-02-2008. These have been approved by RBI to be utilised for Rupee Capital Expenditure needs of the company. The FCCBs have been listed on Singapore Exchange Securities Trading Limited, Singapore. The FCCB holders are entitled to an interest @ 2 % till conversion/redemption. The FCCBs, if not converted are redeemable on 15-02-2013.		
<b>20 In terms of the Notification dated 31st March 2009 by The Ministry of Corporate Affairs amending AS-11 "The Effects of Changes in Foreign Exchange Rates", the company has exercised the option to recognize the exchange difference on long term monetary items retrospectively from the accounting period 2007-08. Such exchange differences relating to the acquisition of capital assets are adjusted to the cost of capital and would be depreciated over the balance life of the asset. Accordingly, such exchange gain accounted for in 2007-08 amounting to Rs. 35.03 Lacs has been adjusted to the cost of the capital assets and net exchange loss of Rs.1221.75 Lacs for the current accounting year has also been adjusted to the cost of the capital. Had this option not been effected, the loss for the year after taking into consideration the depreciation provision on such exchange difference capitalized, would have been higher by Rs.1212.55 Lacs.</b>		
<b>21 Details of foreign currency exposure not hedged by derivative instruments or otherwise:-</b>		
Loans :-		
FCCB in USD	\$	<b>18,000,000</b> (18,000,000)
Sundry Debtors in USD	\$	<b>1,756,104</b> (1,325,571)
Sundry Debtors in EURO	€	<b>315,153</b> (393,141)
<b>22 As per the information available with the company till date, none of the suppliers have informed the company about their having registered themselves under the ' Micro, Small and Medium Enterprises Development Act, 2006 .As such, information as required under this Act, cannot be compiled and therefore not disclosed for the year.</b>		

23. The company has entered into Agreements to Sale / MOUs for selling land at Koregaon Bhima, Bungalow at Kalyani Nagar and Flats at Chinchwad to Micro Age Instruments Pvt. Ltd.(MAIPL) These transactions have been effected in the books of account as the consideration with respect thereto has already been received and the possession has also been granted. The related registration formalities are in process. The company has also entered into a MOU with MAIPL for sale of land and building at Takwe for a consideration of Rs. 5.83 Crs., which has been received from MAIPL. The said transaction is subject to approval from the appropriate authorities and as such it is not effected in the books of account of the company.
24. Having regard to financial and business restructuring plans under progress, infusion of substantial funds by way of issue of equity and preference shares, warrants, focus on auto component business which is expected to have positive impact on operations, the accounts have been prepared on a 'going concern' basis.
25. Details of provisions and movements in each class of provisions as required by the Accounting Standard on Provisions, Contingent Liabilities, and Contingent Assets (Accounting Standard -29) :

Particulars	Rs. in Lacs	
	Product Warranty	Free Service Charges
Carrying Amount as at 1st April 2008	10.62 (10.62)	48.31 (57.47)
Additional Provision made during the period	22.25 (38.00)	0.00 (5.37)
Amounts used during the period	22.25 (38.00)	0.00 (14.53)
Unused amounts reversed during the period	- (-)	- (-)
Carrying Amount as at 30th June 2009	10.62 (10.62)	48.31 (48.31)

Brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits

Product warranty and Free Service Charges :-

Estimated product warranty cost and free service charges are accrued at the time products are sold, based on past experience

- 26 a) In accordance with Accounting Standard 22 "Accounting for Taxes on Income" the Company has written off Deferred Tax Asset of Rs. 709.55 Lacs (Rs. NIL) for the period ended 30th June, 2009 which was recognised earlier.
- b) Deferred tax liability as on 30th June 2009 of **Rs.822.69 Lacs** ( Rs. 707.03 Lacs) is in respect of following:

	Rs. in Lacs	Rs. in Lacs
I) Provision for depreciation	822.69	(707.03)

- c) Deferred tax assets as on 30th June, 2009 of **Rs.822.69 Lacs** ( Rs.1416.58 Lacs) is in respect of following:

	Rs. in Lacs	Rs. in Lacs
I) Disallowance under Section 43 (B) & 40A of Income Tax Act, 1961	121.76	(288.88)
II) Provision for doubtful debts	128.43	(861.77)
III) Disallowance under Section 35 DDA- VRS Expenses	218.63	(119.30)
IV) Carried forward loss under Income Tax Act, 1961	353.87	(146.63)

Deferred Tax Asset in respect of carried forward losses is recognised only to the extent of balance deferred tax liability after taking into consideration deferred tax assets in respect of Income Tax disallowances.

