

Annual Report 2011-2012



KINETIC
in every
automobile

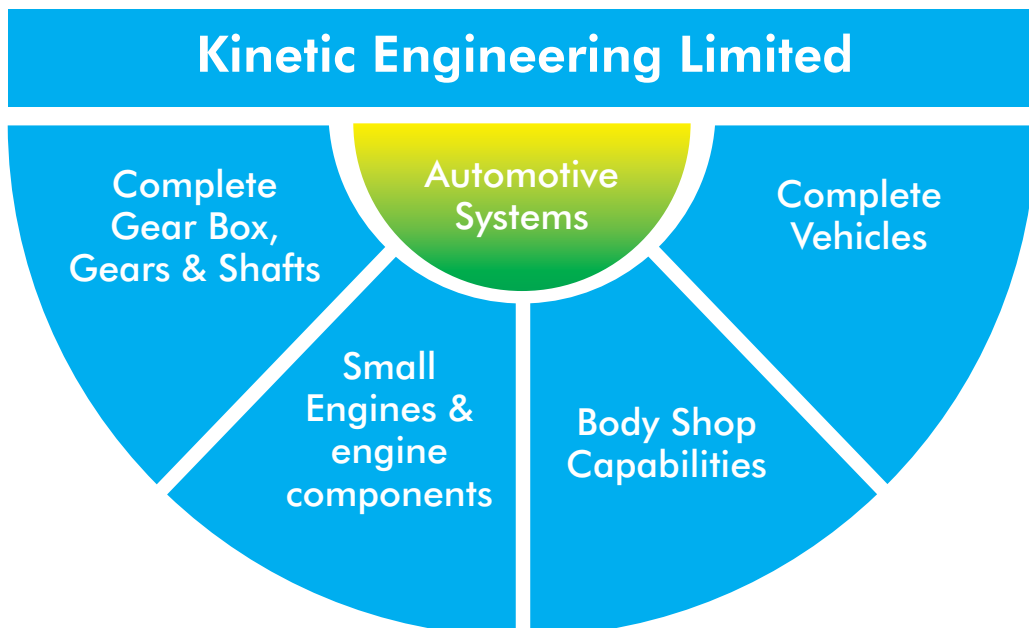


Kinetic Engineering Limited



"The Company has bagged **"Star Performer Award"** for last three consecutive years from 2008-2009 to 2010-2011 for it's export excellence and outstanding contribution towards Engineering exports, from Engineering Export Promotion Council [EEPC India]

Company has a large infrastructure and a diversified rich technical experience that it can further utilise and excel in its exports to various customers from Europe and USA and strive to be a star performer in the years to come as well ."



BOARD OF DIRECTORS

MR. ARUN H. FIRODIA CHAIRMAN
MR. AJINKYA A. FIRODIA MANAGING DIRECTOR
DR. N. A. KALYANI
MR. JINENDRA H. MUNOT
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. PRANVESH TRIPATHI

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

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KINETIC ENGINEERING LIMITED

NOTICE

NOTICE is hereby given that the 41st Annual General Meeting of the shareholders of KINETIC ENGINEERING LIMITED will be held on Wednesday 26th September, 2012 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, 2012 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 Mrs. Sulajja Firodia Motwani, who retires by rotation and is eligible for re-appointment.
3. To appoint a director in place of Mr. S. R. Kotecha, who retires by rotation and is eligible for re-appointment.
4. To appoint a director in place of Dr. N. A. Kalyani, who retires by rotation and is eligible for re-appointment.
5. To appoint auditors and fix their remuneration.

SPECIAL BUSINESS

6. To consider, and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:
RESOLVED THAT, Mr. Jinendra H. Munot, who was appointed as Additional Director, in terms of the provisions of Sec. 260 of the Companies Act, 1956, and who holds office as such director till this Annual General Meeting, and in respect of whose candidature as a director, a notice has been received by the Company from a member, in terms of the provisions of Sec. 257 of the Companies Act, 1956, be and is hereby appointed as a director whose office shall be liable to retirement by rotation.
7. To consider, and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:
RESOLVED THAT, in terms of the provisions of sections 269, 309, 310, 311, 314, 316 and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Central Government, the appointment of Mr. Arun. H. Firodia as a Chairman of the Company, the term of which expires on 30.6.2012, be renewed for a further period of 5 years with effect from 1st July, 2012, on such remuneration as set out hereinbelow and the said remuneration also be paid to Mr. Arun H. Firodia in the event of loss or inadequacy of profit during any financial year:

Remuneration (per annum)	
Salary (basic)	Rs. 18,00,000
HRA	Rs. 7,20,000
LTA	upto Rs 60,000
Medical Reimbursement	upto Rs. 50,000
Provident Fund, Superannuation, Gratuity, Personal Accident & Mediclaim Benefits, Other privileges, facilities, perquisites, benefits and amenities	As per the Rules of the Company
Other Benefits	
Club membership	Two clubs
Provision of cars	1 cars with driver upto Rs. 60,000 p.a.
Telephone facility	Telephone at residence, and a mobile phone
Watchman at residence	One round-the-clock watchman at residence
Annual Increase in Salary	His basic salary is to be annually increased by 20%
Minimum Remuneration	In the event of loss or inadequacy of profits, the aforesaid remuneration shall be payable as the minimum remuneration

RESOLVED FURTHER THAT, Mr. Pranvesh Tripathi, Company Secretary, be and is hereby authorised to submit necessary application and do all such things as are necessary, for seeking the approval of Central Government, to the terms of appointment and remuneration of Mr. Arun H. Firodia , as the Chairman.

8. To consider, and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution: RESOLVED THAT, subject to the provisions of Sections 269, 309, 310, 311, 314, 316 and other applicable provisions, if any, of the Companies Act, 1956, subject to the approval by the Central Government, Mrs. Sulajja Firodia Motwani, director, be and is hereby appointed to the executive position of Vice-Chairperson of the Company, for a period of 5 years, with effect from 1.1.2012, with substantial powers of management in relation to the day to day operations of the Company, subject to the overall superintendance of the Board of Directors on such remuneration as set out hereinbelow and the said remuneration also be paid to Mrs. Sulajja Firodia Motwani in the event of loss or inadequacy of profit during any financial year:

Remuneration (per annum)	
Salary	Rs. 27,60,000
HRA	Rs. 9,95,000
LTA, Medical Exp. Reimb., Provident Fund, Superannuation, Gratuity, Personal Accident & Mediclaim Benefits, Other privileges, facilities, perquisites, benefits and amenities	As per the Rules of the Company
Other Benefits	
Club membership	Two clubs
Provision of cars	2 cars - one car with driver for office use and one car with driver for private use
Telephone facility	Telephone at residence, and a mobile phone
Watchman at residence	One round-the-clock watchman at residence
Minimum Remuneration	In the event of loss or inadequacy of profits, the aforesaid remuneration shall be payable as the minimum remuneration

RESOLVED FURTHER THAT, Mr. Pranvesh Tripathi, Company Secretary, be and is hereby authorised to submit necessary application and do all such things as are necessary, for seeking the approval of Central Government, to the terms of appointment and remuneration of Mrs. Sulajja Firodia Motwani, as the executive Vice-Chairperson.

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 appointment / re-appointment at the Annual General Meeting (Item Nos. 2, 3, 4 & 6 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 Monday, the 24th September, 2012 to Wednesday, the 26th September, 2012 (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.
5. The Explanatory statement pursuant to section 173(2) of the Companies Act, 1956, in respect of the Special Business as set out above is annexed hereto.

By Order of the Board of Directors
For **Kinetic Engineering Limited**

Pranvesh Tripathi
Company Secretary

Pune, 30th May, 2012

Registered Office :

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

KINETIC ENGINEERING LIMITED

Annexure to Notice

INFORMATION RELATING TO THE DIRECTORS SEEKING ELECTION / 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, 6, 7 & 8 of the Notice)

Name	Sulajja Firodia Motwani	S. R. Kotecha	Dr. N. A. Kalyani	Jinendra H. Munot	Mr. Arun H Firodia
Date of birth & Age	26.8.1970(41)	3.9.1951(60)	20.8.1928(83)	4.8.1952(59)	23.3.1943(69)
Appointed on	4.5.1996	27.11.1987	29.4.1978	6.8.2011	1.7.1987
Qualifications	Master of Science in Industrial Administration (MBA)	M.S. Automobiles, Kanas University, USA	Doctorate in Science	B.E(Mech), M.S.(Mech) USA, AMIE(India)	B. Tech M.S.(Electrical Engg.) M.S.(Management)
Expertise/ Experience	Vast experience in the areas of Marketing, Finance, strategic planning and corporate restructuring.	30 years of manufacturing Research on innovative farming methods.	Promoted a sugar factory; pioneering work in co-op movement	33 years experience in Automobile industry in various capacities	Rich experience in Automobile Industry more than 42 years.
Directorship in other Public companies	Kinetic Motor Company Limited Kinetic Auto Limited Kinetic Green Energy & Power Solutions Ltd	Kinetic Motor Company Limited	Kalyani Forge Limited	Z F Steering Gear (India) Limited Varsha Forgings Limited	Kinetic Motor Company Ltd Kinetic Marketing Services Limited Kinetic Hyundai Elevator & Movement Technologies Ltd Jaya Hind Sciaky Ltd Kinetic Auto Ltd Kinetic Green Energy & Power Solutions Ltd
Chairmanship/ membership of Committees of public companies	Member of Audit Committee in Kinetic Motor Company Limited	Chairman of Audit Committee and member of Remuneration and Shareholder Greivance Committee of Kinetic Engineering Limited Member of Audit Committee in Kinetic Motor Company Limited	Nil	Member of Audit committee in Kinetic Engineering Limited	Nil
Shareholding	616	16060	Nil	28712	1048372

By Order of the Board of Directors
For Kinetic Engineering Limited

Pranvesh Tripathi
Company Secretary

Pune, 30th May, 2012

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 6

Mr. Jinendra H. Munot was appointed as an Additional Director by the Board of directors , and holds office as such director until the ensuing Annual General Meeting. The Company has received a notice u/s 257 of the Companies Act, 1956, proposing the candidature of Mr. Munot as a director of the Company.

