

BOARD OF DIRECTORS

MR. ARUN H. FIRODIA CHAIRMAN
MR. AJINKYAA. 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

COMPANY SECRETARY

MR. ANIL KALE

AUDITORS

M/S. P. G. BHAGWAT
CHARTERED ACCOUNTANTS, PUNE

REGISTERED OFFICE

D1 BLOCK, PLOT NO. 18/2,
CHINCHWAD, PUNE - 411019.

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

N O T I C E

NOTICE is hereby given that the 40th Annual General Meeting of the shareholders of KINETIC ENGINEERING LIMITED will be held on Thursday, 25th August, 2011 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 31st March, 2011 and the Profit and Loss Account for the financial year ended on that date, together with the Reports of Auditors and Directors thereon.
2. To appoint a Director in place of Mr. S. C. Shah, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Dr. K. H. Sancheti, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. S. R. Sanghi, who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and fix their remuneration.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE 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.
2. The information in respect of the Directors seeking re-appointment at the Annual General Meeting (Item Nos. 2, 3, & 4 of the Notice), as per Clause 49 of the Listing Agreement, is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will be closed from Tuesday, the 23rd August, 2011 to Thursday, the 25th August, 2011 (both days inclusive), in accordance with the requirements of Clause 16 of the Listing Agreement.
4. 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, 30th May, 2011

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

Annexure to Notice

INFORMATION RELATING TO THE DIRECTORS RETIRING BY ROTATION AND SEEKING RE-ELECTION AT THE ENSUING ANNUAL GENERAL MEETING

(in terms of the requirements of Clause 49 of the Listing Agreement)

(Item Sr. No.s 2, 3 & 4 of the Notice)

Name	Dr. K. H. Sancheti	Mr. S. C. Shah	Mr. Sudhir Sanghi
Date of birth & Age	24.7.1936(74)	23.1.1924(88)	15.12.1950 (60)
Appointed on	27.5.1989	14.4.1989	31.10.1995
Qualifications	MBBS, D.ORTHO, FCPS, M.S.(ORTHO), F.I.C.S., F.A.C.S, PH.D	Commerce graduate	Commerce graduate. Adv. dip. in international business, marketing mgt. & agriculture
Expertise/Experience	39 years as a Surgeon	59 years as a Tax consultant	Instrumental in conceiving, promoting & launching diverse products
Directorship in other Public companies	N.A.	N.A.	Sanghi Spinners (I) Ltd. Sanghi Polyesters Ltd. Sanghi Ind. Ltd. Sanghi Cements Ltd.
Chairmanship / membership of Committees of public companies	Member of Audit, Remuneration and Shareholders Grievance Committee of Kinetic Engineering Limited	Member of Audit, Committee and Chairman of Remuneration and Shareholders Grievance Committee of Kinetic Engineering Limited	Chairman of Shareholders Grievance Committee of Sanghi Polyesters Ltd., Chairman of Investors Grievance Committee of Sanghi Ind. Ltd., Member of Audit Committee & Chairman of Investor Grievance Committee of Sanghi Spinners India Ltd.
Shareholding	241	Nil	Nil

By Order of the Board of Directors
For Kinetic Engineering Limited

Anil Kale
Company Secretary

Pune, 30th May, 2011

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

KINETIC ENGINEERING LIMITED

DIRECTOR'S REPORT 2010-11 (including Management Discussion & Analysis)

Dear Members,

Your Directors have pleasure in presenting the 40th Annual Report on the business and operations of **Kinetic Engineering Limited** and the Audited Financial Accounts for the financial year ended 31st March, 2011.

FINANCIAL HIGHLIGHTS

For the Financial Year, the net income from operations was Rs.91.17 crore, while the net loss after tax was Rs.10.91 crore.

The results for the current financial year are not strictly comparable with the results for the preceding financial year, as the current financial year is a period of 12 months, while the preceding financial year was a period of 9 months.

The company has crossed a gross revenue of Rs.90 cr. for the financial year 2010 – 2011. As you may be aware, your company entered the field of auto-components few years ago, after totally restructuring its operations from manufacture of two- wheelers to manufacture of various automotive components, and assemblies; and hence this marks a landmark in the company's continued vision to become a substantially large player in the auto-component field.

Some Highlights:

	2010 – 2011 (12 months)	2009 – 2010 (9 months)	
Net Sales and Income from Operations	Rs. 9117 lac	Rs. 4920 lac	Increase in operating income
Material Cost	67%	78%	Substantial decrease in material cost as a percent of sales
Employment cost	19%	24%	Decrease in employment cost as a percent of sales

Due to the same, the company has registered a EBITDA of Rs. 284 lacs during the said period. The Company has registered a net loss of Rs. 1091 lacs; largely due to the high depreciation costs (Rs. 799 lacs) incurred on basis of capex initiatives for new programs.

Business Overview

During the year, your company continues to consolidate its position as a specialized manufacturer of high technology components and assemblies with a focus on Power Train Components and assemblies. This year there has been a good progress in the ramp-up of existing production programs and development of new programs.

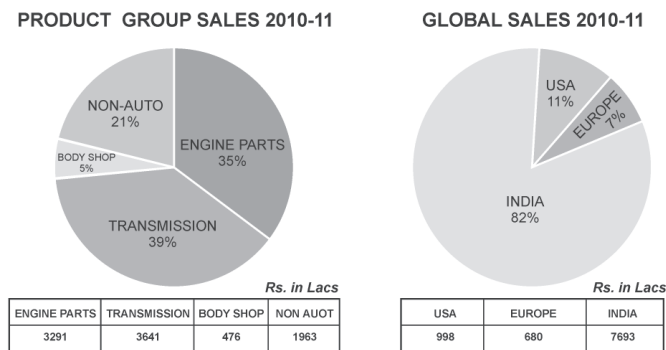
As a result, there has been substantial growth in company's sales revenues. This has been largely led by:

- Commencement and ramp up of mass volume production for gear sets for Tata Nano, the lowest priced car in the world. The supply of Gear-sets for Tata Nano which had commenced last year, saw a significant ramp-up this year.. Your Company has set up a world class manufacturing facility with the best in class equipments to manufacture high quality components in large volumes. Your Company is well positioned to grow production in line with the anticipated increased production of Tata Nano and, we expect this program to grow further in the coming years.

- Ramp up of supply of key power-train components and assemblies for different scooter models of Mahindra Two Wheelers Limited (MTWL), a company in which Kinetic Motor Company Limited, an entity promoted by your Company and where it holds a substantial equity, holds a 20% equity stake. Your company supplies various engine and transmission assemblies to MTWL, one of India's fastest growing forces in the Indian 2 wheeler field. Start up for programmes for transmission components for Mahindra Farm Equipment Sector (FES), the worlds largest producer of tractors.
- Start up for programmes for Mahindra Auto Sector, one of country's largest and fastest growing automobile companies
- Start up of relationship with Enfield, one of country's premium manufacturer of top end motorcycles by supplying painted parts to the company.

As a result of the above, KINETIC's revenues have increased from Rs.49.19 cr. in the financial year 2009-10 (9 months) to Rs.91.17 cr. in the financial year 2010-11 (12 months).

Continued growth in the Indian automotive industry gives the confidence to your Directors that the Company would continue to see revenue increase from existing programs, though at a pace lower than the last year. Your company remains diversified in its product category and customer base. The representation is as follows :



In addition, your company has made significant progress on development of prestigious new contracts, namely: complete Gear box assembly development for Mahindra Navistar & Piaggio.

These new programs have been under development and testing during 2010-11 and they are now nearing completion. Being large and complex programmes, company expects them to start in the coming financial year and gain momentum in the 3rd quarter of the year, to be productionised during 2011-12, Further, the Company continues to add more parts from its existing customers including Mahindra and Mahindra, Carraro, Tata Motors as well as Tomos SPA. Once the new programs are in full production and based on projections given by our customers, company is confident of further increasing its revenues

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. In the coming years, the Company will focus on strengthening its technological base and customer relationships to establish its position as a leading Powertrain components and assemblies specialist. Your Company would also like adopt best manufacturing practices and has appointed the TPM club of India to embark upon the journey of TPM to meet its objectives of zero breakdowns, quality improvements, efficiency maximization and cost savings.

Finance Overview

After achieving a significant reduction in debt in the preceding year, the Company has been successful in obtaining working capital limits of Rs.10 crore, from Saraswat Co-operative Bank Ltd.

KINETIC ENGINEERING LIMITED

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, India has emerged as one of the key auto components centres in Asia and is today seen as a favorite destination of global auto majors. 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\$ 26 billion in 2010-11, a CAGR of 21 per cent since 2004-05.

Statistics of the Indian Automobile Industry

AUTOMOBILE SALES (DOMESTIC + EXPORT) (Number of Vehicles)						Growth Over 2009-10
Sr. No.	Category	2007-08	2008-09	2009-10	2010-11	
1	Passenger Vehicles	1768283	1888432	2397478	2973900	24%
2	Commercial vehicles	549488	426819	577730	752705	30%
3	Three Wheelers	506006	497793	613606	795989	30%
4	Two Wheelers	8068991	8441793	10511009	13329895	27%
	Grand Total	10892768	11254837	14099823	17852489	27%

Forecast : Automobile Segments	2011-12 growth over 2010-11 (Percent)
Passenger cars	16-18%
Utility Vehicles	12-14%
LCV (Goods)	18-21%
MHCV (Goods)	10-12%
Commercial Vehicles (Buses)	08-10%
Motorcycles	11-13%
Scooters	15-17%
Three Wheelers (Cargo)	04-06%
Three Wheelers (Passengers)	10-12%
Automobile Industry	12-15%

Source : SIAM

Future Outlook

The global 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. SIAM (society of Indian Automobile manufacturers) have forecasted a 18 – 21% growth for Light Commercial Vehicles, a 16 – 18% growth for Passenger Cars, a 12 – 14% growth for Utility vehicles and a 10 – 12% growth for heavy Commercial vehicles in 2011 – 2012 over the previous year. The 2 wheeler industry continues to grow at a large pace.