**27 Defined benefit plan as per the actuarial valuation as on 30th June,2009 is as follows :**

The company makes annual contributions to a funded defined benefit plan for qualifying employees. The plan is administered with Reliance Life Insurance Company Limited. The scheme provides for lumpsum payment of vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of six months. Vesting occurs only upon completion of five years of service, except in case of death or permanent disability. The present value of the defined obligation and the related current service cost are measured using the projected unit credit method with actuarial valuation being carried out at the Balance sheet date.

# KINETIC ENGINEERING LIMITED

	<b>Rs. Lacs</b>
<b>(I) The present value of the defined benefit obligations :</b>	<b>30.06.2009</b>
Obligation as at 01.04.2008	541.41
Acquisition adjustment	-
Interest Cost	50.44
Past Service Cost	-
Current Service Cost	26.85
Curtailement Cost / (Credit)	-
Settlement Cost / (Credit)	-
Benefits paid	(73.85)
Actuarial (gain)/ loss on obligations	(112.45)
Present Value of Obligation as at the end of the year 30.6.2009	432.40
<b>(II) Changes in Fair Value of Plan Assets :</b>	<b>30.06.2009</b>
Fair Value of Plan Assets at 01.04.2008	198.11
Acquisition Adjustments	-
Expected Return on Plan Assets	18.30
Contributions	3.22
Benefits Paid	(73.65)
Actuarial Gain /( loss) on Plan Assets	(0.34)
Plan Assets at 30.6.2009	145.64
<b>(III) Actuarial Gain / Loss recognised</b>	<b>30.06.2009</b>
Actuarial gain/(loss) for the year – Obligation	112.45
Actuarial (gain)/loss for the year - Plan Assets	(0.34)
Total (gain) / loss for the year	(112.11)
Actuarial (gain) / loss recognized in the year	(112.11)
Unrecognized actuarial (gains) / losses at the end of year	0.00
<b>(IV) The amounts to be recognised in Balance Sheet and Statements of Profit and Loss</b>	<b>30.06.2009</b>
Present Value of Obligation as at the end of the year 30.06.2009	432.40
Fair Value of Plan Assets as at the end of the year as on 30.06.2009	145.63
Funded Status	(286.77)
Unrecognized Actuarial (gains) / losses	0.00
Net Liability to be Recognized in Balance Sheet	286.77
<b>(V) EXPENSE RECOGNIZED IN THE STATEMENT OF PROFIT AND LOSS</b>	<b>30.06.2009</b>
Current Service Cost	26.85
Past Service Cost	-
Interest Cost	50.44
Expected Return on Plan Assets	(18.30)
Curtailement Cost / (Credit)	-
Settlement Cost / (Credit)	-
Net actuarial (gain)/ loss recognized in the year	(112.11)
Expenses to be recognized in the statement of Profit & Loss at the end of period 30.06.2009	(54.61)
Company has recognised write back in the statement of profit and loss account after taking into consideration the excess provision for the earlier year.	
<b>(VI) Leave Encashment</b>	
provision for leave encashment in the nature of short term benefits is accounted for on actual basis at <b>Rs. 17.18 Lacs</b> and for long term benefits the same is made as per actuarial valuation at <b>Rs. 54.02 lakhs</b>	

<b>(VII) Assumptions:</b>	<b>As of</b>
	<b>30.06.2009</b>
Discount Rate	7.40%
Rate of increase in Compensation levels	4.00%
Rate of return on plan assets	9.00%
Expected Average remaining working lives of employees (years)	11.30