Mr. Jitendra H. Munot is B.E. (Mech), M.S. (Mech) USA, AMIE (India). He is Joint Managing Director of ZF Steering Gear (India) Limited. He has more than 32 years of experience in Automobile industry in various capacities.

The Board of Directors of the Company recommends passing of the resolution.

None of the directors of the Company, except Mr. Jinendra H. Munot, are concerned and / or interested in the proposed resolution.

Item No. 7

Mrs. Sulajja Firodia Motwani was appointed as Vice-Chairperson of the company by the Board of directors in their Meeting held on 9.12.2011 for a period of 5 years with effect from 1.1.2012 .

She has been an integral part of the senior management team of Kinetic. She is energetic member of the senior management team and the Board of Directors. The Remuneration Committee after taking into consideration the industry benchmarks, profile of Mrs. Sulajja Firodia Motwani and the responsibilities shared by her, considered her appointment as the Vice-Chairperson and decided the proposed remuneration.

The Board of Directors of the Company recommends passing of the resolution.

Mrs. Sulajja Firodia Motwani is related to Mr. Ajinkya A. Firodia and Mr. Arun H. Firodia. None of the other directors are concerned and/ or interested in the proposed resolution.

Item No. 8

Mr. Arun H. Firodia has been appointed as the Chairman of the Company by the Board of directors in their Meeting held on 30.05.2012 for a period of 5 years with effect from 1.7.2012. The Remuneration Committee, upon the authorisation of the Board of directors , in that behalf, has fixed the remuneration and other terms of the appointment of Mr. Arun H. Firodia

Mr. Arun H. Firodia is overall in charge of the Company subject to the supervision and control of Board of Directors and is primarily involved in focusing on crucial areas of business and policy making. Considering long association of Mr. Arun H. Firodia with the Company and his vast experience and knowledge in automobile field, the Board of Directors, in the best interest of the Company, re-appointed Mr. Arun H. Firodia as the Chairman of Company for a term of five years with effect from 1.7.2012.

The Board of Directors of the Company recommends passing of the resolution.

Mr. Arun H. Firodia is related to Mrs. Sulajja Firodia Motwani and Mr. Ajinkya A. Firodia . None of the other directors are concerned and/ or interested in the proposed resolution.

By Order of the Board of Directors
For **Kinetic Engineering Limited**

Pranvesh Tripathi
Company Secretary

Pune, 30th May, 2012

Registered Office :

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

KINETIC ENGINEERING LIMITED

DIRECTOR'S REPORT 2011-12 **(including Management Discussion & Analysis)**

Dear Members,

Your Directors present the 41st Annual Report on the business and operations of **Kinetic Engineering Limited** and the Audited Financial Accounts for the financial year ended 31st March, 2012.

Financial Highlights

During Financial Year 2011-12, the total revenue was Rs. 101.93 crore, while the net loss after tax was Rs. 6.93 crore.

During Financial Year 2011-12, the materials cost reduced from 66.07 % to 64.68 % over the last year and the operating cash profit improved from (294) lac to 154 lac.

In financial Year 2011-12 the company also registered an EBITDA of Rs. 9.32 crore.

During the Financial Year 2011-12 there was a marginal reduction of the revenue from operations - Rs. 83.07 crore in FY 2011-12 against Rs. 90.93 crore in FY 2010-11. This reduction has been due to a few temporary reasons - mainly due to the reduction in demand from Mahindra Two Wheelers Limited, as well as from the Tata Motors. The demand from both these customers is expected to normalise and increase in the coming months.

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.

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 development of new programmes.

The main features of the business during the FY 2011-12 are :

- Commencement of exciting new programme for General Motors through noted company American Axle for their worldwide requirement in their Mexico plant. This programme is expected to ramp up soon to become one of the company's high volume products.
- Completion of development of complete gearbox assembly for Mahindra Navistar Private Limited for their various Heavy Commercial Vehicles. Production for the same has commenced and marks an entry into big gearboxes for the Company
- Ramp up for the TATA NANO gear sets, the worlds most cost efficient 4 wheeled solution, demonstrating KELs capability as the maker of high quality precision cost efficient manufacturer of transmission components. This advantage can be used to propel us to many programmes as small cars become important going ahead in the future.

Continued growth in the Indian automotive industry gives the confidence to your Directors that the Company would continue to see revenue increase from existing programmes, though this year the revenues did not show increase due to fluctuating market conditions for major product lines.

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 programmes have been under development and testing during 2011-12 and they are now nearing completion. Being large and complex programmes, company expects them to start in the coming financial year and gain momentum within the first 2 quarters of the year, to be productionised during 2012-13, Further, the Company continues to add more parts from its existing customers including Mahindra and Mahindra, Carraro, Tata Motors as well as is exploring aggressively export business due to the current favorable exchange rates. Once the new programmes 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 started an internal Quality initiative called "KQAA" (Kinetic Quality Assessment and Awards") which reviews and rewards exceptional practices in Quality at each cell.

Finance Overview

During the FY 2011-12, the Company has successfully repaid its entire outstanding (debenture based) loan, earlier availed from Clearwater Capital Partners. The term loan due to Reliance Capital has also been reduced to less than 15% of its initial principal amount.

Apart from achieving a significant reduction in secured debt, the Company has been successful in getting a 10% increase in its working capital limits from Saraswat Co-operative Bank Ltd.

The outstanding FCCBs (USD 18 million) become due for redemption in February, 2013, (unless converted earlier). However, considering the overall economic & financial situation, the Board of Directors of the Company has decided to seek extension for the term of the FCCB by 12 months, and accordingly the Company has sought approval to the stated extension, from the Bond holders and the RBI.

This measure is expected to improve the return to the FCCB holders.

Scheme of merger of Kinetic Motor Company with Kinetic Engineering

Kinetic Motor Company Limited - KMCL, had earlier sold off its two-wheeler business related assets to Mahindra Two Wheelers Limited - MTWL, for a cash consideration and a 20% equity stake.

In December, 2011, the Boards of both KMCL and KEL took a view of the situation and decided and have approved a Scheme to merge KMCL with KEL. The companies have made applications to Stock Exchanges for approval to the Scheme of merger, which is awaited till the date of this Report. Post this approval, the Scheme would be filed with the Hon'ble Bombay high Court for its sanction.

The Scheme has been considered to be in the interest of the shareholders of both KEL & KMCL. The KMCL's stake in MTWL, is being considered as a valuable asset, and is expected to strengthen the financials of KEL, and thereby benefitting the shareholders of KMCL who would become shareholders of KEL, after the approval of the Hon'ble Bombay High Court.

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

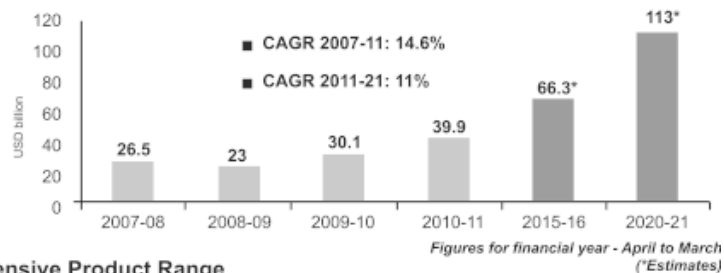
KINETIC ENGINEERING LIMITED

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.

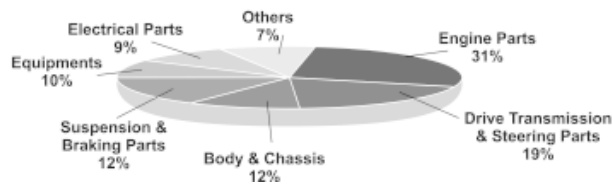
As per an Automotive Component Manufacturers Association of India (ACMA) report, the turnover of the auto component industry was measured about US\$ 39.9 billion in 2010-11, a CAGR of 14.6 % over past three years, and a CAGR of 31.7% over past two years. The projected CAGR over next 10 years is about 11 %.

Auto Component Industry Profile

Turnover



Comprehensive Product Range



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. The ACMA (Automotive Components Manufacturers Association of India) has forecasted a future CAGR growth over next 10 years, as given below:

Type of automotive	CAGR over next 10 years
Passenger vehicles	13.0%
Commercial Vehicles	11.0%
Tractors	6.0%
Two-Three Wheelers	7.0%
Construction vehicles	14.6%

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.

Research & Development

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

Conservation of energy

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

1. By continuous monitoring, Unity Power factor is maintained through out year, saving Rs.42 lacks as an Incentive in electricity bills.
2. Studied the peak and lowest demand of compressed air for different shops and accordingly compressor run pattern decided and implemented results in saving of electrical power of Rs.3.5 lacks per year.
3. Mercury and sodium street lights replaced by modern CFL of low wattage installed.
4. Thyristor control AC drive for heaters installed for sursulf salt bath furnace maintaining temperature at 565 degree Celsius constantly results in saving of Rs.63000/- per year.

KINETIC ENGINEERING LIMITED

5. Compressed air pipe of nylon braded is replaced with PU tube fittings in Gear box assembly line and Aluminum machine shop.
6. CFL spiral lamps fitted in office area replacing 40 watt tube fittings.
7. In Aluminum line energy efficient tube fittings installed, replacing 250 watt mercury lamps. Saving Rs. 2 Lacks per year.
8. For paint baking and bond rising tank water heating thermopac operates during load period instead of continuous. Savings Rs.1.5 lacks per year.
9. Compressed air measurement carried out for all machines in different shops.
10. About 3500 liters of oil is extracted from drained coolant per year.
11. Compressed air leakages from the welded joints in pipe line arrested.
12. Fire hydrant line 3 inches under ground water leakage arrested by replacing with new line, save about 5 lacks liters of water per year.

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

Foreign exchange earnings and outgo

The information on foreign exchange earnings and outgo is contained in Point No. 10 & 11 in Notes to the Accounts.

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, 2012.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.0.10 lac were repaid on maturity. The balance as on 31.3.2012 standing in the fixed deposit account was Rs.0.75 lac.

Directors

In accordance with the provisions of the Companies Act, 1956 as well as the Articles of Association of the Company, Dr. N. A. Kalyani, Mr. S. R. Kotecha & Mrs. Sulajja Firodia Motwani, 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.