Your company is manufacturing components and assemblies to all the above segments, in addition to non-auto segments such as tractors, recreational products and other construction requiring equipment. Its customer base includes many major Indian players like Force Motors, TATA motors, Mahindra & Mahindra as well as various export customers from Europe and USA and hence is slated to make complete use of this opportunity.

Your company has a large infrastructure and a diversified rich technical experience that it can utilize to capture this growth trend of the auto industry.

Thus, the outlook of your company is promising with continuous growth in terms of value and volume.

In the coming years, the Company will focus on further strengthening its technological base and customer relationships to establish its position as a leading Powertrain components and assemblies specialist.

Opportunities, threats, risks and concerns

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. , 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. Your company continues to move up the value chain to differentiate itself and increase margins going forward.

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, Tractors, Automobile (Passenger cars) as well as segments like Recreational Vehicles to lower its risk of wide fluctuations in its business owing to cyclical impact on any particular segment.

However, any significant recession in the economy, rising inflation resulting in lower purchasing power, withdrawal of stimulus measures by Government, continuous rise in raw material costs & crude oil prices, and fluctuation in the value of US dollar may have adverse impact on margins. The other risk factors include bad monsoon affecting rural economy, non availability of easy finance to auto sector and its customers and adverse change in law pertaining to excise duty, income tax, Sales Tax, VAT, Customs duty, Service Tax and any other Central / state levy etc, or government policy.

Internal Control System

The company has adequate internal control system commensurate with its size and nature of business for ensuring efficiency of operations, adherence to management policies and protection of company's assets. The company's Audit Committee periodically reviews the internal control systems and 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 expressed or implied in this report, as the same are affected by many other uncertainties. including raw material availability & prices, changes in Government regulations, tax regimes, economic developments and other incidental factors.

KINETIC ENGINEERING LIMITED

Research & Development

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. 102.45 lacs, which represents 1.13 % of the Company's turnover.

Conservation of energy

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

1. Unity Power factor maintained through out the year, saving Rs.45 lacs as an Incentive in electricity bills.
2. 600 CFM Godrej make Sulair compressor installed replacing 1000 CFM Reciprocating type compressor saving 50000 units per year.
3. CFL Street lights installed of capacity 36 watt replacing 70 watt Sodium Lamps.
4. Energy efficient tube fittings installed in Hall No.22 instead off 250 watt Mercury lamps, results in 8000 units saving per year.
5. Sursulf furnace converted in to gas fire instead of electrical heating. saving of Rs 5 lacs per year in heat treatment section.
6. Arrested oil leakages in Nano gear line machine shop.
7. Air line leakages arrested by new PU pipe and fittings
8. Air Compressor running pattern study and adjusted accordingly saving 1,20000 unit.
9. 20 Watt CFL spiral lamps fitted in Administration building and 40 watt tube fittings removed Save Rs.1 lac per year.
10. In variator line energy efficient tube fittings installed in Hall No.9A replacing 250 watt mercury lamps. Saving 30000 units per year.
11. Thermopac TPB 10 operate during load period instead of continious. Saving 40000 units per year.
12. Treated waste water from Effluent Treatment Plant 60000 liters of water used for Gardening and tree plantation.
13. From Coolent treatment plant 8000 liters oil extracted from the coolent on yearly basis.

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

Awards and Recognitions

Your company has received the prestigious Regional Award as "Star Performers in Product Group Trophy" in the category of Large Enterprises by EEPCLIndia (Enginerring Export Promotion Council). This award recognizes your company's efforts in successfully increasing exports from India and has come due to the increased volume, ability to meet stringent quality parameters, and on time delivery and other performance related parameters.

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)

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 31st March, 2011 and of the profit of the company for the year ended on that date.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities
4. The annual accounts for the period under review have been prepared on a 'going concern' basis

Corporate governance

Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, a report on Corporate Governance with certificate of the Auditors of your company 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.0.25 lac were repaid on maturity. The balance as on 31.3.2011 standing in the fixed deposit account was Rs.0.85 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. C. Shah and Mr. S. R. Sanghi, directors, retire at the ensuing Annual General Meeting, and are eligible for re-appointment.

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.

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 : 30th May, 2011

Registered Office :

D1 Block, Plot No. 18/2, MIDC, Chinchwad
Pune - 411019

KINETIC ENGINEERING LIMITED

ANNEXURE TO DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE FOR THE 12 MONTHS PERIOD ENDED 31st March, 2011.

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	4	Nil	Nil
Mr. Ashish Kumar	Nominee	1	2	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	3	2	2
Mr. S. R. Kotecha	Independent	1	2	Nil
Mrs. S. F. Motwani	Promoter	4	1	Nil

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 12 months period ended 31st March, 2011 (hereinafter referred to as 'the period under review'), 4 Board Meetings were held on 15th May, 2010, 12th August, 2010, 29th October, 2010, 14th February, 2011. 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 17/09/2010
Mr. A. H. Firodia	4	4	Present
Dr. N. A. Kalyani	4	0	Absent
Mr. S. C. Shah	4	2	Absent
Dr. K. H. Sancheti	4	0	Absent
Mr. S. R. Sanghi	4	1	Absent
Mr. S. R. Kotecha	4	4	Absent
Mr. Ajinkya Firodia	4	4	Present
Mrs. Sulajja Firodia Motwani	4	4	Present
Mr. Ashish Kumar	4	4	Present
Mr. Santosh Senapati	4	2	Absent

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 - Purchase of goods from Achal industries have been in the ordinary course of business and, for the period ended on 31st March, 2011, amounted to Rs.12722/-
2. Mr. Shashikant C. Shah, brother of Mr. Shantilal C Shah, is a Tax Consultant for Sales Tax purposes. For the period ended on 31st March, 2011, payment made to Shah, Khandelwal, Jain & Associates (of which Mr. Shashikant C. Shah is a partner) amounted to Rs. 40,000/- 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, and the same is in the process of being revised. The revised Code would be posted on the website of the Company as soon as the same is adopted by the Board.

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.

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.

KINETIC ENGINEERING LIMITED

3.2 Composition, Name of Members and Chairman:

Name of the Director	Category	Status
Mr. S. R. Kotecha	Independent	Chairman
Mr. S. C. Shah	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 12 months period ended on 31st March, 2011, 4 Meetings of the Audit Committee were held on 15th May, 2010, 12th August, 2010, 29th October, 2010, 14th February, 2011. Details of attendance of the Members at the meeting were as follows:

Name of Director	No. of Meetings attended
Mr. S. C. Shah	4
Mr. S. R. Kotecha	4
Mr. 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

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

No remuneration committee meeting was held during the 12 months period ended on 31st March, 2011.

4.3 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.

4.4 Details of Remuneration

Details of Remuneration (fixed) paid to Executive Directors during the 12 months period period ended on 31st March, 2011 are as follows:

Particulars	Mr. A. H. Firodia Chairman	Mr. Ajinkya Firodia Managing Director
Basic Salary (Rs. in lac)	1800000	1800000
Allowances (Rs. in lac)	–	1024802 (sitting fee, incentive impact)
Perquisites (Rs. in lac)	309880	65000
Retirement Benefits (Rs. in lac)	486000	486000
Total	2595880	3375802

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 Chairman 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. Approval for Mr. A.H. Firodia is awaited and approval for Mr. Ajinkya Firodia, Managing Director has been received from Ministry of Corporate Affairs for the period from 20.4.2009 to 31.3.2010 and for the approval for subsequent period, application to the Central Government has already been made by the Company.

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-imburement 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 31st March, 2011, 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	8000	Nil
Dr. K. H. Sancheti	Nil	241
Mr. S. R. Sanghi	Nil	Nil
Mr. S. R. Kotecha	16000	96,172
Mrs. S.F.Motwani	8000	Nil
Mr.Ashish Kumar	Nil	Nil
Mr. Santosh Senapati	Nil	Nil
Total	32000	96,413

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 with respect to 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.

No. of shareholders complaints received during the period under review	:	One
No of complaints not resolved to the satisfaction of the shareholders	:	None
No. of pending Complaints as on 31st March, 2011	:	Nil

KINETIC ENGINEERING LIMITED

During the 12 months under review the Company has dispatched share certificates beyond the period of 30 days for 28 cases 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:

Accounting Year Ending on	Date of AGM	Time	Venue
31st March,2010	17th September, 2010	11.00 a.m.	D-1 Block, Plot No. 18/2, MIDC, Chinchwad, Pune – 411 019.
30th June, 2009	31st March, 2010	11.00 a.m.	D-1 Block, Plot No. 18/2, MIDC, Chinchwad, Pune – 411 019.
31st March, 2008	18th November, 2008	9:30 a.m	D-1 Block, Plot No. 18/2, MIDC, Chinchwad, Pune – 411 019.

During the 12 months period ended on 31st March, 2011 the Company has passed special resolution of shareholders on 4.10.2010, through Postal Ballot Process, for the purpose of obtaining approval of shareholders under the provisions of section 372A of the Companies Act,1956, to make certain investments. Votes in favour of the resolution were 99.98%.