**28** Disclosures required by Para 13.5A of Chapter XIII of SEBI (Disclosure & Investor Protection) Guidelines,2000,in respect of preferential issues made by the Company during the period :

(Amount Rs. in lakhs )

Details of the preferential issue	Amount utilised	Purpose for which utilised	Amount unutilised	Form of investment of unutilised amounts
2 %,Foreign Currency Convertible Bonds aggregating USD 18 Million equivalent to Rs.7113 Lacs	5107	Capital Expenditure	2006	Banks <b>1909</b> Mutual Funds <b>97</b>
Preferential allotment of 114,750 Equity Shares	179.01	Working Capital requirement	-	

**29. Related Parties Transactions: As per Accounting Standard - 18**

**A) Name of Related Parties**

Kinetic Motor Company Ltd.  
Athena Financial Services Ltd., Kaygee Auto Product Pvt. Ltd., Kinetic Communications Ltd., Kinetic Marketing & Services Ltd., Ajinkya Holdings Pvt. Ltd., Microage Instruments Pvt.Ltd., Ajinkya Auto Fab Ltd., Kinetic Hundai Elevator & Movement Technologies Pvt. Ltd., Chrysalis Castings Pvt. Ltd Chrysalis Financial Services Pvt.Ltd., Ravindra Software Pvt. Ltd.,JHS Taigene Electrical Co. Pvt.Ltd., Ducati Energia Pvt. Ltd.

**Relationship**

**Associate Companies**

**Nature of Transaction**

**Volume of Transactions (Rs.in lakhs)**

Purchases of Goods	<b>154.46</b>	(729.99)
Sales of Goods	<b>416.62</b>	(3783.64)
Royalty Received	<b>1.50</b>	(7.08)
Dividend Received	<b>6.98</b>	(0.30)
Interest Payments/ (-)Receipts (Net)	<b>1.32</b>	(247.07)
Rendering of Other services (Income)	<b>47.83</b>	(128.19)
Rendering of Other services (Expense)	<b>141.23</b>	(10.24)
Other Receipts	<b>779.02</b>	(2.56)
Other Payments	-	(97.72)
Rent Received	<b>61.07</b>	-
Purchases of Assets	<b>11.04</b>	(4.43)
Sale of Assets	<b>290.00</b>	(32.53)
Issue of Shares (including Premium Rs. 1753.83 Lakhs)	<b>1,873.95</b>	-
Issue of Optionally Convertible Cum Pref Shares	<b>497.46</b>	(101.52)
Application money on optionally Convertible Cum Pref Shares	-	(1350.00)
Forfeiture of application money convertible warrants	-	(66.75)
ICD Received	-	(2833.45)
ICD Repaid	<b>2,616.96</b>	(706.95)
ICD given received back	<b>152.00</b>	-

# KINETIC ENGINEERING LIMITED

Investment in Preference Shares		<b>500.00</b>	-
Amounts Written back during the period in respect of loan from the related party		<b>252.59</b>	-
Amounts written off towards Debtors/ICD including interest		<b>431.52</b>	-
<b>Outstanding Balances as on 30.06.2009 Net Dr</b>		<b>(166.45)</b>	(3970.58)
<b>Outstanding ICD/Loan Including Interest</b>	<b>Cr</b>	<b>1,351.67</b>	(5426.40)

<b>B) Name of Related Parties</b>	Mr. A.H. Firodia Mr. Ajinkya Firodia Mr. M.K. Khera
<b>Relationship</b>	<b>Key Management Personnel</b>
<b>Nature of Transaction</b>	<b>Volume of Transactions ( Rs. in lakhs)</b>
Services rendered	Remuneration as disclosed under 5 of notes to accounts
Deposit from director	37.00 -
<b>Outstanding Balance as on 30.06.2009 Cr</b>	<b>37.00 -</b>
<b>C) Name of Related Parties</b>	Mrs. J. A. Firodia , Mr. S. C.Shah
<b>Relationship</b>	<b>Relative of Key Management Personnel</b>
<b>Nature of Transaction</b>	<b>Volume of Transactions ( Rs. in lakhs)</b>
Unsecured loan*	289.60 -
Fees for Professional Services	0.45 0.80
<b>Outstanding Balance as on 30.06.2009 Cr</b>	<b>289.60 -</b>