Mr. Jinendra H. Munot was appointed as an Additional Director by the Board, and holds office as such director until the ensuing Annual General Meeting. The Company has received a notice u/s 257 of the Companies Act, 1956, proposing the candidature of Mr. Jinendra H. Munot as a director of the Company.

Mrs. Sulajja Firodia Motwani and Mr. Arun H. Firodia were appointed as Vice - Chairperson and Chairman by the Board of Directors in their meetings respectively held on 9th December 2011 and 30th May 2012. Members are requested to approve their appointment.

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, 2012

Regd. Off. :
D1Block, 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, 2012.

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 seven are Non-Executive Directors and out of seven 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	03	--
Non-Executive Directors	07	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	6	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	1	Nil	Nil
Mr. S. C. Shah *	Independent	Nil	Nil	Nil
Mr. J. H. Munot **	Independent	2	Nil	Nil
Dr. K. H. Sancheti	Independent	1	Nil	Nil
Mr. S. R. Sanghi	Independent	3	1	2
Mr. S. R. Kotecha	Independent	1	2	Nil
Mrs. S. F. Motwani	Promoter/Executive	3	1	Nil

*Up to 4.7.2011; ** From 6.8.2011

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, 2012 (hereinafter referred to as 'the period under review'), 8 Board Meetings were held on 30th May, 2011, 28th June, 2011, 6th August, 2011, 12th November, 2011, 9th December, 2011, 13th February, 2012, 10th March, 2012, 17th March, 2012. 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 25/08/2011
Mr. A. H. Firodia	8	6	Present
Dr. N. A. Kalyani	8	0	Absent
Mr. Jinendra H. Munot	8	3	Absent
Mr. S. C. Shah	8	0	Absent
Dr. K. H. Sancheti	8	0	Absent
Mr. S. R. Sanghi	8	1	Absent
Mr. S. R. Kotecha	8	5	Absent
Mr. Ajinkya Firodia	8	6	Present
Mrs. Sulajja Firodia Motwani	8	8	Present
Mr. Ashish Kumar	8	7	Present
Mr. Santosh Senapati	8	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: Nil

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. J. H. Munot	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, 2012, 4 Meetings of the Audit Committee were held on 30th May, 2011, 6th August, 2011, 12th November, 2011, 13th February, 2012. Details of attendance of the Members at the meeting were as follows:

Name of Director	No. of Meetings attended
Mr. S. R. Kotecha	4
Mr. S. C. Shah	1
Mr. J. H. Munot	1
Mr. K. H. Sancheti	2
Mr. Ashish Kumar	3

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. R. Kotecha	Independent	Chairman
Dr. K. H. Sancheti	Independent	Member
Mr. J. H. Munot	Independent	Member

During the 12 months period ended on 31.3.2012 remuneration committee meeting was held on 24th January, 2012. Mr. S. R. Kotecha and Dr. K. H. Sancheti has attended the said meeting.

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 ended on 31st March, 2012 are as follows:

Particulars	Mr. A. H. Firodia Chairman	Ms. S. F. Motwani Vice Chairperson	Mr. Ajinkya Firodia Managing Director
Basic Salary (Rs. in lac)	1800000	600000	1800000
Allowances (Rs. in lac)	--	338748	600000
Perquisites (Rs. in lac)	292670	7830	65000
Retirement Benefits (Rs. in lac)	486000	162000	486000
Total	2578670	1108578	2951000

All the above remuneration was fixed / varies with respect to time-scale. The above mentioned Chairman, Vice Chairperson and the Managing Director were appointed for a period of 5 years. Terms of appointment of above Chairman, Vice Chair Person 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, Vice Chair person and the Managing Director. Approval for Mr. A.H. Firodia & Ms. S. F. Motwani 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, 2012, 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. J. H. Munot	8000	28712
Dr. K. H. Sancheti	4000	241
Mr. S. R. Sanghi	Nil	Nil
Mr. S. R. Kotecha	18000	16,572
Mrs.S.F.Motwani (Non Executive up to 9.12.11)	10000	616
Mr.Ashish Kumar	Nil	Nil
Mr. Santosh Senapati	Nil	Nil
Total	40000	46,141

5. Shareholders' Grievance Committee

Shareholders' Grievance Committee consists of Mr. S. R. Kotecha as its Chairman and Mr. J. H. Munot, 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	:	Nil
No of complaints not resolved to the satisfaction of the shareholders	:	None
No. of pending Complaints as on 31st March, 2012	:	Nil

KINETIC ENGINEERING LIMITED

During the 12 months under review the Company has dispatched share certificates beyond the period of 30 days for 25 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,2011	25th August, 2011	11.00 a.m.	D-1 Block, Plot No. 18/2, MIDC, Chinchwad, Pune - 411 019.
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.

During the 12 months period ended on 31st March, 2012 the Company has passed special resolution of shareholders on 27.8.2011, through Postal Ballot Process, for the purpose of obtaining approval of shareholders under the provisions of section 372A of the Companies Act, 1956, to invest in the shares of Kinetic Motor Company Limited a sum not exceeding Rs.11/- Crore . Votes in favour of the resolution were 99.95%.

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 Note No. 21 in Notes Forming part of the Accounts for the year ended on 31st March, 2012.

- (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 'ASIAN AGE', 'LOKSATTA' 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 41st Annual General Meeting is proposed to be held on **Wednesday 26.9.2012 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 **31.3.2012**.

Dates of Book-Closure:

Monday 24.9.2012 to Wednesday 26.9.2012(both days inclusive).

Dividend Payment Date:

The Directors have not recommended any Dividend for the 12 months period ended on 31st March, 2012.

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. **(It was listed on Pune Stock Exchange Limited also but delisted the same w.e.f.1.3.2012)**

Stock Code:

Bombay Stock Exchange Limited : KINETICE - 500240

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, 2011	151.20	117.00	126.15	19811.14	18976.19	19135.96
May, 2011	150.00	119.00	135.00	19253.87	17786.13	18503.28
June, 2011	153.95	120.00	143.15	18873.39	17314.38	18845.87
July, 2011	179.00	122.55	126.90	19131.70	18131.86	18197.20
August, 2011	155.00	96.00	113.85	18440.07	15765.53	16676.75
September, 2011	138.00	100.30	108.15	17211.80	15801.01	16453.76
October, 2011	130.80	96.55	106.25	17908.13	15745.43	17705.01
November, 2011	114.70	77.00	99.05	17702.26	15478.69	16123.46
December, 2011	119.90	84.00	90.85	17003.71	15135.86	15454.92
January, 2012	102.90	83.10	91.90	17258.97	15358.02	17193.55
February, 2012	99.45	83.00	90.95	18523.78	17061.55	17752.68
March, 2012	98.95	75.25	78.05	18040.69	16920.61	17404.20

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 days from the date of receipt, subject to the documents being valid and complete in all respects.

Distribution of Shareholding as on 31st March, 2012

Slab of No. of Shareholding (Rs.)	No. of Shareholders	% to No. of Shareholders	Amount (Rs.)	% to paid-up capital
Upto 5,000	6131	94.03	6428130	6.1976
5,001-10,000	193	2.96	1419550	1.3686
10,001-20,000	78	1.20	1145810	1.1047
20,001-30,000	24	0.37	577070	0.5564
30,001-40,000	13	0.20	460680	0.4442
40,001-50,000	12	0.18	531450	0.5124
50,001-1,00,000	25	0.38	1681440	1.6211
1,00,001 and above	44	0.68	91475550	88.1950
Total	6520	100.00	103719680	100.0000

Shareholding Pattern as on 31st March, 2012

	Category	No. of Shares	%
A.	Shareholding of Promoter & Promoter Group		
1	Indian	5873676	56.63
2	Foreign	90000	0.87
	Sub Total (1)	5963676	57.50
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	0	0.00
	Sub Total (2)	1,42739	1.38
2	Non-Institutions		
	a.) Bodies Corporate	880892	8.49
	b.) Individuals	1791743	17.27
	c.) Clearing Members	1304	0.01
	d.) NRI / NRN	36965	0.36
	e.) OCB	1554381	14.99
	f.) Trusts	268	0.00
	Sub Total (3)	4265553	41.12
	GRAND TOTAL [(1)+(2)+(3)]	10371968	100.00

Dematerialisation of Shares

The Company shares are compulsory traded in dematerialised form. As on 31st March, 2012 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	518339	5.00
Shares held in Demat Form - NSDL	9589840	92.46
Shares held in Demat Form - CDSL	263789	2.54
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, 2012."

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

Place : Pune
Date : 30th May, 2012

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, 2012, 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, 2012.

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 2012, the statement of Profit and Loss 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, statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, statement of Profit and Loss 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 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2012 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 to Chairman, Vice Chairman and Managing Director*, 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 2012;
 - (b) in the case of the statement of Profit and Loss, 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, 2012

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 so as to affect the going concern status of the company.
- (ii) (a) The inventory has been physically verified during the period by the management. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. No material discrepancies were noticed on verification between the physical stocks and the book records.
- (iii) (a) The Company has not granted any loan to Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) Clause (iii) (b) is not applicable as no loans have been granted to the parties covered under (iii) (a).
- (c) Clause (iii) (c) is not applicable as no loans have been granted to the parties covered under (iii) (a).
- (d) Clause (iii) (d) is not applicable as no loans have been granted to the parties covered under (iii) (a).
- (e) The company has taken unsecured loans from three 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. in Lakhs)

Opening Balance	Accepted during the period	Repaid during the period/ Adjusted during the year	Closing balance
1860	975	732	2103

- (f) In our opinion, the rate of interest wherever applicable and 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 and the payment of interest wherever applicable.
- (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 lakhs 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, Employee's State Insurance, Income-tax and Investor Education and Protection Fund 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.18.20 Lakhs, Profession Tax Rs. 35.21 Lakhs and Investor Education and Protection Fund Rs. 0.68 Lakhs were in arrears as at 31.03.2012 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. in Lakhs)

Nature of dues	Amount	Forum where dispute is pending.
Income Tax, AY 2000-01	1.29	Income Tax Appellate Tribunal, Pune
Income Tax AY 2007-08	1455.65	CIT Appeals, Pune
Income Tax AY 2009-10	186.12	CIT Appeals, Pune
West Bengal Sales Tax, Central Sales Tax AY 2001-02, 2002-03.	6.92	Deputy Commissioner of Sales Tax, Kolkata.
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	301.73	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 not incurred cash losses during the financial year covered by our audit. The company has 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, banks and debenture holders.
- (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 the funds raised on short term basis amounting to Rs. 108.78 Lakhs 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.
- (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, 2012.