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. 28 in Notes Forming part of the Accounts for the 12 months period ended on 31st March, 2011 (Schedule 14) 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.
- (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.

8. Means of Communication

The Company's Unaudited Quarterly Financial Results were published in 'ASIANAGE' and 'PUDHARI' newspapers. The results are also displayed on Corporate Website – www.kineticindia.com. No presentation was made to Institutional Investors or Analysts.

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

9. General Shareholders Information

The 40th Annual General Meeting is proposed to be held on Thursday 25.8.2011, 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 31.3.2011.

Dates of Book-Closure:

Tuesday 23.8.2011 to Thursday 25.8.2011 (both days inclusive).

Dividend Payment Date:

The Directors have not recommended any Dividend for the 12 months period ended on 31st March, 2011.

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.

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):

Month & Year	KEL Share Price			BSE Sensex		
	High (Rs.)	Low (Rs.)	Close (Rs.)	High	Low	Close
April, 2010	89.50	72.60	79.70	18,047.86	17,276.80	17,558.71
May, 2010	88.00	71.05	82.00	17,536.86	15,960.15	16,944.63
June, 2010	104.00	75.50	89.95	17,919.62	16,318.39	17,700.90
July, 2010	105.00	87.00	101.50	18,237.56	17,395.58	17,868.29
August, 2010	119.00	99.00	104.50	18,475.27	17,819.99	17,971.12
September, 2010	183.00	102.05	165.00	20,267.98	18,027.12	20,069.12
October, 2010	184.00	161.00	172.50	20,854.55	19,768.96	20,032.34
November, 2010	199.70	165.15	175.30	21,108.64	18,954.82	19,521.25
December, 2010	187.25	139.70	160.90	20,552.03	19,074.57	20,509.09
January, 2011	205.20	161.00	169.50	20,664.80	18,038.48	18,327.76
February, 2011	161.05	122.50	123.00	18,690.97	17,295.62	17,823.40
March, 2011	130.95	111.00	118.35	19,575.16	17,792.17	19,445.22

Registrars 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, Akshay Complex, Block No.202, 2nd floor, Dhole Patil Road, Pune-411001 have been appointed as Company's Registrars and Transfer Agent as per SEBI's Circular for appointment of Common Agency to carry physical and electronic share registry work.

KINETIC ENGINEERING LIMITED

Share Transfer System:

All the transfers received are processed by the Registrars 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 31st March, 2011

Slab of No. of Shareholding (Rs.)	No. of Shareholders	% to No. of Shareholders	Amount (Rs.)	% to paid-up capital
Upto 5,000	6175	93.72	6555630	6.3205
5,001-10,000	193	2.93	1415830	1.3651
10,001-20,000	77	1.17	1122830	1.0826
20,001-30,000	30	0.45	724420	0.6984
30,001-40,000	17	0.26	602660	0.5810
40,001-50,000	15	0.23	678850	0.6545
50,001-1,00,000	27	0.41	1831790	1.7661
1,00,001 and above	55	0.83	90787670	87.5318
Total	6589	100.00	103719680	100.0000

Shareholding Pattern as on 31st March, 2011

	Category	No. of Shares	%
A.	Shareholding of Promoter & Promoter Group		
1	Indian	5764974	55.58
2	Foreign	90000	0.87
	Sub Total (1)	5854974	56.45
B.	Public Shareholding		
1	Institutions:		
	a.) Mutual Funds / UTI	700	0.01
	b.) Financial Institutions / Banks	1,585	0.02
	c.) Insurance Companies	140454	1.35
	d.) Foreign Institutional Investors	3388	0.03
	Sub Total (2)	1,46127	1.41
2	Non-Institutions		
	a.) Bodies Corporate	871710	8.40
	b.) Individuals	1600662	15.43
	c.) Clearing Members	9686	0.09
	d.) NRI / NRN	41638	0.40
	e.) OCB	1554381	14.99
	f.) Directors and their relatives	19222	0.19
	g.) Employee Shares	273300	2.64
	h) Trusts	268	0.00
	Sub Total (3)	4370867	42.14
	GRAND TOTAL [(1)+(2)+(3)]	10371968	100.00

Dematerialisation of Shares

The Company shares are compulsory traded in dematerialised form. As on 31st March, 2011 the details of the shares of the Company held in physical and demat form are given below:

	No. of Shares	% to the Capital
Shares held in Physical Form	1883652	18.16
Shares held in Demat Form – NSDL	8283901	79.87
Shares held in Demat Form – CDSL	204415	1.97
TOTAL	10371968	100.00

The Company has not issued any GDRs / ADRs.

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

Allotted on 14/02/2008 Foreign Currency Convertible Bonds (FCCBs) of the value of USD 18 million (Rs. 7066.80 lakh), optionally convertible (of which notice could be given at any time up to 5.2.2013) into equity shares @ Rs.156 per share, totalling to 45,30,000 equity shares.

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. Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participants. Investor grievances, queries, etc. can be additionally marked to kelinvestors@kineticindia.com

Declaration by the Managing Director under Clause 49(I)(D)

"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 relevant provisions of the Code of Conduct of the Company for the 12 months period ended 31st March, 2011."

Certificate by Managing Director and G.M. - Finance under Clause 49(V)

Certificate by the Managing Director and G.M. - Finance, has been furnished to the Board of Directors of the Company, as required under the Clause 49(V) of the Listing Agreement.

For Kinetic Engineering Limited

Ajinkya Firodia
Managing Director

Pune: 30th May, 2011.

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 Financial Year ended on 31st March, 2011, 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
Firm Reg. No. 101118W

Pune: 30th May, 2011.

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF KINETIC ENGINEERING LIMITED

We have audited the attached Balance Sheet of KINETIC ENGINEERING LIMITED, as at 31st March 2011, the Profit and Loss account and also the Cash Flow statement for the year 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;
 - (v) On the basis of written representations received from the directors, as on 31st March 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2011 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 31st March 2011;
 - (b) in the case of the Profit and Loss account, of the Loss for the year ended on that date ; and
 - (c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

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

Sandeep Rao
Partner

Membership No. 47235
Firm Registration No. 101118W

Pune: 30th May, 2011

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 loans 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 has taken interest free unsecured loans from two companies and two parties covered in the register maintained under section 301 of The Companies Act 1956. The details of the unsecured loans taken are as under:

(Rs. Lakhs.)

Opening Balance	Accepted during the period	Repaid during the period/ Adjusted during theyear.	Closing balance
1933	50	123	1860

- (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. 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, Employees' State Insurance and Income-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.9.60 Lakhs, Profession Tax Rs. 35.19 Lakhs and Provident Fund dues amounting to Rs. 0.39 Lakhs were in arrears as at 31.03.2011 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, custom duty and excise duty, which have not been deposited and the forum where such dispute is pending.

Statement of disputed dues:

(Rs. Lakhs)

Nature of dues	Amount	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	Deputy Commissioner of Sales Tax, Kolkata.
Entry Tax, Behrampur. 1999-2000, 2000-01, 2001-02.	26.76	Asst. Commissioner Sales Tax, Behrampur.
CST (Supa Unit) 2006-07	31.46	Asst. Commissioner Sales Tax A.Nagar
CST(Pune) 2005-06	67.91	Sales Tax Tribunal (Mumbai)
CST (Supa Unit) 2002-03	83.21	Commissioner sales Tax, Nashik
CST (Supa Unit) 2003-04	32.96	Commissioner sales Tax, Nashik
CST (Supa Unit) 2004-05	21.46	Commissioner sales Tax, Nashik
Sales Tax 2001-02	92.54	Jt. Commissioner sales Tax, Pune
Excise Duty	286.27	CESTAT Mumbai
Service Tax	57.02	CESTAT Mumbai.
Custom 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. The company has not incurred cash losses in the immediately preceding financial year.

KINETIC ENGINEERING LIMITED

- (xi) During the period the company has not defaulted in repayment of dues to financial institutions and banks. As informed to us, in respect of repayment to debenture holders, two installments amounting to Rs. 10 Crores were due up to 31st March, 2011 which was not paid as the restructuring of repayment schedule with the debenture holders was under negotiation.
- (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 not made preferential allotment of shares during the year.
- (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
Firm Registration No. 101118W

Pune: 30th May, 2011.