\*Loan arising out of liquidation of personal security offered by relative of director

## Disclosure in respect of material related party transactions during the year :

- a Purchases from Kinetic Motor Company Limited Rs. 41.27 Lakhs (Previous Year Rs. 130.95 Lakhs), JHS Taigene Electrical Company Private Limited Rs. 67.29 Lakhs (Previous Year Rs. 60.61 Lakhs), Kinetic Communications Ltd. Rs. 0.29 Lac and Kaygee Auto Product Private Limited Rs. 37.53 Lakhs (Previous Year Rs. NIL).
- b Sales include to Kinetic Motor Company Limited Rs. 415.91 Lakhs (Previous Year Rs. 3235.40 Lakhs).
- c Royalty received from Kaygee Auto Product Private Limited Rs. 1.50 Lakhs (Previous Year Rs. NIL).
- d Dividend received from JHS Taigene Electricals Company Pvt. Ltd. Rs.6.98 Lakhs.
- e Interest received from Kinetic Hyundai Elevator & Movement Technologies Pvt. Ltd. Rs. 1.32 Lakhs.
- f Income from Rendering of services include to Kinetic Motor Company Limited Rs. 25.86 Lakhs (Previous Year Rs. 128.19 Lakhs) , Kaygee Auto Product Private Limited Rs. 18.12 Lakhs (Previous Year Rs. NIL), JHS Taigene Electrical Company Pvt. Ltd. Rs. 0.45 Lakhs and Ducati Energia Pvt. Ltd. 0.13 Lakhs.
- g Expenses for receiving of other services paid to Kinetic Motor Company Ltd. Rs.4.74 Lakhs, Kinetic Communication Limited Rs. 126.59 Lakhs (Previous Year Rs. 0.52 Lakhs) and JHS Taigene Electricals Company Pvt Ltd. 0.31 Lakhs.
- h Other receipts from Kinetic Motor Company Limited Rs. 776.51 Lakhs (Previous Year Rs. NIL).
- i Rent Received from JHS Taigene Electricals Company Pvt. Ltd. Rs. 58.87 Lakhs and Chrysalis Castings Pvt Ltd. Rs. 2.20 Lakhs.
- j Purchase of assets include Kinetic Motor Company Limited Rs. 7.04 Lakhs (Previous Year Rs. 4.43 Lakhs) and JHS Taigene Electrical Company Private Limited Rs. 4.00 Lakhs (Previous Year Rs. NIL).
- k Sale of assets include Microage Instruments Private Limited Rs. 290.00 Lakhs (Previous Year Rs. NIL).
- l Issue of shares include Microage Instruments Private Limited Rs. 1873.95 Lakhs (Previous Year Rs. NIL).
- m Issue of Optionally Convertible Cum Pref Shares include Microage Instruments Private Limited Rs. 497.46 Lakhs (Previous Year Rs. 101.52 Lakhs).
- n ICD repaid include Microage Instruments Private Limited Rs. 2616.96 Lakhs (Previous Year Rs. 666.95 Lakhs).
- o ICD given received back from Kinetic Motor Company Ltd. Rs. 102.00 Lakhs and from Kinetic Hyundai Elevator & Movement Technologies Pvt. Ltd 50.00 Lakhs
- p Remuneration to key managerial personnel include to Mr. A.H. Firodia Rs. 29.42 Lakhs (Previous Year Rs. 131.66 Lakhs) and Mr. M.K. Khera Rs. 92.46 Lakhs (Previous Year Rs. 85.06 Lakhs).
- q Fees for professional services paid to Mr. S. C. Shah Rs. 0.45 Lakhs (Previous Year Rs. 0.80 Lakhs).
- r Amounts Written back during the period in respect of loan from the related party include to Microage Instruments Private Limited Rs. 252.59 Lakhs (Previous Year Rs. NIL).
- s Deposit from director include to Mr. A.H. Firodia Rs. 37.00 Lakhs (Previous Year Rs. NIL).
- t Unsecured loan include to Mrs. J.A. Firodia Rs. 289.60 Lakhs (Previous Year Rs. NIL).
- u Write off towards Debtors & ICD including interest thereon from Kinetic Motor Company Ltd. Rs. 431.52 Lakhs.