BALANCE SHEET AS AT MARCH 31, 2012

Rupees in Lacs

Particulars	Note No.	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
I. EQUITY AND LIABILITIES			
1 Shareholder's funds			
(a) Share capital	A-1	3,196.30	3,196.30
(b) Reserves and surplus	A-2	1,901.47	2,638.02
(c) Money received against share warrants		-	-
		<u>5,097.76</u>	<u>5,834.31</u>
2 Share application money pending allotment			
		-	-
3 Non-current liabilities			
(a) Long-term borrowings	A-3	12,405.70	10,185.30
(b) Deferred tax liabilities (Net)	A-4	-	-
(c) Other long term liabilities	A-5	670.27	709.97
(d) Long-term provisions	A-6	467.80	435.24
		<u>13,543.78</u>	<u>11,330.51</u>
4 Current liabilities			
(a) Short-term borrowings	A-7	1,906.07	650.91
(b) Trade payables		2,402.41	3,153.47
(c) Other current liabilities	A-8	1,620.07	3,018.58
(d) Short-term provisions	A-9	134.50	88.80
		<u>6,063.05</u>	<u>6,911.76</u>
TOTAL		<u><u>24,704.59</u></u>	<u><u>24,076.58</u></u>
II. ASSETS			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	A-10	9,579.01	9,855.90
(ii) Intangible assets	A-10	-	-
(iii) Capital work-in-progress		408.66	404.82
(iv) Intangible assets under development		-	-
(b) Non-current investments	A-11	7,630.71	6,663.03
(c) Deferred tax assets (net)	A-4	-	-
(d) Long-term loans and advances	A-12	943.25	1,049.51
(e) Other non-current assets	A-13	-	-
		<u>18,561.63</u>	<u>17,973.26</u>
2 Foreign Currency Monetary Item Translation Difference Account			
		187.69	-
3 Current assets			
(a) Current investments	A-11	2.10	1.92
(b) Inventories	A-14	1,978.70	1,817.02
(c) Trade receivables	A-15	3,042.97	2,668.50
(d) Cash and bank balances	A-16	175.18	445.05
(e) Short-term loans and advances	A-17	752.12	1,153.80
(f) Other current assets	A-18	4.21	17.03
		<u>5,955.27</u>	<u>6,103.31</u>
TOTAL		<u><u>24,704.59</u></u>	<u><u>24,076.58</u></u>

The notes referred to above and other notes form an integral part of the Balance Sheet and Profit and Loss Account Statement.

As per our report of even date attached
For **M/s P.G. Bhagwat**
Chartered Accountants

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

Sandeep Rao
Partner
Pune
30th May, 2012

Pranvesh Tripathi
Company Secretary

KINETIC ENGINEERING LIMITED

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

Rupees in Lacs

Particulars	Note No.	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
I. Revenue from operations	A-19	8,306.83	9,092.65
II. Other income	A-20	347.35	595.15
III. Total Revenue (I + II)		8,654.17	9,687.80
IV. Expenses:			
Cost of materials consumed	A-21	5,389.58	6,094.98
Purchases of Stock-in-Trade		-	-
Changes in inventories of finished goods work-in-progress and Stock-in-Trade	A-21	(16.35)	(87.36)
Employee benefits expense	A-22	1,852.76	1,704.52
Finance costs	A-23	779.10	602.54
Depreciation and amortization expense	A-10	957.71	948.93
Less: Transfer from General Reserve (Refere Note No. 2)		111.12	150.34
		846.59	798.59
Other expenses	A-24	2,027.39	2,037.63
		10,879.07	11,150.89
Less: Expenses Capitalised		91.16	55.08
Total expenses		10,787.90	11,095.81
V. Profit before exceptional and extraordinary items and tax (III-IV)		(2,133.73)	(1,408.02)
VI. Exceptional items Income (Net)	A-25	1,440.47	314.73
VII. Profit before extraordinary items and tax (V + VI)		(693.26)	(1,093.29)
VIII. Extraordinary Items			
IX. Profit before tax (VII- VIII)		(693.26)	(1,093.29)
X. Tax expense:			
(1) Current tax		-	-
(2) Deferred tax		-	-
		-	-
XI. Profit (Loss) for the period from continuing operations (IX-X)		(693.26)	(1,093.29)
XII. Profit/(loss) from discontinuing operations		-	-
XIII. Tax expense of discontinuing operations		-	-
XIV. Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)		-	-
XV. Profit (Loss) for the period (XI + XIV)		(693.26)	(1,093.29)
XVI. Earnings per equity share having nominal value of Rs. 10/- per share			
(1) Basic		(9.35)	(12.66)
(2) Diluted		(9.35)	(12.66)

The notes referred to above and other notes form an integral part of the Balance Sheet and Profit and Loss Account Statement

As per our report of even date attached
For **M/s P.G. Bhagwat**
Chartered Accountants

Sandeep Rao
Partner
Pune
30th May, 2012

Pranvesh Tripathi
Company Secretary

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

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

Rupees in Lacs

Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) before Tax and extraordinary items	(693.26)	(1,093.29)
Adjustment for :	-	-
Depreciation / Amortisation	846.59	798.59
Provision for Doubtful Debts / advances written back	(294.54)	(83.32)
Bad debts / advances / claims written off	357.17	18.82
(Profit) / Loss on Sale of Investment (Net)	28.88	348.65
(Profit) / Loss on Sale of Assets (Net)	(1,539.05)	(291.62)
Interest and Financial Charges (Net)	746.95	554.41
Dividend Received	(1.10)	(0.76)
Excess provision / credit balances written back	(138.83)	(491.83)
Income from units	(0.18)	(1.59)
Exchange difference loss / (gain)	139.92	(24.68)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	(547.46)	(266.61)
Adjustment for :		
Inventories	(161.68)	(335.34)
Trade and Other Receivables	213.08	(701.48)
Trade Payables	(397.06)	170.68
CASH GENERATED FROM OPERATIONS	(893.11)	(1,132.76)
Interest and Financial Charges	(691.56)	(612.40)
Direct Taxes	82.65	4.49
NET CASH FROM OPERATING ACTIVITIES	(1,502.02)	(1,740.67)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(513.84)	(1,169.42)
Sale of Fixed Assets	2,259.02	406.64
Purchase of Investments	(1,032.18)	(539.85)
Sale of Investments	35.44	1,208.25
Interest Received	44.97	40.27
Dividend Received	1.10	0.76
Income from units	0.18	1.59
NET CASH FROM INVESTING ACTIVITIES	794.69	(51.77)

KINETIC ENGINEERING LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012 (Contd.)

Rupees in Lacs

Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
C. CASH FLOW FROM FINANCING ACTIVITIES		
Redemption premium paid	-	(272.86)
Proceeds from Long Term Borrowings	1,324.32	475.85
Proceeds from Short Term Borrowings	1,333.89	96.33
Repayment of Long Term Borrowings	(1,877.12)	(300.90)
Repayment of Short Term Borrowings	(78.73)	(0.94)
NET CASH FROM FINANCING ACTIVITIES	702.36	(2.52)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(4.97)	(1,794.96)
Opening Cash and Cash Equivalents	26.66	1,821.62
Closing Cash and Cash Equivalents	21.69	26.66

- 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:

	March 31, 2012	March 31, 2011
Cash and cheques on hand	0.60	0.35
Balances with banks	21.09	26.31
	21.69	26.66

As per our report of even date attached
For **M/s P.G. Bhagwat**
Chartered Accountants

Sandeep Rao
Partner
Pune
30th May, 2012

Pranvesh Tripathi
Company Secretary

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

Notes to Accounts

Rupees in Lacs

Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A-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
	9,340.01	9,340.01
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
	3,196.30	3,196.30
Subscribed & Fully Paid up		
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
Total	3,196.30	3,196.30

KINETIC ENGINEERING LIMITED

Notes to Accounts

Particulars	Figures as at the end of current reporting period ending on March 31, 2012		Figures as at the end of previous reporting period ending on March 31, 2011	
	Number	Rupees in Lacs	Number	Rupees in Lacs
a) Reconciliation of share capital				
Equity Share Capital:				
Shares outstanding at the beginning of the year	10,371,968	1,037.20	10,371,968	1,037.20
Shares Issued during the year	-	-	-	-
Reduction in share capital	-	-	-	-
Shares outstanding at the end of the year	10,371,968	1,037.20	10,371,968	1,037.20
Redeemable Non Convertible Non Cumulative Preference Share Capital:				
Shares outstanding at the beginning of the year	15,000,000	1,500.00	15,000,000	1,500.00
Shares Issued during the year	-	-	-	-
Reduction in share capital	-	-	-	-
Shares outstanding at the end of the year	15,000,000	1,500.00	15,000,000	1,500.00
Optionally Convertible Cumulative Preference Share Capital:				
Shares outstanding at the beginning of the year	102,000	159.12	102,000	159.12
Shares Issued during the year	-	-	-	-
Reduction in share capital	-	-	-	-
Shares outstanding at the end of the year	102,000	159.12	102,000	159.12
Redeemable Cumulative Preference Share Capital:				
Shares outstanding at the beginning of the year	320,500	499.98	320,500	499.98
Shares Issued during the year	-	-	-	-
Reduction in share capital	-	-	-	-
Shares outstanding at the end of the year	320,500	499.98	320,500	499.98