Balance Sheet As At 31st March, 2011

	Schedule	Rs. In Lacs	As at 31st March, 2011 Rs. In Lacs	As at 31st March, 2010 Rs. In Lacs
SOURCES OF FUNDS				
1. Shareholders' Funds :				
(a) Share Capital	1	3,196.30		3,196.30
(b) Reserves & Surplus	2	6,471.01		6,953.87
			9,667.31	10,150.17
2. Loan Funds :				
(a) Secured Loans	3	2,428.95		2,560.66
(b) Unsecured Loans	4	10,762.54		10,483.59
			13,191.49	13,044.25
TOTAL			22,858.80	23,194.42
APPLICATION OF FUNDS				
1. Fixed Assets :	5			
(a) Gross Block		28,812.57		27,925.14
(b) Less : Depreciation / Amortisation		18,956.67		18,028.03
(c) Net Block		9,855.90		9,897.11
(d) Capital Work-in-Progress		514.58		455.17
			10,370.48	10,352.28
2. Investments	6		6,664.95	7,682.00
3. Deferred Tax Balance				
(a) Deferred Tax Asset		762.87		674.59
(b) Less : Deferred Tax Liability		762.87		674.59
			-	-
4. Current Assets, Loans & Advances :	7			
(a) Inventories		1,817.02		1,481.68
(b) Sundry Debtors		2,668.50		2,060.75
(c) Cash and Bank Balances		445.05		1,821.62
(d) Other Current Assets		0.20		0.20
(e) Loans and Advances		2,113.66		2,370.44
		7,044.43		7,734.69
Less : Current Liabilities and Provisions	8			
(a) Current Liabilities		4,526.74		4,722.92
(b) Provisions		527.31		440.99
		5,054.05		5,163.91
Net Current Assets			1,990.38	2,570.78
5. Debit Balance in Profit and Loss Account			3,832.99	2,589.36
TOTAL			22,858.80	23,194.42
Notes to the Accounts	14			

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

Sandeep Rao
Partner
Pune : 30th May, 2011

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 Twelve Months Period Ended 31st March, 2011

	Schedule	Rs. In Lacs	For the Twelve Months period ended 31st March 2011 Rs. In Lacs	For the Nine Months period ended 31st March 2010 Rs. In Lacs
INCOME :				
Sales and Other Operating Income				
Gross	9	9,801.07		5,283.83
Less : Excise Duty		708.42		378.14
Net		9,092.65		4,905.69
Other Income	10	715.22		1,566.68
Profit on Sale of Assets		291.62		1,660.72
			10,099.48	8,133.09
EXPENDITURE :				
Materials	11	6,007.61		3,759.02
Other Expenses	12	3,863.79		2,812.87
Interest & Financial Charges	13	577.86		588.78
Voluntary Retirement Scheme Expenses Written off		—		165.45
		10,449.26		7,326.13
Depreciation / Amortisation		948.93		710.01
Less : Transfer from General Reserve		150.34		130.30
Net Depreciation / Amortisation		798.59		579.71
Total Expenditure		11,247.85		7,905.84
Less : Expenses Capitalised		55.08		7.35
			11,192.77	7,898.49
PROFIT / (LOSS) FOR THE PERIOD BEFORE TAX			(1,093.29)	234.61
(Provision) / Credit for Taxation				
- Current Tax			—	—
- Deferred Tax (DTA written off)			—	—
- Fringe Benefit Tax			—	—
(Provision) / Credit for Taxation for earlier years			—	—
PROFIT / (LOSS) AFTER TAX			(1,093.29)	234.61
Add : Balance of Profit/ (Loss) as per last account			(11,894.70)	(12,129.31)
			(12,987.99)	(11,894.70)
Deducted from Uncommitted Reserves			9,154.99	9,305.34
Balance Profit / (Loss) carried to Balance Sheet			(3,832.99)	(2,589.36)
Basic / Diluted Earning per Equity Share (Nominal value per share Rs.10)			(12.66)	0.72
Notes to the Accounts	14			

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

Sandeep Rao
Partner
Pune : 30th May, 2011

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 31st March, 2011

Particulars	For the Twelve Months period ended 31st March 2011 Rs. In Lacs	For the Nine Months period ended 31st March 2010 Rs. In Lacs
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) before Tax and extraordinary items	(1,093.29)	234.61
Adjustment for :		
Depreciation / Amortisation	798.59	579.71
Provision for Doubtful Debts / advances written back	(83.32)	-
Bad debts / advances / claims written off	18.82	115.84
(Profit) / Loss on Sale of Investment (Net)	348.65	(567.84)
(Profit) / Loss on Sale of Assets (Net)	(291.62)	(1,660.16)
Interest and Financial Charges (Net)	554.41	588.68
Voluntary Retirement Scheme Expenses written off	-	81.38
Dividend Received	(0.76)	(46.12)
Excess provision / credit balances written back	(491.83)	(435.09)
Income from units	(1.59)	(3.50)
Exchange difference gain	(24.68)	(72.59)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	(266.61)	(1,185.09)
Adjustment for :		
Inventories	(335.34)	(65.51)
Trade and Other Receivables	(283.10)	(131.27)
Trade Payables	170.68	280.14
CASH GENERATED FROM OPERATIONS	(714.37)	(1,101.73)
Interest and Financial Charges	(612.40)	(880.38)
Direct Taxes	4.49	(36.33)
NET CASH FROM OPERATING ACTIVITIES	(1,322.28)	(2,018.44)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,169.42)	(176.13)
Sale of Fixed Assets	406.64	4,514.22
Purchase of Investments	(539.85)	(3.50)
Sale of Investments	1,208.25	1,711.54
Interest Received	40.27	155.17
Dividend Received	0.76	46.12
Income from units	1.59	3.50
NET CASH FROM INVESTING ACTIVITIES	(51.77)	6,250.91
C. CASH FLOW FROM FINANCING ACTIVITIES		
Redemption premium paid	(272.86)	(204.65)
Proceeds from Long Term Borrowings	475.85	90.78
Proceeds from Short Term Borrowings	96.33	-
Repayment of Long Term Borrowings	(300.90)	(4,494.34)
Repayment of Short Term Borrowings	(0.94)	(105.73)
Dividend paid including tax thereon	-	(3.70)
NET CASH FROM FINANCING ACTIVITIES	(2.52)	(4,717.63)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,376.57)	(485.16)
Opening Cash and Cash Equivalents	1,821.62	2,306.78
Closing Cash and Cash Equivalents	445.05	1,821.62

(Contd.)

KINETIC ENGINEERING LIMITED

Cashflow Statement For The Period Ended 31st March, 2011 (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 Cash and cash equivalents comprises of :

	Rs. in lakhs As at 31st March, 2011	Rs. in lakhs As at 31st March, 2010
Cash and cheques on hand	0.35	0.97
Cash with Scheduled Banks:		
In Current Accounts	26.26	942.60
In Deposit Accounts	418.44	878.05
	445.05	1,821.62

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

Sandeep Rao
Partner
Pune : 30th May, 2011

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 31st March, 2011

	As at 31st March, 2011 Rs. In Lacs	As at 31st March, 2010 Rs. In Lacs
SCHEDULE 1 : SHARE CAPITAL		
Authorised :		
1,93,60,202 (1,93,60,202) Equity Shares of Rs.10/- each	1,936.02	1,936.02
1,50,00,000 (1,50,00,000) Redeemable Non Convertible Non Cumulative Preference Shares of Rs.10/- each	1,500.00	1,500.00
15,07,400 (15,07,400) Optionally Convertible Cumulative Preference Shares of Rs.156/- each	2,351.54	2,351.54
3,20,500 (3,20,500) 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	3,000.00	3,000.00
5,24,560 (5,24,560) Unclassified Shares of Rs.10/- each	52.46	52.46
	<u>9,340.01</u>	<u>9,340.01</u>
Issued :		
1,03,71,968 (1,03,71,968) Equity Shares of Rs.10/- each	1,037.20	1,037.20
1,50,00,000 (1,50,00,000) Redeemable Non Convertible Non Cumulative Preference Shares of Rs.10/- each	1,500.00	1,500.00
1,02,000 (1,02,000) Optionally Convertible Cumulative Preference Shares of Rs. 156/- each	159.12	159.12
3,20,500 (3,20,500) Redeemable Cumulative Preference Shares of Rs. 156/- each.	499.98	499.98
	<u>3,196.30</u>	<u>3,196.30</u>
Subscribed :		
1,03,71,968 (1,03,71,968) Equity Shares of Rs.10/- each fully paid up	1,037.20	1,037.20
1,50,00,000 (1,50,00,000) Redeemable Non Convertible Non Cumulative Preference shares of Rs. 10/- each fully paid up	1,500.00	1,500.00
1,02,000 (1,02,000) Optionally Convertible Cumulative Preference Shares of Rs.156/ each fully paid up	159.12	159.12
3,20,500 (3,20,500) Redeemable Cumulative Preference Shares of Rs. 156/- each fully paid up	499.98	499.98
	<u>3,196.30</u>	<u>3,196.30</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).
- Out of above Equity Shares 36,700 (36,700) Equity Shares allotted under Employee Stock Option Scheme.
- Redeemable Non Convertible Non Cumulative Preference Shares have been agreed to be redeemable on 31.12.2011. 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 (i.e. 30.12.2006 w.r.t. 36,923 shares; and 11.1.2007 w.r.t. 65,077 shares) at the option of the 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 on 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. The option to convert has lapsed.
- 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 i.e. 30.12.2006, 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.

KINETIC ENGINEERING LIMITED

Schedules Forming Part Of The Balance Sheet As At 31st March, 2011

	As at 31st March, 2011 Rs. In Lacs	As at 31st March, 2010 Rs. In Lacs
SCHEDULE 2 : RESERVES & SURPLUS		
Capital Reserve :	1,248.19	1,248.19
Securities Premium Account :		
As per last account	5,705.23	3,543.70
Add : Received during the period	-	2,866.15
Less : Utilised during the period :		
Premium of Redemption of Preference Shares / Debentures	482.86	704.62
	5,222.37	5,705.23
General Reserve :		
As per last account	9,305.34	9,435.63
Less : Adjustment for Depreciation (Refer Note No 2 - Sch 14)	150.34	130.30
	9,154.99	9,305.34
Less : Debit balance in Profit and Loss Account	9,154.99	9,305.34
	-	-
Special Reserve :		
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 - Sch 14)	0.46	0.46
TOTAL	6,471.01	6,953.87

Schedules Forming Part Of The Balance Sheet As At 31st March, 2011

	As at 31st March, 2011 Rs. In Lacs	As at 31st March, 2010 Rs. In Lacs
SCHEDULE 3 : SECURED LOANS		
Debentures :		
75,00,000 - 11.50% Non Convertible Debentures of Rs. 100 each (Refer Note 1 below) [Rs. 80.00 (Rs. 77.08) per Debenture have been redeemed] [Repayable within one year Rs. 1500.00 Lacs (Rs. 1219.22 Lacs)]	1,500.00	1,719.22
Interest accrued and due on above	40.75	33.43
From Banks :		
Cash Credit (Refer Note 2 below)	96.33	0.00
From Others :		
Term Loan from Others (Refer Note 3 below) [Repayable within one year Rs. 791.87 Lacs (NIL)]	791.87	800.00
Interest accrued and due on above	-	8.01
TOTAL	2,428.95	2,560.66

NOTES :

- Non Convertible Debentures are secured by a first pari-passu charge on Immoveable properties of the Company both present and future and are also secured by first pari - passu charge on moveable fixed assets.