- 30 The company had announced a Voluntary Retirement Scheme (VRS) for its employees at Ahmednagar plant in addition to its earlier scheme declared during 31-12-2006. 86 employees have opted for the Scheme during the period. Out of the total VRS Compensation, Rs. 471.62 Lacs (Rs. 326 Lacs) is charged off in the current period and balance sum of Rs. 81.37 Lacs (Rs. 326 Lacs) is treated as deferred revenue expenses.
- 31 As an effect of the Merger, the company's holding in Kinetic Motor Company Ltd. (KMCL) exceeded 51% of the Paid Up Equity Capital of KMCL. However, subsequent to the balance sheet date, the company has sold a part of its holding in KMCL whereby the holding has become less than 51%. Therefore, in view of para 11(a) of AS-21 on "Consolidated Financial Statements" the consolidation has not been considered necessary.
- 32 Current year's figures include figures of Auto Division of erstwhile Jaya Hind Sciaky Ltd. on account of the merger and as such they are not comparable with previous year's figures which are as per the last audited balance sheet adopted by the members. Previous year figures have been regrouped wherever necessary.
- 33 Additional information relating to Balance Sheet Abstract and Company's General Business Profile as per Part IV of Schedule VI to the Companies Act, 1956 - Annexed.

As per our report attached  
for **M/S P. G. BHAGWAT**  
Chartered Accountants

**Sandeep Rao**  
Partner  
Pune : 2nd March, 2010

**Anil Kale**  
Company Secretary

<b>A. H. Firodia</b>	Chairman
<b>A. A. Firodia</b>	Managing Director
<b>S. F. Motwani</b>	Director
<b>Ashish Kumar</b>	Director

# KINETIC ENGINEERING LIMITED

## Annexure To Notes To The Balance Sheet (Note No. 33)

### BALANCE SHEET ABSTRACT & Company' S GENERAL BUSINESS PROFILE

<b>I</b>	<b>Registration Details</b>		
	Registration number	:	11-14819
	State Code	:	11 (Maharashtra)
	Balance Sheet Date	:	30.06.2009
<b>II</b>	<b>Capital raised during the year</b>	:	<b>Amount (Rs. in lakhs)</b>
	Public issue	:	Nil
	Right issue	:	Nil
	Bonus issue	:	Nil
	Private placement	:	179.01
	( includes Share Premium Rs.167.54 lakhs)		
<b>III</b>	<b>Position of mobilisation and deployment of fund</b>		<b>Amount (Rs.in lakhs)</b>
	Total Liabilities	:	28605.35
	Total Assets	:	28605.35
	<b>Sources of Funds :</b>		
	a) Paid-up Capital	:	6062.44
	b) Convertible Warrants	:	Nil
	c) Reserves & Surplus	:	4792.35
	d) Secured loans	:	7000.00
	e) Unsecured loans	:	10750.56
	<b>Application of Funds :</b>		
	a) Net fixed assets	:	13594.63
	b) Investments	:	8822.19
	c) Deferred Tax Assets (Net)	:	Nil
	d) Net current assets	:	3413.48
	e) Miscellaneous expenditure	:	81.38
	f) Accumulated losses	:	2693.67
<b>IV</b>	<b>Performance of Company</b>		
	a) Turnover	:	8687.75
	b) Total expenditure	:	11821.22
	c) Profit/ (Loss) before tax	:	(3133.47)
	d) Profit / (Loss) after tax	:	(3796.22)
	e) Earning per share in Rupees	:	(70.46)
	f) Dividend rate %	:	Nil
<b>V</b>	<b>Generic names of principal product of the Company-</b>		
	<b>Product Description</b>		<b>ITC Code</b>
	Auto Components		87.08