Notes to Accounts

Particulars	Figures as at the end of current reporting period ending on March 31, 2012		Figures as at the end of previous reporting period ending on March 31, 2011	
	No. of Shares	% of Holding	No. of Shares	% of Holding
b) Details of share holders holding more than 5% shares				
Equity Share Capital:				
(a) Pinebridge Asia Partners II L.P.	1,195,562	11.53%	1,195,562	11.53%
(b) Reliance Capital Limited	715,000	6.89%	715,000	6.89%
(c) Arun H. Firodia	1,048,372	10.11%	960,318	9.26%
(d) Jayashree A. Firodia	3,164,988	30.51%	2,117,977	20.42%
(e) Microage Instruments Private Limited	1,582,633	15.26%	2,172,633	20.95%
Redeemable Non Convertible Non Cumulative Preference Share Capital:				
(a) Reliance Capital Limited	150,000,000	100.00%	150,000,000	100.00%
Optionally Convertible Cumulative Preference Share Capital:				
(a) Microage Instruments Private Limited	102,000	100.00%	102,000	100.00%
Redeemable Cumulative Preference Share Capital:				
(a) Microage Instruments Private Limited	320,500	100.00%	320,500	100.00%

Particulars	March 31, 2012		March 31, 2011	
	No. of Shares	Rupees in Lacs	No. of Shares	Rupees in Lacs
c) Shares reserved for Employee Stock Option Scheme (ESOS)				
Shares reserved for ESOS scheme	NIL	NIL	NIL	NIL

Particulars	2011-12	2010-11	2009-10	2008-09	2007-08
d) Shares allotted for consideration other than cash and shares bought back					
Equity Shares :					
Fully paid up pursuant to contract(s)	-	-	1,782,774	-	-
Fully paid up by way of bonus shares	-	-	-	-	-
Shares bought back (Cancelled pursuant to a scheme of Arrangement)	-	-	29,341	-	-

KINETIC ENGINEERING LIMITED

Notes to Accounts

Particulars	March 31, 2012	March 31, 2011
e) Unpaid calls		
By Directors	NIL	NIL
By Officers	NIL	NIL

f) Other details

- The company has only one class of equity shares, having par value of Rs. 10 per share. Each holder of equity share is entitled for one vote per share and has a right to receive dividend as recommended by the board of directors subject to the necessary approval from the shareholders. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.
- 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.12)
- 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 30.09.2013. Redemption premium @ 10.00 % p.a. is payable at the time of redemption. These shares are not entitled to any dividend.
- 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.

Notes to Accounts

Rupees in Lacs

Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A-2		
Reserves & Surplus		
(a) Capital Reserves	1,248.19	1,248.19
(b) Securities Premium Reserve		
Opening Balance	5,222.37	5,705.23
Add : Write Back of Redemption Premium (Net)	67.83	-
Less : Premium for Redemption of Preference Shares	-	482.86
Closing Balance	5,290.20	5,222.37
(c) General Reserve		
Opening Balance	9,154.99	9,305.34
Less : Adjustment for Depreciation	111.12	150.34
Closing Balance	9,043.88	9,154.99
(d) Special Reserve	0.46	0.46
(Amount reserved for issue of 4,550 (4,550) bonus shares kept in abeyance as per Section 206A of the Companies Act, 1956.)		
(e) Surplus		
Opening balance	(12,987.99)	(11,894.70)
Add : Net Profit / (Loss) for the current year	(693.26)	(1,093.29)
Closing Balance	(13,681.25)	(12,987.99)
TOTAL	1,901.47	2,638.02

Note : A-3**Long Term Borrowings****Secured**

(a) Term Loans from Banks:		
Vehicle Loans	8.46	-

Unsecured

(a) Term Loans from Others	1,065.00	-
(b) Deferred Payment Liabilities		
Interest Free Sales Tax Loan	119.20	152.97
(c) Loans and advances from related parties	1,862.65	1,860.33
(d) Other Loans and Advances		
(i) Foreign Currency Convertible Bonds	9,350.39	8,172.00

TOTAL	12,405.70	10,185.30
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KINETIC ENGINEERING LIMITED

Notes to Accounts

A.) Security:

- (i) Vehicle term loan from banks are secured by hypothecation of vehicle purchased against such term loan.

B.) Terms of Repayment:

- (i) Two vehicle loans are repayable by 36 EMIs of Rs. 0.37 Lac starting from 15.06.2011 and 35 EMIs of Rs. 0.34 Lac starting from 15.10.2011.
(ii) Term loan from other of Rs. 1065 Lacs is repayable on 30th June, 2013.
(iii) Sales tax loan is repayable as under:

Repayment Date	Rs. In Lacs
30.04.2013	31.96
30.04.2014	28.83
30.04.2015	25.37
30.04.2016	21.00
30.04.2017	12.04

- (iv) In respect of loans and advances taken from related parties, based on present mutual understanding with the lenders, the expected repayment is as under:

Year of Repayment	Rs. In Lacs
2013-14	360.00
2014-15	240.00
2015-16	480.00
2016-17	480.00
2017-18	302.65

- (iv) Foreign Currency Convertible Bonds of USD 18,000,000 are convertible into Equity Shares at the option of the holders, on following terms:

- (a) Foreign Currency value of bonds convertible at a fixed exchange rate of USD 1 = Rupees 39.26
(b) The Rupee value of bonds, as above, is convertible into Equity Shares of Rs. 10/- each, at a price of Rs. 156/- per Equity Share.
(c) The option to convert can be notified to the Company, latest by 5th February, 2013.
(d) If not converted, the bonds are redeemable on 15th February, 2014, at a premium of 19.85% of the outstanding principal value of the bonds based on an in-principle consent from FCCB holders for extension of its date of repayment from Feb, 2013 to Feb, 2014 and as such, the same are classified as Long Term Borrowings.

Rupees in Lacs

Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
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Note : A-4

Deferred Tax Liabilities (Net)

(a) Deferred Tax Liabilities

(i) On provision for depreciation	674.63	762.87
(ii) On other timing differences	-	-
	674.63	762.87

(b) Deferred Tax Assets

(i) On disallowance under Section 43B & 40(a) of Income Tax Act,1961	195.42	170.02
(ii) On provision for doubtful debts	-	95.56
(iii) On disallowance under Section 35 DDA - VRS Expenses	95.66	135.43
(iv) On carried forward loss under Income Tax Act,1961	383.55	361.86
(v) On other timing differences	-	-
	674.63	762.87

(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 asset in respect of Income Tax disallowances.)

TOTAL

- -

Notes to Accounts

Rupees in Lacs

Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A-5		
Other Long Term Liabilities		
(a) Trade Payables	-	-
(b) Others		
(i) Premium payable on Redemption of Preference Shares / Debentures	670.27	709.97
TOTAL	670.27	709.97
Note : A-6		
Long Term Provisions		
(a) Provision for employee benefits		
(i) Gratuity	467.80	435.24
TOTAL	467.80	435.24
Note : A-7		
Short Term Borrowings		
Secured		
(a) Loans Repayable on Demand from Banks		
Cash Credit	1,173.81	96.33
(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 Ahmednagar.)		
(b) Buyers Credit from Banks	152.34	-
(Secured by way of lien on Fixed Deposit)		
Sub Total	1,326.14	96.33
Unsecured		
(a) Overdraft Facility from Bank	579.92	475.85
(b) Short Term Loan from Others (Bills Discounting)	-	78.73
Sub Total	579.92	554.58
TOTAL	1,906.07	650.91

KINETIC ENGINEERING LIMITED

Notes to Accounts

Rupees in Lacs

Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
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Note : A-8

Other Current Liabilities

(a) Current maturities of long-term debt	718.79	2,313.61
(b) Interest accrued and due on borrowings	11.53	41.68
(c) Interest accrued but not due on borrowings	131.29	13.62
(d) Investor Education & Protection fund will be credited by the following amounts (as and when due).		
(i) Unpaid matured deposits and interest accrued thereon	0.88	0.98
(e) Other payables		
(i) Advance against Sales	284.40	35.90
(ii) VRS Payable	84.05	137.39
(iii) Premium payable on Redemption of Debentures	-	61.39
(iv) Other Liabilities (Including statutory dues, security deposit etc.)	389.12	414.02
TOTAL	1,620.07	3,018.58

Continuing default as on the date of Balance Sheet:

- (i) Current maturities of long term debts include instalment of sales tax loan of Rs. 20.10 Lacs which was due on 30.04.2011, which is outstanding as on the date of Balance Sheet.

Note : A-9

Short Term Provisions

(a) Provision for employee benefits		
(i) Gratuity (Funded)	60.00	17.00
(ii) Leave Encashment (unfunded)	74.50	71.80
TOTAL	134.50	88.80

Notes to Accounts

Note A-10 : FIXED ASSETS

Particulars	Tangible						In-tangible				Rupees in Lacs	
	Lease-hold Land **	Free-hold Land	Buildings	Machinery	Plant & Electrical Installation & Fittings	Dies, Jigs & Fixtures	Furniture Fix. & Office Equipments	Vehicles	Technical Know-howAs **	Balance March, 2012	Balance March, 2011	
(1) GROSS BLOCK : OWNED ASSETS												
As At 31st March, 2011	363.86	2,185.75	3,562.22	16,167.20	221.88	5,282.70	387.72	42.77	594.39	28,808.50	27,921.07	
Additions	-	-	-	1,172.14	1.45	192.99	3.87	30.33	-	1,400.78	1,022.74	
Deductions	281.40	105.75	477.89	-	32.18	-	49.92	11.24	-	958.37	135.31	
As At 31st March 2012	82.46	2,080.00	3,084.34	17,339.34	191.14	5,475.70	341.68	61.87	594.39	29,250.92	28,808.50	
DEPRECIATION / AMORTISATION												
Upto 31st March, 2011	30.59	-	2,564.23	10,409.04	160.04	4,828.89	325.17	40.26	594.39	18,952.61	18,023.98	
For The Year 2011-2012	0.91	-	119.37	637.61	3.53	187.10	7.60	1.58	-	957.71	948.93	
Deductions	26.80	-	148.47	-	15.39	-	37.07	10.66	-	238.40	20.29	
Tot Dep/Amort Upto 31st Mar 2012	4.70	-	2,535.12	11,046.65	148.18	5,015.99	295.70	31.18	594.39	19,671.92	18,952.61	
Net Block As At 31st Mar 2012	77.77	2,080.00	549.21	6,292.69	42.96	459.71	45.97	30.69	-	9,579.00	9,855.89	
Net Block As At 31st March 2011	333.28	2,185.75	997.99	5,758.16	61.83	453.82	62.55	2.51	-	9,855.89	9,897.10	
** Amortisation Charges For The Year Are In Respect Of Leasehold Land And Technical Know-how.												
(2) GROSS BLOCK : LEASED ASSETS												
As At 31st March, 2011	-	-	-	4.07	-	-	-	-	-	4.07	4.07	
Additions	-	-	-	-	-	-	-	-	-	-	-	
Deductions	-	-	-	-	-	-	-	-	-	-	-	
As At 31st March 2012	-	-	-	4.07	-	-	-	-	-	4.07	4.07	
DEPRECIATION / AMORTISATION												
Upto 31st March, 2011	-	-	-	4.06	-	-	-	-	-	4.06	4.05	
For The Year 2011-2012	-	-	-	0.00	-	-	-	-	-	0.00	0.00	
Deductions	-	-	-	-	-	-	-	-	-	-	-	
Tot Dep/Amort Upto 31st Mar 2012	-	-	-	4.06	-	-	-	-	-	4.06	4.06	
Net Block As At 31st Mar 2012	-	-	-	0.01	-	-	-	-	-	0.01	0.02	
Net Block As At 31st March 2011	-	-	-	0.02	-	-	-	-	-	0.02	0.02	
Net Block As At 31st Mar 2012	77.77	2,080.00	549.21	6,292.70	42.96	459.71	45.97	30.69	-	9,579.01	9,855.90	
Net Block As At 31st March 2011	333.28	2,185.75	997.99	5,758.17	61.83	453.82	62.55	2.51	-	9,855.90	9,897.11	