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%.
- Cash Credit from bank is secured by hypothecation of Stock and Debtors (excluding Tata Motors Ltd.) and pari - passu second charge on factory land and building at Ahemednagar.
- Term Loan from others is secured by a first pari-passu mortgage and charge on all immoveable properties of the Company both present and future and are also secured by first pari-passu charge on moveable fixed assets. In addition to above second pari passu charge on the current assets of the Company both present and future.

SCHEDULE 4 : UNSECURED LOANS

I. Interest Free Sales Tax Loan :		
From Govt. of Maharashtra through SICOM [Including Rs. 21.73 Lacs (Rs. 11.44 Lacs) due in next 12 months]	174.70	175.01
II. Short Term Loan :		
Others	78.73	79.67
Interest accrued and due on above	0.93	0.94
III. Other Loans :		
a) Foreign Currency Convertible Bonds *	8,172.00	8,294.40
b) From Others [Including Rs. Nil (NIL) due in next 12 months]	1,539.58	1,609.40
c) From Directors	320.74	324.17
d) From Banks	475.85	0.00
TOTAL	10,762.54	10,483.59

* Optionally Convertible into Equity Shares upto 5th Feb 2013

Schedules Forming Part Of The Balance Sheet As At 31st March 2011
SCHEDULE 5 : FIXED ASSETS

Rs. in lakhs

Particulars	Tangible					In-tangible					Balance As At 31st March, 2010
	Lease-hold Land **	Free-hold Land	Buildings	Plant & Machinery	Electrical Installation & Fittings	Dies, Jigs & Fixtures	Furniture Fix. & Office Equipments	Vehicles	Technical Know-how **	Balance As At 31st March, 2011	
(1) GROSS BLOCK : OWNED ASSETS											
As At 31st March, 2010	363.86	2299.55	3562.22	15336.66	195.41	5159.18	367.01	42.77	594.39	27921.07	30574.74
Additions				852.04	26.47	123.52	20.71			1022.74	1455.91
Deductions		113.80		21.51						135.31	4109.57
As At 31st March 2011	363.86	2185.75	3562.22	16167.20	221.88	5282.70	387.72	42.77	594.39	28808.50	27921.07
Depreciation / Amortisation											
Upto 31st March, 2010	25.21		2396.57	9879.41	154.43	4630.33	305.18	38.45	594.39	18023.98	18569.49
For The Year 2010-2011	5.38		167.66	549.92	5.61	198.56	19.98	1.81		948.93	710.01
Deductions				20.29						20.29	1255.52
Tot Dep/Amort Upto 31st March 2011	30.59	0.00	2564.23	10409.04	160.04	4828.89	325.17	40.26	594.39	18952.61	18023.98
Net Block As At 31st March 2011	333.28	2185.75	997.99	5758.16	61.83	453.82	62.55	2.51	0.00	9855.89	9897.10
Net Block As At 31st March 2010	338.66	2299.55	1165.65	5457.25	40.98	528.85	61.83	4.32	0.00	9897.10	12005.25
** Amortisation Charges For The Year Are In Respect Of Leasehold Land And Technical Know-how.											
(2) GROSS BLOCK : LEASED ASSETS											
As At 31st March, 2010							4.07			4.07	4.07
Additions											0.00
Deductions											0.00
As At 31st March 2011	0.00	0.00	0.00	4.07	0.00	0.00	0.00	0.00	0.00	4.07	4.07
Depreciation / Amortisation											
Upto 31st March, 2010				4.05						4.05	4.05
For The Year 2010-2011				0.00						0.00	0.00
Deductions										0.00	0.00
Tot Dep/Amort Upto 31st March 2011	0.00	0.00	0.00	4.06	0.00	0.00	0.00	0.00	0.00	4.06	4.05
Net Block As At 31st March 2011	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.02	0.02
Net Block As At 31st March 2010	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.02	0.02
Net Block As At 31st March 2011	333.28	2185.75	997.99	5758.17	61.83	453.82	62.55	2.51	0.00	9855.90	9897.11
Net Block As At 31st March 2010	338.66	2299.55	1165.65	5457.27	40.98	528.85	61.83	4.32	0.00	9897.11	12005.27

NOTE :

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

Rs. In Lacs	
a) Free Hold Land	2029.78
b) Lease Hold Land	280.52
c) Building	2361.44

Schedules Forming Part Of The Balance Sheet As At 31st March, 2011

		As at 31st March, 2011 Rs. In Lacs	As at 31st March, 2010 Rs. In Lacs	
SCHEDULE 6 : INVESTMENTS				
LONG TERM INVESTMENTS :				
(A) In Government & Trust Securities :				
Unquoted :				
7 year National Savings Certificates		0.22	0.22	
(B) In Quoted Shares :				
Equity Shares of Rs.10/- each fully paid :				
Trade :				
1,03,65,518 (8,781,989) in Kinetic Motor Company Ltd. (45,79,500 Shares pledged with Debenture holders)	3,374.85		3,754.14	
55,19,513 (55,19,513) in Athena Financial Services Ltd.	1,959.49		1,959.49	
Less : Provision for diminution in the value of Investment	1,959.49		1,959.49	
80 (80) in Tata Motors Ltd.	0.26		0.26	
	<u>3,375.11</u>		<u>3,754.40</u>	
Others :				
500 (500) in Ashok Leyland Ltd. [of Rs. 1/- each]	0.11		0.11	
50 (50) in Daewoo Motors (India) Ltd. (Formerly DCM Toyota Ltd. [of Rs. 10/- each]	0.01		0.01	
39 (39) in Eicher Ltd.	0.03		0.03	
26 (26) in Eicher Motors Ltd. [of Rs. 10/- each]	0.02		0.02	
50 (50) in Escorts Ltd. [of Rs. 10/- each]	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. [of Rs. 10/- each]	0.05		0.05	
50 (50) in LML Ltd. [of Rs. 10/- each]	0.03		0.03	
95 (95) in Majestic Auto Ltd. [of Rs. 10/- each]	0.27		0.27	
1 (1) in Hero Motors Ltd.	0.03		0.03	
332 (332) in Mahindra & Mahindra Ltd. [of Rs. 5/- each]	0.15		0.15	
50 (50) in SML ISUZU Ltd. (Formerly Swaraj Mazda Ltd.) [of Rs. 10/- each]	0.01		0.01	
50 (50) in The Premier Automobiles Ltd. [of Rs. 10/- each]	0.03		0.03	
1000 (500) in TVS Motor Co. Ltd. [of Rs. 1/- each]	0.08		0.08	
	<u>1.08</u>		<u>1.08</u>	
		3,376.19	3,755.48	
(C) In Unquoted Shares :				
Trade :				
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 (1,63,400) in Kinetic Marketing & Services Ltd.	16.34		16.34	
Preference Shares of Rs.65/- each fully paid in Kinetic Motor Company Ltd. :				
5,30,000 (5,30,000) Convertible Cumulative Pref. Shares	344.50		344.50	
14,85,346 (23,15,500) Optionally Conv. Cumul. Pref Shares	965.47		1,505.08	
22,17,000 (22,17,000) Redeemable Cumulative Preference Shares	1,441.05		1,441.05	
5,00,000 (5,00,000) Redeemable Cumulative Pref. Shares of Rs.100/- each	500.00		500.00	
	<u>3,272.56</u>		<u>3,812.17</u>	
Preference Shares of Rs.10/- each fully paid in Athena Financial Services Ltd :				
13,650 (13,650) Preference Shares	1.37		1.37	
Less : Provision for diminution in the value of Investment	1.37		1.37	
	<u>0.00</u>		<u>0.00</u>	
Others :				
2,500 (NIL) Shares of Rs. 10/- each fully paid in Saraswat Bank	0.25		0.00	
13,800 (13,800) in Ajinkya Auto Fab Pvt. Ltd	13.80		13.80	
	<u>14.05</u>		<u>13.80</u>	
		3,286.61	3,825.97	
CURRENT INVESTMENTS :				
(D) In Mutual Funds :				
HDFC Cash Management Fund (valued at NAV)	1.92	1.92	100.34	
TOTAL		<u>6,664.95</u>	<u>7,682.00</u>	
Aggregate amount of Investments	As on 31th March, 2011		As on 31st March, 2010	
	Cost	Market value	Cost	Market value
	Rs. In Lacs	Rs. In Lacs	Rs. In Lacs	Rs. In Lacs
Quoted	3,378.11	2,233.21	3,855.81	2,031.34
Unquoted	3,286.83	N.A.	3,826.19	N.A.