**KINETIC ENGINEERING LIMITED**

Registered Office: D1 Block, Plot No. 18/2, MIDC, Chinchwad, Pune 411 019

**Attendance Slip**

(Members Attending the Meeting in person or by Proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall)

I hereby record my presence at the 38th ANNUAL GENERAL MEETING of the Company at D1 Block, Plot No. 18/2, MIDC, Chinchwad, Pune 411 019, at 11:00 a.m. on Wednesday, 31st March, 2010.

.....  
Full name of the Member / Proxy (in block letters)

.....  
Signature

Folio No.: ..... DP ID No.\* ..... Client ID No.\* .....

\* Applicable for members holding shares in electronic form

**NOTES :**

- 1. Member/Proxyholder wishing to attend the meeting must bring the Attendance Slip to the meeting.
- 2. Member/ Proxyholder desiring to attend the meeting should bring his copy of the Annual Report for reference at the meeting.



tear here



**KINETIC ENGINEERING LIMITED**

Registered Office: D1 Block, Plot No. 18/2, MIDC, Chinchwad, Pune 411 019

**Proxy**

I/We .....

of .....

being a Member/ Members of the above named Company, hereby appoint -

Mr./Mrs./Miss. ....

of .....

or failing him/her,

Mr./Mrs./Miss. ....

of .....

as my/our Proxy to attend and vote for me/us and on my/our behalf at the 38th Annual General Meeting of the Company, to be held at D1 Block, Plot No. 18/2, MIDC, Chinchwad, Pune 411 019, on Wednesday, 31st March, 2010, or at any adjournment thereof.

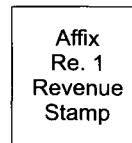
No. of Shares .....

Folio No.: ..... DP ID No.\* ..... Client ID No.\* .....