NOTE:

1 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
2021.38
b) Building
2168.72

2 Additions include Exchange Rate Difference of Rs. 811.94 Lacs (Rs. 112.83 Lacs Credit for Gain)

Notes to Accounts

Note :A-11

Non Current Investments

Particulars	Trade Investments		Other Investments		Total		Rupees in Lacs	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Long term investments								
(a) Investment in Equity instruments	3,334.34	3,396.65	15.13	15.13	3,349.46	3,411.78	3,311.87	3,376.19
(b) Investments in preference shares	4,281.02	3,251.02	0.00	0.00	4,281.02	3,251.02	4,318.83	3,286.83
(c) Investments in Government or Trust Securities	0.00	0.00	0.22	0.22	0.22	0.22	1,072.26	2,233.21
Total	7,615.36	6,647.68	15.35	15.35	7,630.71	6,663.03		

A. Details of Trade Investments

Sr. No.	Name of the Body Corporate	Subsidiary /Associate / JV/ Controlled Entity/ Others	Face Value	No. of Shares / Units	Quoted / Unquoted		Partly Paid / Fully paid	Amount (Gross)			Provision for diminution in value of Investments			Amount (Net)				
					2012	2011		2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	
(a)	Investment in Equity Instruments - at cost																	
1	Kinetic Motor Company Limited	Associate	10.00	10,167,975	Quoted	8,781,989	Fully Paid	3,310.53	3,374.85	3,310.53	3,374.85	1,959.49	1,959.49	1,959.49	1,959.49	3,310.53	3,374.85	
2	Athena Financial Services Limited	Associate	10.00	5,519,513	Quoted	5,519,513	Fully Paid	1,959.49	1,959.49	1,959.49	1,959.49	0.26	0.26	0.26	0.26	0.00	0.00	
3	Tata Motors Limited	Other	10.00	80	Quoted	80	Fully Paid	0.26	0.26	0.26	0.26	1.60	1.60	1.60	1.60	1.60	1.60	
4	Kinetic Communications Limited	Associate	10.00	16,000	Unquoted	16,000	Fully Paid	1.60	1.60	1.60	1.60	3.60	3.60	3.60	3.60	3.60	3.60	
5	Kinetic Escalator and Elevator Limited	Associate	10.00	36,000	Unquoted	36,000	Fully Paid	3.60	3.60	3.60	3.60	16.34	16.34	16.34	16.34	16.34	16.34	
6	Kinetic Marketing & Services Limited	Associate	10.00	163,400	Unquoted	163,400	Fully Paid	16.34	16.34	16.34	16.34	2.00	2.00	2.00	2.00	2.00	2.00	
7	Kinetic Motor Automotives Private Limited	Associate	10.00	20,000	Unquoted	-	Fully Paid	2.00	0.00	0.00	0.00	5,293.83	5,356.14	1,959.49	1,959.49	3,334.34	3,396.65	
Total								5,293.83	5,356.14	1,959.49	1,959.49	3,334.34	3,396.65	3,334.34	3,396.65	3,334.34	3,396.65	
(b)	Investments in Preference Shares - at cost																	
1	Kinetic Motor Company Limited	Associate																
(i)	Convertible Cumulative Preference Shares		65.00	530000	Unquoted	530000	Fully Paid	344.50	344.50	344.50	344.50	965.47	965.47	965.47	965.47	965.47	965.47	
(ii)	Optionally Convertible Cumulative Preference Shares		65.00	1485346	Unquoted	1485346	Fully Paid	965.47	965.47	965.47	965.47	1,441.05	1,441.05	1,441.05	1,441.05	1,441.05	1,441.05	
(iii)	Redeemable Cumulative Preference Shares		65.00	2217000	Unquoted	2217000	Fully Paid	1,441.05	1,441.05	1,441.05	1,441.05	500.00	500.00	500.00	500.00	500.00	500.00	
(iv)	Redeemable Cumulative Preference Shares		100.00	500000	Unquoted	500000	Fully Paid	500.00	500.00	500.00	500.00	1,030.00	1,030.00	1,030.00	1,030.00	1,030.00	1,030.00	
(v)	New Redeemable Preference Shares		10.00	10300000	Unquoted	-	Fully Paid	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	
2	Athena Financial Services Limited	Associate	10.00	13650	Unquoted	13650	Fully Paid	1.37	1.37	1.37	1.37	4,282.39	3,252.39	1,960.85	1,960.85	4,281.02	3,251.02	
Total								4,282.39	3,252.39	1,960.85	1,960.85	7,615.36	7,615.36	7,615.36	7,615.36	7,615.36	7,615.36	

B. Details of Other Investments

Sr. No.	Name of the Body Corporate	Subsidiary /Associate / JV/ Controlled Entity/ Others	Face Value	No. of Shares / Units		Quoted / Unquoted	Partly Paid / Fully paid	Amount (Gross)		Provision for diminution in value of Investments		Rupees in Lacs	
				2012 (4)	2011 (5)			2012 (8)	2011 (9)	2012 (10)	2011 (11)	2012 (12)	2011 (13)
(1)	(2)	(3)				(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
(a)	Investment in Equity Instruments - at cost												
1	Ashok Laylend Limited	Others	1.00	500	500	Quoted	Fully Paid	0.11	0.11			0.11	0.11
2	Daewoo Motors (India) Limited (Formerly DCM Toyota Ltd.)	Others	10.00	50	50	Quoted	Fully Paid	0.01	0.01			0.01	0.01
3	Eicher Limited	Others	10.00	39	39	Quoted	Fully Paid	0.03	0.03			0.03	0.03
4	Eicher Motors Limited	Others	10.00	26	26	Quoted	Fully Paid	0.02	0.02			0.02	0.02
5	Escorts Limited	Others	10.00	50	50	Quoted	Fully Paid	0.05	0.05			0.05	0.05
6	Hero Honda Motors Limited	Others	2.00	630	630	Quoted	Fully Paid	0.19	0.19			0.19	0.19
7	Hindustan Motors Limited	Others	10.00	100	100	Quoted	Fully Paid	0.05	0.05			0.05	0.05
8	LML Limited	Others	10.00	50	50	Quoted	Fully Paid	0.03	0.03			0.03	0.03
9	Majestic Auto Limited	Others	10.00	95	95	Quoted	Fully Paid	0.27	0.27			0.27	0.27
10	Hero Motocorp Limited	Others		1	1	Quoted	Fully Paid	0.03	0.03			0.03	0.03
11	(Formerly Hero Motors Limited) Mahindra & Mahindra Limited	Others	5.00	332	332	Quoted	Fully Paid	0.15	0.15			0.15	0.15
12	SML ISUZU Limited	Others											
13	(Formerly Swaraj Mazda Ltd.) The Premier Automobiles Limited	Others	10.00	50	50	Quoted	Fully Paid	0.01	0.01			0.01	0.01
14	TVS Motor Co. Limited	Others	1.00	1,000	500	Quoted	Fully Paid	0.08	0.08			0.08	0.08
15	Saraswat Co-operative Bank Limited	Others	10.00	2,500	2,500	Unquoted	Fully Paid	0.25	0.25			0.25	0.25
16	Ajinkya Auto Fab Private Limited	Associate		13,800	13,800	Unquoted	Fully Paid	13.80	13.80			13.80	13.80
	Total							15.13	15.13	0.00	0.00	15.13	15.13
(b)	Investments in Government or Trust Securities												
1	7 Years National Savings Certificates	Others	N.A.	N.A.	N.A.	Unquoted	N.A.	0.22	0.22			0.22	0.22
	Total							0.22	0.22	0.00	0.00	0.22	0.22
	Total (B)							15.35	15.35	0.00	0.00	15.35	15.35

Note : A-11 Current Investments

(a)	Investment in Mutual Funds - Valued at NAV												
1	HDFC Cash Management Fund	Others		8,934,284	8,934,284	Quoted	Fully Paid	2.10	1.92			2.10	1.92
	Total (C)							2.10	1.92	0.00	0.00	2.10	1.92

KINETIC ENGINEERING LIMITED

Notes to Accounts

Rupees in Lacs

Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A-12		
Long Term Loans and Advances		
(a) Capital Advances		
Unsecured, considered good	98.17	138.17
Doubtful	-	-
	98.17	138.17
Less: Provision for doubtful advances	-	-
	98.17	138.17
(b) Security Deposits		
Unsecured, considered good	247.21	241.31
Doubtful	-	-
	247.21	241.31
Less: Provision for doubtful deposits	-	-
	247.21	241.31
(c) Other Loans and advances		
(i) Advances		
Unsecured, considered good	153.33	142.83
Doubtful	49.16	49.16
	202.49	191.99
Less : Provision for doubtful advances	49.16	49.16
	153.33	142.83
(ii) Bills Receivable	206.65	206.65
(iii) Advance Income tax net of provision	237.89	320.55
	943.25	1,049.51
Total		