KINETIC ENGINEERING LIMITED

Schedules Forming Part Of The Balance Sheet As At 31st March, 2011

	Rs. In Lacs	As at 31st March, 2011 Rs. In Lacs	As at 31st March, 2010 Rs. In Lacs
SCHEDULE 7 : CURRENT ASSETS, LOANS & ADVANCES			
I) Current Assets :			
(a) Inventories :			
Stores and Other Materials	618.25		468.46
Stock-in-trade :			
Raw Material & Components	660.18		562.00
Finished Goods	5.48		8.60
Work-in-progress	533.11		442.63
[Inventories as certified by the Managing Director]		1,817.02	1,481.68
(b) Sundry Debtors (Unsecured) :			
Debts outstanding for a period exceeding 6 months			
Considered Good	300.02		574.16
Considered Doubtful	294.54		377.86
	<u>594.56</u>		<u>952.02</u>
Other Debts	2,368.49		1,486.60
	<u>2,963.05</u>		<u>2,438.61</u>
Less : Provision for doubtful debts	<u>294.54</u>		<u>377.86</u>
		2,668.50	2,060.75
(c) Cash and Bank Balances :			
Cash and Cheques on hand	0.35		0.97
Cash with Scheduled Banks			
In Current Accounts	26.26		942.60
In Deposit Accounts	418.38		878.00
Cash with Other Banks			
In Barclays Bank Plc.	0.05		0.05
[Max. bal. during the year Rs. 5,129.76 (Rs. 5,129.76)]		445.05	1,821.62
(d) Other Current Assets :			
Income Accrued on Investment		0.20	0.20
II) Loans & Advances :			
(Unsecured, considered good unless otherwise stated)			
Advances recoverable in cash or in kind or for value to be received :			
Considered Good	1,300.44		1,566.06
Considered Doubtful	49.16		49.16
	<u>1,349.60</u>		<u>1,615.21</u>
Less : Provision for doubtful advances	<u>49.16</u>		<u>49.16</u>
	1,300.44		1,566.06
Other Advances [includes Rs. NIL (NIL) due from Director / Officer of the Company. Maximum amount due Rs. NIL (Rs. NIL) at any time during the period	31.07		35.07
Sundry Deposits	251.67		234.36
Bills Discounted	206.65		206.65
Advance Income -Tax (Net of Provision)	<u>323.82</u>		<u>328.31</u>
[Refer Schedule 8 (b)]		2,113.66	2,370.44
TOTAL		<u>7,044.43</u>	<u>7,734.69</u>

Schedules Forming Part Of The Balance Sheet As At 31st March, 2011

	Rs. In Lacs	As at 31st March, 2011 Rs. In Lacs	As at 31st March, 2010 Rs. In Lacs
SCHEDULE 8 : CURRENT LIABILITIES & PROVISIONS			
(a) Liabilities :			
Acceptances	99.12		97.53
Sundry Creditors	3,054.34		2,818.98
Interest Accrued but not Due	13.62		22.62
Advances against Sales	35.90		381.35
VRS Payable	137.39		212.17
Premium payable on Redemption of Preference Shares / Debentures	771.37		561.37
Other Liabilities	414.02		627.52
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 :			
Matured Fixed Deposits	0.85		1.10
Interest on Matured Fixed Deposits	0.13		0.28
		4,526.74	4,722.92
(b) Provisions :			
Taxation			
Taxation provision for earlier years	2,487.27		2,490.73
Taxation provision for the period	-		-
	2,487.27		2,490.73
Less : Advance payment of Tax	2,811.09		2,819.04
[Contra refer Schedule 7(II)]	(323.82)		(328.31)
Provision for Fringe Benefit Tax	98.65		98.65
Less : Advance Tax - Fringe Benefit Tax	95.37		95.37
Net Provision for Fringe Benefit Tax	3.28		3.28
Leave Encashment	71.80		72.99
Gratuity	452.24		364.72
Others	-		-
		527.31	440.99
TOTAL		5,054.05	5,163.91

KINETIC ENGINEERING LIMITED

Schedules Forming Part of The Profit and Loss Account for the Twelve Months Period Ended 31st March, 2011

	Rs. In Lacs	For the Twelve Months period ended 31st March 2011 Rs. In Lacs	For the Nine Months period ended 31st March 2010 Rs. In Lacs
SCHEDULE 9 : SALES AND OTHER OPERATING INCOME			
Sales including Excise Duty	9,368.06		5,057.13
Machining and Processing Receipts	433.01		226.70
TOTAL		9,801.07	5,283.83
SCHEDULE 10 : OTHER INCOME			
Interest received on bank, other accounts, and Short Term Deposits (Gross) [Tax deducted at source Rs. 4.76 Lacs (Rs 8.00 Lacs)]		48.13	72.69
Dividend Received			
From : Trade Investments	0.02		45.94
Others	0.74		0.18
		0.76	46.12
Profit on sale of investment		12.29	956.90
Income from units		1.59	3.50
Miscellaneous Receipts		52.84	38.76
Sundry Credit Balances Written Back		441.47	182.73
Foreign Exchange Rate Difference - Gain		24.46	13.63
Excess Provision Written Back		50.36	252.36
Excess Provision Written Back - Doubtful Debts		83.32	0.00
TOTAL		715.22	1,566.68
SCHEDULE 11 : MATERIALS			
Stock at Commencement :			
Finished Goods	8.60		8.60
Work-in-Progress	442.63		365.91
		451.22	374.50
Raw Materials and Components Consumed			
Stock at commencement	562.00		631.74
Purchases	4,805.84		3,048.13
	5,367.84		3,679.87
Less : Closing Stock	660.18		562.00
		4,707.65	3,117.88
Fabrication & Processing Charges		553.93	313.86
Stores Consumed		643.65	279.97
Freight, Octroi & Forwarding Charges		189.74	124.03
		6,546.20	4,210.25
Less : Closing Stock			
Finished Goods	5.48		8.60
Work-in-Progress	533.11		442.63
		538.59	451.22
TOTAL		6,007.61	3,759.02

Schedules Forming Part of The Profit and Loss Account for the Twelve Months Period Ended 31st March, 2011

	Rs. In Lacs	For the Twelve Months period ended 31st March 2011 Rs. In Lacs	For the Nine Months period ended 31st March 2010 Rs. In Lacs
SCHEDULE 12 : OTHER EXPENSES			
Excise Duty Paid (Net)		23.71	8.16
Light, Power and Fuel		713.59	411.56
Repairs :			
Building	26.40		22.02
Machinery	61.31		27.08
Others	30.92		22.73
		118.63	71.82
Service Charges and Warranty Claims		88.51	0.00
Payments to & Provisions for Employees :			
Salaries, Wages, Bonus etc.	1,422.73		956.78
Contribution to Provident Fund & Other Funds	114.77		71.72
Gratuity	90.26		130.24
Staff & Labour Welfare Expenses	76.77		26.41
		1,704.52	1,185.15
Insurance		27.98	18.25
Rent		48.72	0.04
Rates & Taxes		19.07	28.34
Publicity & Sales Promotion		6.79	0.63
Legal Professional & Consultancy Fee		238.20	173.61
Travelling Expenses		68.21	41.26
Packing and Forwarding Charges		159.22	39.37
Miscellaneous Expenses		152.03	154.68
Foreign Exchange Rate Difference - Loss		26.03	116.05
Directors' Fees & Travelling Expenses		0.61	0.22
Loss on Sale of Investment		360.94	389.05
Loss on Sale of Assets		-	0.56
Claims written off		-	53.52
Bad Debts / Advances written off		18.82	62.32
Outward Freight charges		88.21	58.29
TOTAL		3,863.79	2,812.87
SCHEDULE 13 : INTEREST & FINANCIAL CHARGES			
Fixed Loans	303.91		314.00
Debentures	200.96		289.74
Others	48.74		22.24
Financial Charges	48.93		35.39
Foreign Exchange Rate Difference on Loan	(24.68)		(72.59)
		577.86	588.78
TOTAL		577.86	588.78

KINETIC ENGINEERING LIMITED

NOTES FORMING PART OF THE ACCOUNTS FOR THE TWELVE MONTHS PERIOD ENDED 31ST MARCH, 2011

SCHEDULE 14 :

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 render 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.

2. Freehold Land, Leasehold Land and Buildings have been revalued as per the Scheme of Arrangement and additional depreciation arising on account of revaluation of such assets amounting to **Rs. 150.34 Lacs** (Rs. 130.30 Lacs) for the year has been withdrawn from General Reserve and credited to Profit and Loss Account in term of the Said Scheme of Arrangement.

3. Estimated amount of contracts to be executed on Capital Account and not provided for is **Rs. 513.91 Lacs** (Rs. 373.74 Lacs).

4. CONTINGENT LIABILITIES :

Contingent Liabilities in respect of	Rs. in Lacs	Rs. in Lacs
a. Income Tax matter under appeal, approx (See Note Below)	105.92	(105.92)
b. Sales Tax matter under appeal	465.23	(328.52)
c. Excise Duty in dispute	405.78	(405.78)
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	223.22	(204.96)
g. Service Tax in dispute	65.02	(65.02)
h. Labour Cases	13.06	(16.84)
i. Custom Duty	6.82	(6.82)
j. General Surety Bond executed in favour of Excise Dept for JHS Taigene Electrical Co. Pvt. Ltd.	300.00	(300.00)

KINETIC ENGINEERING LIMITED

Note : Income Tax matter under appeal, **Rs.105.92 Lacs** (Previous period Rs. 105.92 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	46.25	(31.50)
Contribution to Provident Fund, Superannuation Scheme	9.72	(7.29)
Perquisites	3.75	(2.31)
	59.72	(41.10)

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

6. (a) TURNOVER AND STOCKS :

Class of Finished Goods	Turnover			Stocks			
	Unit	*Quantity	Rs. in Lacs	Quantity #		Amount Rs. in Lacs	
				Opening	Closing	Opening	Closing
Two Wheelers	Nos	-	-	10	10	3.20	3.20
		-	-	(10)	(10)	(3.20)	(3.20)
Steering Arm/ Slip Yoke	Nos	49,380	994.66	36	-	0.54	0.00
		(23,275)	(352.15)	(36)	(36)	(0.54)	(0.54)
Gear Box/ Shaft drive	Nos	707,299	3,560.99	-	-	-	-
		(463,802)	(3,032.28)	-	-	-	-
I C Engines	Nos	7,424	292.41	-	-	-	-
		(12,836)	(259.55)	-	-	-	-
**Variator, Front							
Fork & Front	Sets	174,962	2,494.78	-	-	-	-
Shockabsorber		(73,363)	(1,145.04)	-	-	-	-
Auto Components & Others		-	2,025.22	-	-	4.86	2.28
		-	(268.11)	-	-	(4.86)	(4.86)
Grand Total			9,368.06			8.60	5.48
			(5,057.13)			8.60	8.60

*Turnover quantity is as per clearance made as per Excise records.