\* Applicable for members holding shares in electronic form

Signed this ..... day of ....., 2010

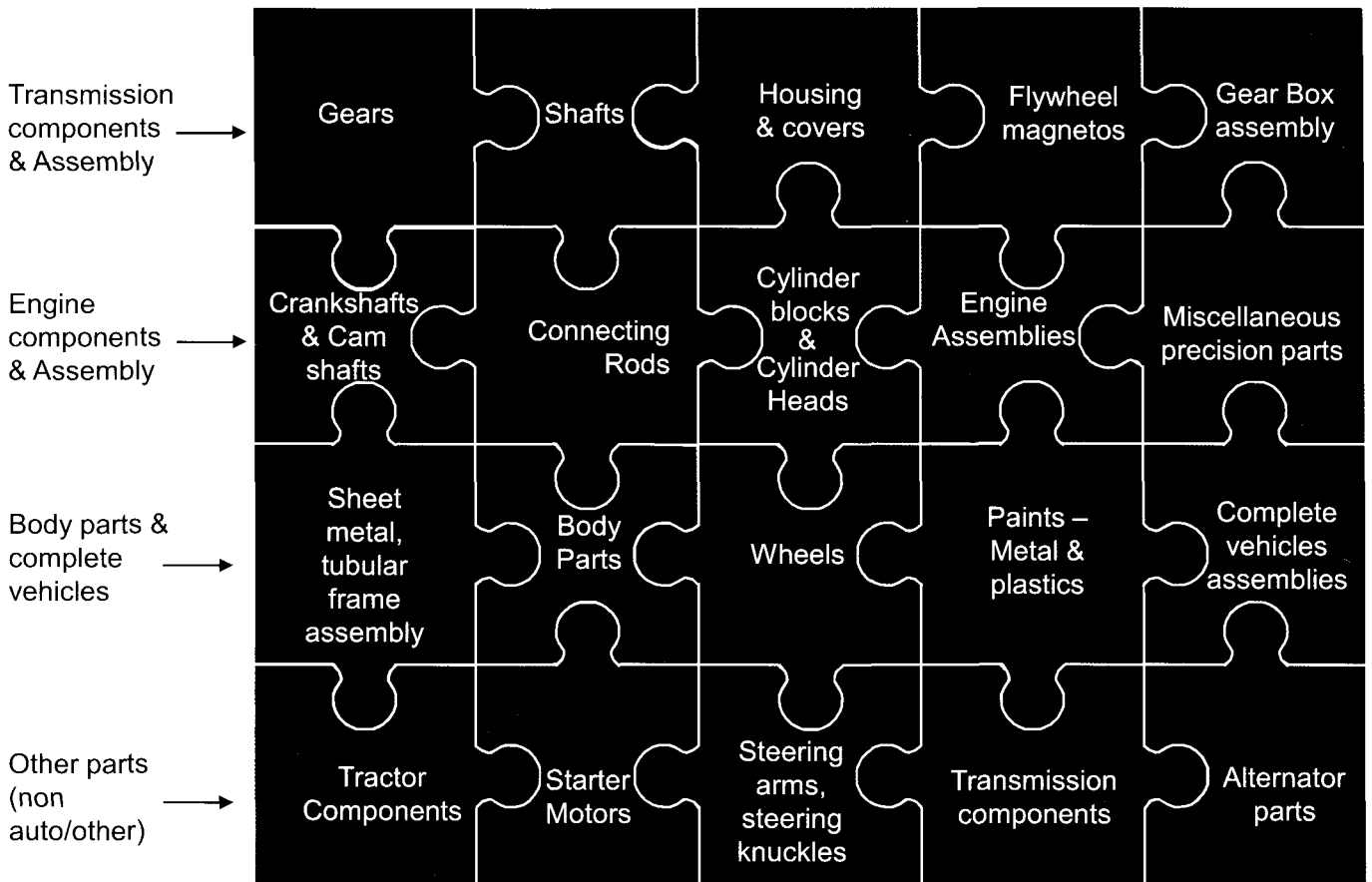
Signature of Member



**NOTES :**

- (i) The Proxy duly completed must be returned so as to reach the Registered Office of the Company at D1 Block, Plot No. 18/2, MIDC, Chinchwad, Pune 411 019, not less than FORTY-EIGHT HOURS before the time for holding the aforesaid meeting.
- (ii) Those members who have multiple folios with different joint-holders may use copies of this Attendance Slip/Proxy.

# Diverse Capabilities for Automotive Parts



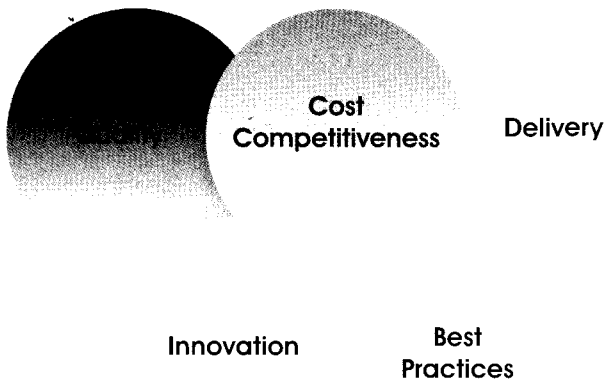
## Our Valued Customers



**Mahindra**

**CARRARO**





“We will leverage our technical strength to deliver to our customers high-quality systems & components at competitive prices, in a timely manner by continuous upgradation, innovation & best practices in the auto industry”

## Quality Policy

“Kinetic Engineering Limited shall consistently produce products of high quality at competitive prices through excellence in design, engineering, manufacturing and service”

This policy shall be deployed through :-

- Customer focus in all decisions
- Continuous improvement
- Development of capable supplier base
- Active participation of workforce

### **Kinetic Engineering Limited**

D1 Block, Plot No. 18/2, M.I.D.C.,  
Chinchwad, Pune - 411 019  
Ph: +91 20 27602278; Fax: +91 20 27474851  
[www.kineticindia.com](http://www.kineticindia.com)