Note : A-13

Other Non Current Assets

(a) Long term trade receivables		
Unsecured, considered good	-	-
Doubtful	-	294.54
	-	294.54
Less : Provision for doubtful advances	-	294.54
	-	-
TOTAL	-	-

Notes to Accounts

Rupees in Lacs

Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A -14		
Inventories		
(a) Raw Materials	743.23	660.18
(b) Work-in-progress	549.46	533.11
(c) Finished goods	5.48	5.48
(d) Stores and spares	680.53	618.25
TOTAL	1,978.70	1,817.02

Note : A-15**Trade receivables**

(i) Trade receivables outstanding for a period less than six months from due date		
Unsecured, considered good	2,615.67	2,368.26
Unsecured, considered doubtful	-	-
	2,615.67	2,368.26
Less Provision for doubtful debts	-	-
	2,615.67	2,368.26
(ii) Trade receivables outstanding for a period exceeding six months from due date		
Unsecured, considered good	427.30	300.24
Unsecured, considered doubtful	-	-
	427.30	300.24
Less : Provision for doubtful debts	-	-
	427.30	300.24
TOTAL	3,042.97	2,668.50

Note : A-16**Cash & Bank Balances**

(a) Cash & Cash Equivalents		
(i) Cash on hand	0.60	0.35
(ii) Balances with banks	21.09	26.31
(b) Other bank balances		
(i) Fixed deposits (more than 3 months but less than 12 months) (Ermarked with banks)	153.49	418.38
TOTAL	175.18	445.05

KINETIC ENGINEERING LIMITED

Notes to Accounts

Rupees in Lacs

Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A-17		
Short term loans and advances		
(a) Others (specify nature)		
(i) Deposits with Govt. authorities		
Unsecured, considered good	9.55	10.36
Doubtful	-	-
	9.55	10.36
Less : Provision for doubtful advances	-	-
	9.55	10.36
(ii) Advances to suppliers and others		
Unsecured, considered good	742.57	1,143.44
Doubtful	-	-
	742.57	1,143.44
Less : Provision for doubtful advances	-	-
	742.57	1,143.44
TOTAL	752.12	1,153.80

Note : A-18

Other current assets

(i) Interest Accrued on Investments & Deposits	4.21	17.03
TOTAL	4.21	17.03

Note : A-19

Revenue from Operations

Sale of Products	8,303.05	9,368.06
Less : Excise duty	635.80	708.42
	7,667.24	8,659.64
Machining and Processing Receipts	639.59	433.01
TOTAL	8,306.83	9,092.65

Notes to Accounts

Rupees in Lacs

Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A-20		
Other Income		
(a) Interest Income		
(i) On Fixed Deposits	15.55	37.90
(ii) From Others	16.59	10.23
(b) Dividend Income from long term investments		
(i) From Others	1.10	0.76
(c) Income from Units	0.18	1.59
(d) Miscellaneous Receipts	175.09	52.84
(e) Sundry Credit Balances Written Back	80.97	441.47
(f) Excess Provision Written Back	57.86	50.36
TOTAL	347.35	595.15

Note : A-21**Material Consumed**

Raw Material Consumed	4,047.81	4,707.65
Stores and Spares Consumed	649.66	643.65
Fabrication & Processing Charges	531.96	553.93
Freight, Octroi & Forwarding Charges	160.15	189.74
	5,389.58	6,094.98

Changes in inventories of finished goods work-in-progress and Stock-in-Trade**Opening Stock**

Finished Goods	5.48	8.60
Work-In- Progress	533.11	442.63
	538.59	451.22

Closing Stock

Finished Goods	5.48	5.48
Work-In- Progress	549.46	533.11
	554.94	538.59
	(16.35)	(87.36)

Note : A-22**Employee Benefits Expenses**

Salaries, Wages and Bonus	1,566.61	1,422.73
Contribution to Provident Fund and Other Funds	122.67	114.77
Gratuity	95.80	90.26
Staff & Labour Welfare Expenses	67.68	76.77
TOTAL	1,852.76	1,704.52

KINETIC ENGINEERING LIMITED

Notes to Accounts

Rupees in Lacs

Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A-23		
Finance Cost		
Interest Expense	743.47	553.61
Other Borrowing Costs	35.63	48.93
TOTAL	779.10	602.54

Note : A-24

Other Expenses

Excise Duty Paid (Net)	20.70	23.71
Power & Fuel	865.20	713.59
Repairs and Maintenance:		
Buildings	25.03	26.40
Machinery	84.92	61.31
Others	25.30	30.92
Service Charges & Warranty Claims	26.37	88.51
Insurance	26.06	27.98
Rent	64.79	48.72
Rates and taxes	50.13	19.07
Publicity & Sales Promotion	0.86	6.79
Directors Fees & Travelling Expenses	0.60	0.61
Travelling Expenses	74.43	68.21
Packing and Forwarding Charges	159.10	159.22
Legal, Professional & Consultancy Fee	217.57	238.20
Bad Debts / Advances Written Off	357.17	18.82
Excess Provision Written Back - Doubtful Debts	(294.54)	(83.32)
Miscellaneous Expenses	186.72	152.03
Outward Freight Charges	108.11	88.21
Loss on Sale / Disposal of Investment (Net)	28.88	348.65
TOTAL	2,027.39	2,037.63

Note : A-25

Exceptional Items

Profit / (Loss) on sale of Assets (Net)	1,539.05	291.62
Exchange Fluctuation Gain / (Loss) (Net)	(98.58)	23.11
TOTAL	1,440.47	314.73

NOTES FORMING PART OF THE ACCOUNTS FOR THE PERIOD ENDED 31ST MARCH 2012

Figures in Parentheses relate to the Previous Period :

1. ACCOUNTING POLICIES

A) BASIS OF PREPARATION OF FINANCIAL STATEMENTS :

- a) The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India. The financial statements have been prepared to comply in all material respects with The Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.
- b) The financial statements have been prepared under the historical cost convention on an accrual basis.
- c) The accounting policies applied by the Company are consistent with those used in the previous year.

B) 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.

C) 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.

D) 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.

E) 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.

KINETIC ENGINEERING LIMITED

F) 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.

G) 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 Tangible / Intangible Asset or Capital Expenditure which is grouped with Fixed Assets under appropriate heads and depreciation is provided as per Accounting Policy 1(C)

H) 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. Gains/Losses on long term foreign currency monetary items not related to acquisition of depreciable assets are spread over life of such long term monetary item.

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. Premium payable on forward contracts is recognised as income or expense over the life of the Contract.

I) 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.111.12 Lacs** (Rs. 150.34 Lacs) for the year has been withdrawn from General Reserve and credited to Profit and Loss Account in terms of the said Scheme of Arrangement.

3. CONTINGENT LIABILITIES :

Contingent Liabilities in respect of	Rs. in Lacs	Rs. in Lacs
a. Income Tax matter under appeal, approx (See Note Below)	65.97	(105.92)
b. Sales Tax matter under appeal	331.28	(465.23)
c. Excise Duty in dispute	421.24	(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	276.70	(223.22)
g. Service Tax in dispute	0.00	(65.02)
h. Labour Cases	2.00	(13.06)
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)

Commitments :

On Capital Account	487.16	513.91
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Note : Income Tax matter under appeal, **Rs. 65.97 Lacs** (Rs. 105.92 Lacs) is excluding **Rs. 158.49 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 and **Rs. 1641.77 Lacs** (Rs. NIL) on account of demands raised by the Assessing Officer against which the company has preferred an appeal and in addition the company has filed application for rectification and setting aside the demands in view of the carried forward losses.

4 (a) TURNOVER AND STOCKS

Rs. in Lacs

Class of Finished Goods	Turnover	Stock	
		Opening	Closing
Two Wheelers	-	3.20	3.20
	-	(3.20)	(3.20)
Steering Arm/ Slip Yoke	921.43	0.00	0.00
	(994.66)	(0.54)	0.00
Gear Box/ Shaft drive	4,140.11	-	-
	(3,560.99)	-	-
I C Engines	92.49	-	-
	(292.41)	-	-
Variator, Front Fork & Front Shockabsorber	1,962.11	-	-
	(2,494.78)	-	-
Auto Components & Others	1,186.90	2.28	2.28
	(2,025.22)	(4.86)	(2.28)
Grand Total	8,303.04	5.48	5.48
	(9,368.06)	(8.60)	(5.48)

(b) DETAILS OF WORK IN PROGRESS UNDER BROAD HEADS

Rs. In Lacs

Particulars	WIP Stock	
	31.03.2012	31.03.2011
Two Wheelers	-	-
Steering Arm/ Slip Yoke	83.24	56.29
Gear Box/ Shaft drive	277.64	246.68
I C Engines	36.76	97.10
Variator, Front Fork & Front Shockabsorber	28.24	18.83
Auto Components & Others	123.58	114.20
Grand Total	549.46	533.11

5. 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.

6. 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	1.41	(2.98)
For Expenses	0.22	(0.34)

KINETIC ENGINEERING LIMITED

7. CONSUMPTION OF RAW MATERIALS AND COMPONENTS :

Description	Value (Rs. in Lacs)	
(A) Raw Materials :		
Steel Sheets	21.68	(24.07)
Steel Tubes	1.67	(18.55)
Steel Tubes	141.37	(132.66)
Steel Bars	295.21	(261.89)
Forgings	1,479.15	(1,278.11)
Castings	35.39	(333.72)
Non-ferrous metals	-	(2.72)
(B) Components & Others	2073.34	(2,655.93)
	4047.81	(4,707.65)

8. IMPORTED & INDIGENOUS RAW MATERIALS CONSUMPTION

(INCLUDING COMPONENTS)

Description	Rs. in Lacs	%	Rs. in Lacs	%
Imported	303.16	7.49	(559.08)	11.88
Indigenous	3744.65	92.51	(4148.57)	88.12
	4047.81	100.00	(4707.65)	100.00

9. CIF VALUE OF IMPORTS

	Rs. in Lacs	Rs. in Lacs
Components and Others	276.14	(584.66)
Capital Goods	175.07	(347.72)

10. EXPENDITURE IN FOREIGN CURRENCY

	Rs. in Lacs	Rs. in Lacs
I) Travelling and Other Expenses	12.13	(6.84)
II) Interest & Bank Charges	198.68	(188.56)
III) Others	90.19	(58.56)

11. EARNING IN FOREIGN CURRENCY

	Rs. in Lacs	Rs. in Lacs
I) Export of Goods (FOB)	1621.95	(1582.79)
II) Other Charges	52.47	(74.65)

12. 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.