Excluding 6(6) Nos of Car trial production

** Sales Quantity excludes NIL (120) sets rejected

(b) CAPACITIES AS ON 31ST MARCH 2011 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.)	*	49344 (23275)
Gear Box/ Shaft drive	Nos.	N.A. (N.A.)	*	707299 (463802)
I C Engines	Nos.	N.A. (N.A.)	*	7424 (12836)
Variators	Nos.	N.A. (N.A.)	*	174962 (73483)

* 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

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 Accounts is Gain **Rs. 23.11 Lacs** (Loss Rs. 29.83 Lacs)

9. PAYMENT TO AUDITORS :

	Rs. in Lacs	Rs. in Lacs
Audit Fees (Including fees of Rs. 2.50 Lacs (Rs. 2.50 Lacs) for audit under Section 44AB of Income Tax Act, 1961)	5.50	(5.50)
For Other Services	2.98	(0.98)
For Expenses	0.34	(0.17)

10. CONSUMPTION OF RAW MATERIALS AND COMPONENTS :

Description	Unit	Quantity	Value (Rs. in Lacs)
(A) Raw Materials :			
Steel Sheets	Kgs	19,809 (3,335)	24.07 (3.97)
Steel Tubes	Mtr	15,926 (4,040)	18.55 (2.56)
Steel Tubes	Pcs	26,477 (13,242)	132.66 (61.26)
Steel Bars	Kgs	452,076 (267,399)	261.89 (152.56)
Forgings	Nos	795,438 (608,138)	1,278.11 (886.90)
Castings	Nos	81,958 (59,907)	333.72 (130.31)
Non-ferrous metals	Kgs	920 (800)	2.72 (1.14)
(B) Components & Others	-	-	2,655.93 (1,879.18)
			4,707.65 (3,117.88)

KINETIC ENGINEERING LIMITED

11. IMPORTED & INDIGENOUS RAW MATERIALS CONSUMPTION

(INCLUDING COMPONENTS)

Description	Rs. in Lacs	%	Rs. in Lacs	%
Imported	559.08	11.88	(210.01)	6.74
Indigenous	4148.57	88.12	(2907.87)	93.26
	<u>4707.65</u>	<u>100.00</u>	<u>(3117.88)</u>	<u>100.00</u>

12. CIF VALUE OF IMPORTS

	Rs. in Lacs	Rs. in Lacs
Components and Others	584.66	(206.63)
Capital Goods	347.72	(684.08)

13. EXPENDITURE IN FOREIGN CURRENCY

	Rs. in Lacs	Rs. in Lacs
I) Travelling and Other Expenses	6.84	(10.57)
II) Interest & Bank Charges	188.56	(172.68)
III) Others	58.56	(2.72)

14. EARNING IN FOREIGN CURRENCY

	Rs. in Lacs	Rs. in Lacs
I) Export of Goods (FOB)	1582.79	(586.35)
II) Interest	-	-
III) Other Charges	74.65	(14.53)

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.

16. The Expenditure on RESEARCH AND DEVELOPMENT during the period is :

A) Revenue	Rs. in Lacs	Rs. in Lacs
I) Material and Other Expenses	0.43	(0.74)
II) Salary, Wages & Bonus	97.08	(60.29)
III) Contribution to Provident Fund and Other Funds	4.03	(1.27)
IV) Depreciation	8.85	(6.95)
B) Capital	0.91	-

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).

18. Earning Per Share :

- The amount used as the numerator in calculating basic and diluted earning per share is the Profit after tax disclosed in the Profit and Loss Account after adjusting dividend on cumulative preference shares of **Rs. 220.07 Lacs** (Rs. 164.04 Lacs)
- The weighted average number of equity shares used as the denominator in calculating basic and diluted earnings per share is **1,03,71,968** (Previous year 98,49,436).

19. Foreign Currency Convertible Bonds (FCCB)

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 % p.a. till conversion / redemption. The FCCBs, if not converted are redeemable on 15-02-2013. Premium payable on redemption is 19.85%.

- 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. Exchange difference amounting to **Rs. 599.60 Lacs** (Rs. 723.29 Lacs) has been carried in the Fixed Assets and Capital work in progress as on 31.03.2011. Had this option not been exercised by the company Loss for the year would have been lowered by **Rs. 97.72 Lacs** (Profit would have been more by Rs. 166.81 Lacs).

- 21.** Details of foreign currency exposure not hedged by derivative instruments or otherwise:-

Loans :

FCCB in USD	\$	18,000,000	(18,000,000)
Sundry Debtors in USD	\$	2,007,452	(1,534,572)
Sundry Debtors in EURO	€	197,919	(79,556)
Sundry Creditors in USD	\$	552,538	(18,000)
Sundry Creditors in EURO	€	1,820	(100,007)

- 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.

- 23.** The company had 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 2010	-	-
	(10.62)	(48.31)
Additional Provision made during the period	-	-
Amounts used during the period	-	-
Unused amounts reversed during the period	-	-
	(10.62)	(48.31)
Carrying Amount as at 31st March 2011	-	-
	-	-

- 26 a)** In accordance with Accounting Standard 22 "Accounting for Taxes on Income" the Company has written off Deferred Tax Asset of **Rs. NIL** (Rs. NIL) for the period ended 31st March, 2011 which was recognised earlier.

KINETIC ENGINEERING LIMITED

b) Deferred tax liability as on 31st March, 2011 of **Rs. 762.87 Lacs** (Rs. 674.59 Lacs) is in respect of following:

	Rs. in Lacs	Rs. in Lacs
I) Provision for depreciation	762.87	(674.59)

c) Deferred tax assets as on 31st March, 2011 of **Rs. 762.87 Lacs** (Rs. 674.59 Lacs) is in respect of following:

	Rs. in Lacs	Rs. in Lacs
I) Disallowance under Section 43 (B) & 40A of Income Tax Act, 1961	170.02	(145.40)
II) Provision for doubtful debts	95.56	(125.51)
III) Disallowance under Section 35 DDA- VRS Expenses	135.43	(197.05)
IV) Carried forward loss under Income Tax Act, 1961	361.86	(206.63)

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. Employee Benefits:

A) Defined Contribution Plans

- a) Provident Fund
- b) State Defined Contribution Plans- Employer's Contribution to Employee's Pension Scheme 1995.
- c) Superannuation- Yearly contribution at the rate 15% of eligible salary is made.

During the year, the company has recognised the following amounts in the Profit & Loss Account

	Rs. in Lacs	Rs. in Lacs
Employer's contribution to Provident fund	43.84	(27.57)
Employer's contribution to Employees Pension Scheme	54.36	(35.74)
Superannuation Contribution	10.29	(7.58)

B) Defined Benefit Plans

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.

	Rs. in Lacs	Rs. in Lacs
(I) The present value of the defined benefit obligations :	31.03.2011	31.03.2010
Obligation as at 01.04.2010	432.63	424.48
Acquisition adjustment	-	-
Interest Cost	33.96	20.09
Past Service Cost	-	-
Current Service Cost	21.99	15.36
Curtailment Cost / (Credit)	-	-
Settlement Cost / (Credit)	-	-
Benefits paid	36.99	125.00
Actuarial (gain)/ loss on obligations	34.73	97.71
Present Value of Obligation as at the end of the year 31.03.2011	486.32	432.63

(II) Changes in Fair Value of Plan Assets :	31.03.2011	31.03.2010
Fair Value of Plan Assets at 01.04.2010	67.92	142.21
Acquisition Adjustments	-	-
Expected Return on Plan Assets	4.45	6.89
Contributions	0.02	44.70
Benefits Paid	(36.99)	(125.00)
Actuarial Gain /(loss) on Plan Assets	(1.31)	(0.88)
Plan Assets at 31.03.2011	34.08	67.92
 (III) Actuarial Gain / Loss recognised	31.03.2011	31.03.2010
Actuarial gain / (loss) for the year – Obligation	(34.73)	(97.71)
Actuarial gain / (loss) for the year - Plan Assets	(1.31)	(0.88)
Total gain / (loss) for the year	(36.04)	(98.59)
Actuarial gain / (loss) recognized in the year	(36.04)	(98.59)
Unrecognized actuarial gains / (losses) at the end of year	-	-
 (IV) The amounts to be recognised in Balance Sheet and Statements of Profit and Loss	31.03.2011	31.03.2010
Present Value of Obligation as at the end of the year 31.03.2011	486.32	432.63
Fair Value of Plan Assets as at the end of the year as on 31.03.2011	34.08	67.92
Funded Status	(452.24)	(364.71)
Unrecognized Actuarial gains / (losses)	-	-
Net Liability to be Recognized in Balance Sheet	452.24	364.71
 (V) Expenses recognized in the statement of Profit and Loss	31.03.2011	31.03.2010
Current Service Cost	21.99	15.36
Past Service Cost	-	-
Interest Cost	33.96	20.09
Expected Return on Plan Assets	(4.45)	(6.89)
Curtailment Cost / (Credit)	-	-
Settlement Cost / (Credit)	-	-
Net actuarial (gain)/ loss recognized in the year	36.04	98.59
Expenses to be recognized in the statement of Profit & Loss at the end of period 31.03.2011	87.54	127.15
 (VI) Leave Encashment		
Provision for leave encashment is made as per actuarial valuation at Rs. 71.80 Lacs (Rs. 72.99 Lacs).		
 (VII) Assumptions:	As of	As of
	31.03.2011	31.03.2010
Discount Rate	8.20%	8.20%
Rate of increase in Compensation levels	4.00%	4.00%
Rate of return on plan assets	9.00%	9.00%
Expected Average remaining working lives of employees (years)	8.77	10.20

28. Related Parties Transactions: As per Accounting Standard - 18

- A) Names of Related Parties : Kinetic Motor Company Ltd., Athena Financial Services Ltd., Jaya Hind Sciaky Ltd., Kinetic Communications Ltd., Kinetic Marketing & Services Ltd., Ajinkya Holdings Pvt. Ltd., Micro Age 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.

KINETIC ENGINEERING LIMITED

Relationship : Associate Companies

Nature of Transaction	Volume of Transactions (Rs. in Lacs)	
Purchases of Goods	51.62	(48.10)
Sales of Goods	67.77	(16.72)
Royalty Received	0.98	(1.32)
Rendering of Other services (Income)	12.52	(25.20)
Rendering of Other services (Expense)	80.31	(74.68)
Other Receipts	-	(21.64)
Rent Received	41.11	(15.41)
Rent Paid	39.47	-
Purchases of Assets	51.83	-
Sale of Assets	-	(4407.00)
Issue of Shares {including Premium Rs. NIL (Previous Year 465.57 Lakhs)}	-	(497.46)
ICD Received	143.00	(417.53)
ICD Repaid	93.00	(261.75)
Investment in Preference Shares	539.60	-
Sale of Shares held as Investment	539.60	-
Amounts Written back during the period in respect of loan from the related party	120.64	-
Outstanding Balances as on 31.03.2011 Net Dr	(440.43)	(533.49)
Outstanding ICD/Loan Including Interest Cr	1539.58	(1604.45)

B) Name of Related Parties	Mr. A.H. Firodia, Mr. Ajinkya Firodia
Relationship	Key Management Personnel
Nature of Transaction	Volume of Transactions (Rs. in Lacs)
Services rendered	Remuneration as disclosed under 5 of notes to accounts
Repayment of unsecured loan from director	3.42 -
Outstanding Balance as on 31.03.2011 Cr	322.18 (325.61)

C) Name of Related Parties	Mr. S. C. Shah
Relationship	Relative of Key Management Personnel
Nature of Transaction	Volume of Transactions (Rs. in Lacs)
Fees for Professional Services	0.40 (0.53)
Outstanding Balance as on 31.03.2011 Cr	0.05 NIL

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

- Purchases from Ducati Energia India Private Limited Rs. 41.50 Lacs (Previous Year Rs. 46.77 Lacs) and JHS Taigene Electrical Company Private Limited Rs. 10.96 Lacs (Previous Year Rs. NIL).
- Sales include to Ducati Energia India Private Limited Rs. 45.16 Lacs (Previous Year Rs. 16.24 Lacs) and Ajinkya Auto Fab Limited Rs. 21.54 Lacs (Previous Year Rs. 0.48 Lac).
- Royalty received from Jaya Hind Sciaky Limited (Formerly Kaygee Auto Product Pvt. Ltd) Rs. 0.98 Lac (Previous Year Rs. 1.32 Lacs).
- Income from Rendering of services include to Jaya Hind Sciaky Limited (Formerly Kaygee Auto Product Pvt. Ltd) Rs. 12.50 Lacs (Previous Year Rs. 20.24 Lacs), Micro Age Instruments Private Limited Rs. NIL (Previous Year Rs. 3.89 Lacs) and JHS Taigene Electrical Company Private Limited Rs. NIL (Previous Year Rs. 0.36 Lac).
- Expenses for receiving of other services paid to Kinetic Communication Limited Rs. 77.76 Lacs (Previous Year Rs. 65.54 Lacs).
- Other receipts from JHS Taigene Electrical Company Private Limited Rs. NIL (Previous Year Rs. 13.19 Lacs), Jaya Hind Sciaky Limited (Formerly Kaygee Auto Product Pvt. Ltd.) Rs. NIL (Previous Year Rs. 2.94 Lacs) and Chrysalis Casting Private Limited Rs. NIL (Previous Year Rs. 5.52 Lacs).
- Rent Received from JHS Taigene Electrical Company Private Limited Rs. 27.47 Lacs (Previous Year Rs. 15.41 Lacs) and Chrysalis Casting Private Limited Rs. 12.00 Lacs (Previous Year Rs. NIL).

- h Rent paid to Micro Age Instruments Private Limited Rs. 39.47 Lacs (Previous Year Rs. NIL).
- i Purchase of assets include Jaya Hind Sciaky Limited (Formerly Kaygee Auto Product Pvt. Ltd.) Rs. 51.83 (Previous Year Rs. NIL).
- j Sale of assets include Micro Age Instruments Private Limited Rs. NIL (Previous Year Rs. 4407.00 Lacs).
- k Issue of shares include Micro Age Instruments Private Limited Rs. NIL (Previous Year Rs. 497.46 Lacs).
- l ICD received include Jaya Hind Sciaky Limited (Formerly Kaygee Auto Product Pvt. Ltd.) Rs. 50.00 Lacs (Previous Year Rs. NIL), Ajinkya Holdings Private Limited Rs. 83.00 Lacs (Previous Year Rs. NIL) and Micro Age Instruments Private Limited Rs. 10.00 Lacs.
- m ICD repaid include Micro Age Instruments Private Limited Rs. 10.00 Lacs (Previous Year Rs. 261.75 Lacs) and Ajinkya Holdings Private Limited Rs. 83.00 Lacs (Previous Year Rs. NIL).
- n Investment in Preference Shares include Micro Age Instruments Private Limited Rs. 539.60 Lacs (Previous Year Rs. NIL).
- o Sale of Shares held as Investment include Micro Age Instruments Private Limited Rs. 539.60 Lacs (Previous Year Rs. NIL).
- p Amounts Written back during the period in respect of loan from the related party include to Micro Age Instruments Private Limited Rs. 119.81 Lacs (Previous Year Rs. NIL).
- q Remuneration to key managerial personnel include to Mr. A.H. Firodia Rs. 25.96 Lacs (Previous Year Rs. 19.32 Lacs) and Mr. Ajinkya Firodia Rs. 33.76 Lacs (Previous Year Rs. 21.79 Lacs).
- r Fees for professional services paid to Mr. S. C. Shah Rs. 0.40 Lac (Previous Year Rs. 0.53 Lac).

29. Previous year figures are for nine months as against current year's figures for twelve months and as such they are not comparable. Previous year's figures have been regrouped wherever necessary.

30. 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 : 30th May, 2011

Anil Kale
Company Secretary

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

KINETIC ENGINEERING LIMITED

ANNEXURE TO NOTES TO THE BALANCE SHEET (NOTE NO. 30)

BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration number	:	11-14819
State Code	:	11 (Maharashtra)
Balance Sheet Date	:	31.03.2011

II Capital raised during the year

	:	Amount (Rs. in Lacs)
Public issue	:	NIL
Right issue	:	NIL
Bonus issue	:	NIL
Private placement	:	NIL

III Position of mobilisation and deployment of fund

	:	Amount (Rs. in Lacs)
Total Liabilities	:	22858.80
Total Assets	:	22858.80

Sources of Funds :

a) Paid-up Capital	:	3196.30
b) Convertible Warrants	:	NIL
c) Reserves & Surplus	:	6471.01
d) Secured loans	:	2428.95
e) Unsecured loans	:	10762.54

Application of Funds :

a) Net fixed assets	:	10370.48
b) Investments	:	6664.95
c) Deferred Tax Assets (Net)	:	NIL
d) Net current assets	:	1990.38
e) Miscellaneous expenditure	:	NIL
f) Accumulated losses	:	3832.99

IV Performance of Company

a) Turnover	:	10099.48
b) Total expenditure	:	11192.77
c) Profit/ (Loss) before tax	:	(1093.29)
d) Profit / (Loss) after tax	:	(1093.29)
e) Earning per share in Rupees	:	(12.66)
f) Dividend rate %	:	NIL

V Generic names of principal product of the Company-

Product Description	:	ITC Code
Auto Components	:	87.08

KINETIC ENGINEERING LIMITED

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 40th ANNUAL GENERAL MEETING of the Company at D1 Block, Plot No. 18/2, MIDC, Chinchwad, Pune – 411 019, on Thursday, 25th August, 2011, at 11:00 a.m.

.....
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.

..... *cut 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 40th Annual General Meeting of the Company, to be held at D1 Block, Plot No. 18/2, MIDC, Chinchwad, Pune – 411 019, on Thursday, 25th August, 2011, 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, 2011

Signature of the Member

Affix
Re. 1
Revenue
Stamp

NOTES:

- (i) The Proxy must be returned, duly completed, 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 make copies of this Attendance Slip/Proxy.