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

A) Revenue	Rs. in Lacs	Rs. in Lacs
I) Material and Other Expenses	5.78	(0.43)
II) Salary, Wages & Bonus & consultancy	105.43	(97.08)
III) Contribution to Provident Fund and Other Funds	4.39	(4.03)
IV) Depreciation	8.12	(8.85)
B) Capital	0.00	(0.91)

14. Earning Per Share :

- a) 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.276.24 Lacs** (Rs. 220.07 Lacs)
- b) The weighted average number of equity shares used as the denominator in calculating basic and diluted earnings per share is **103,71,968** (103,71,968).

15. 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. 1379.36 Lacs** (Rs. 599.60 Lacs) has been carried in the Fixed Assets and Capital work in progress as on 31.03.2012 .Had this option not been exercised by the company Loss for the year would have been higher by **Rs. 850.77 Lacs** (Loss would have been lowered by Rs. 97.72 Lacs).

16. Pursuant to the notification dated December 29,2011 issued by the Ministry of Corporate Affairs amending the Accounting Standard 11, the Company has exercised the option as per 46A inserted in the Standard for long term monetary liabilities. Consequently, on long term Monetary Liability, exchange difference loss of Rs. 187.69 Lacs (Rs. NIL) is carried forward in the Foreign Exchange Monetary Items Translation Difference Account as on March 31,2012 and will be amortized over the balance period of the monetary liability. As a result of above change, the loss for the year is under stated by Rs. 187.69 Lacs (Rs. NIL).

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

Loans :

FCCB in USD	\$	18,000,000	(18,000,000)
Buyer's credit in USD	\$	292,675	NIL

Payables :

Trade Payables in USD	\$	NIL	(552,538)
Trade Payables in EURO	€	NIL	(1,820)

Receivables :

Sundry Debtors in USD	\$	1,937,950	(2,007,452)
Sundry Debtors in EURO	€	199,863	(197,919)

18. 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.

19. 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.

KINETIC ENGINEERING LIMITED

20. 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	49.62	43.84
Employer's contribution to Employees Pension Scheme	51.39	54.36
Superannuation Contribution	12.40	10.29

Defined benefit plan as per the actuarial valuation as on 31st March,2012 is as follows :

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 :	31.03.2012	31.03.2011
Obligation as at 01.04.2011	486.32	432.63
Acquisition adjustment	----	----
Interest Cost	38.57	33.96
Past Service Cost	----	----
Current Service Cost	24.19	21.99
Curtailment Cost / (Credit)	----	----
Settlement Cost / (Credit)	----	----
Benefits paid	31.89	36.99
Actuarial (gain)/ loss on obligations	30.62	34.73
Present Value of Obligation as at the end of the year 31.3.2012	547.81	486.32
(II) Changes in Fair Value of Plan Assets :	31.03.2012	31.03.2011
Fair Value of Plan Assets at 01.04.2011	34.08	67.92
Acquisition Adjustments	----	----
Expected Return on Plan Assets	2.40	4.45
Contributions	17.00	0.02
Benefits Paid	31.89	(36.99)
Actuarial Gain /(loss) on Plan Assets	(1.58)	(1.31)
Plan Assets at 31.3.2012	20.00	34.08
(III) Actuarial Gain / Loss recognised	31.03.2012	31.03.2011
Actuarial (loss)/gain for the year – Obligation	(30.62)	(34.73)
Actuarial (loss)/gain for the year - Plan Assets	(1.58)	(1.31)
Total (loss) / gain for the year	(32.20)	(36.04)
Actuarial (loss) / gain recognized in the year	(32.20)	(36.04)
Unrecognized actuarial (gains) / losses at the end of year	0.00	0.00

(IV) The amounts to be recognised in Balance Sheet and statements of	31.03.2012	31.03.2011
Present Value of Obligation as at the end of the year 31.03.2012	547.81	486.32
Fair Value of Plan Assets as at the end of the year as on 31.03.2012	20.00	34.08
Funded Status	(527.80)	(452.24)
Unrecognized Actuarial (gains) / losses	0.00	0.00
Net Liability to be Recognized in Balance Sheet	527.80	452.24
(V) Expenses recognized in the statement of Profit and Loss	31.03.2012	31.03.2011
Current Service Cost	24.19	21.99
Past Service Cost	----	----
Interest Cost	38.57	33.96
Expected Return on Plan Assets	(2.40)	(4.45)
Curtailement Cost / (Credit)	----	----
Settlement Cost / (Credit)	----	----
Net actuarial loss/(gain) recognized in the year	32.20	36.04
Expenses to be recognized in the statement of Profit & Loss at the end of period 31.03.2012	92.57	87.54
(VI) Leave Encashment		
Provision for leave encashment is made as per actuarial valuation at Rs. 74.50 Lacs (Rs. 71.80 Lacs)		
	As of	As of
(VII) Assumptions:	31.03.2012	31.03.2011
Discount Rate	8.50%	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)	9.18	8.77

21. 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., Microage Instruments Pvt. Ltd., Ajinkya Auto Fab Ltd., Kinetic Hundai Elevator & Movement Technologies Ltd., Chrysalis Castings Pvt. Ltd., Chrysalis Financial Services Pvt. Ltd., Kinetic Hankuk Electrical & Electronics Pvt. Ltd., (Formerly Ravindra Software Pvt. Ltd.), JHS Taigene Electrical Co. Pvt. Ltd., Ducati Energia Pvt. Ltd., Kinetic Motor Automotive Pvt. Ltd.

Relationship : Associate Companies

Nature of Transaction		Volume of Transactions (Rs. in Lacs)
Purchases of Goods	25.28	(51.62)
Sales of Goods	0.05	(67.77)
Royalty Received	0.00	(0.98)
Interest Payments/ (-)Receipts (Net)	0.70	0.00
Rendering of Other services (Income)	28.19	(12.52)
Rendering of Other services (Expense)	92.82	(80.31)
Other Receipts	1.66	0.00
Rent Received	39.47	(41.11)
Rent Paid	55.53	(39.47)
Purchases of Assets	74.64	(51.83)
Sale of Assets	1685.85	0.00
ICD Received	974.91	(143.00)
ICD Repaid	731.80	(93.00)
Investment in Preference Shares	1030.00	(539.60)
Investment in Equity Shares	2.00	0.00
Sale of Shares held as Investment	0.00	(539.60)
Amounts Written back during the period in respect of loan from the related party	0.00	(120.64)
Amounts written off	8.00	0.00
Outstanding Balances as on 31.03.2012	Net Dr	(340.63)
Outstanding ICD/Loan Including Interest	Cr	1782.69
		(440.43)
		(1539.58)

KINETIC ENGINEERING LIMITED

B) Name of Related Parties	Mr. A.H. Firodia, Mr. Ajinkya Firodia, Mrs. S.F. Motwani	
Relationship	Key Management Personnel	
Nature of Transaction	Volume of Transactions (Rs. in Lacs)	
Services rendered	Remuneration as shown below:	
Salary	51.39	(46.25)
Contribution to Provident Fund, Superannuation Scheme	11.34	(9.72)
Perquisites	3.65	(3.75)
	66.38	(59.72)
Repayment of unsecured loan from director	0.78	(3.42)
Sale of Assets to Director	583.00	-
Outstanding Balance as on 31.03.2012 Cr	321.40	(322.18)

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	0.00	(0.40)
Outstanding Balance as on 31.03.2011 Cr	0.44	(0.05)

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

- a Purchases from Ducati Energia India Private Limited Rs. NIL (Previous Year Rs. 41.50 Lacs), JHS Taigene Electrical Company Private Limited Rs. 1.08 Lacs (Previous Year Rs. 10.96 Lacs) and Jaya Hind Sciaky Limited (Formerly Kaygee Auto Product Pvt. Ltd) Rs. 24.20 Lacs (Previous Year Rs. 0.12 Lac).
- b Sales include to Ducati Energia India Private Limited Rs. NIL (Previous Year Rs. 45.16 Lacs) and Ajinkya Auto Fab Limited Rs. 0.05 Lac (Previous Year Rs. 21.54 Lacs).
- c Royalty received from Jaya Hind Sciaky Limited (Formerly Kaygee Auto Product Pvt. Ltd) Rs. NIL (Previous Year Rs. 0.98 Lac).
- d Income from Rendering of services include to Jaya Hind Sciaky Limited (Formerly Kaygee Auto Product Pvt. Ltd) Rs. 25.27 Lacs (Previous Year Rs. 12.50 Lacs) and Kinetic Hundai Elevator & Movement Technologies Private Limited Rs. 2.91 Lacs (Previous Year Rs. NIL).
- e Expenses for receiving of other services paid to Kinetic Communication Limited Rs. 77.76 Lacs (Previous Year Rs. 77.76 Lacs) and Microage Instruments Private Limited Rs. 11.59 Lacs (Previous Year Rs. NIL).
- f Other receipts received from Jaya Hind Sciaky Limited (Formerly Kaygee Auto Product Pvt. Ltd.) Rs. 1.66 Lacs (Previous Year Rs. NIL).
- g Rent Received from JHS Taigene Electrical Company Private Limited Rs. 27.47 Lacs (Previous Year Rs. 27.47 Lacs) and Chrysalis Casting Private Limited Rs. 12.00 Lacs (Previous Year Rs. 12.00 Lacs).
- h Rent paid to Microage Instruments Private Limited Rs. 54.89 Lacs (Previous Year Rs. 39.47 Lacs).
- i Purchase of assets include Jaya Hind Sciaky Limited (Formerly Kaygee Auto Product Pvt. Ltd.) Rs. 74.64 Lacs (Previous Year Rs. 51.83 Lacs).
- j Sale of assets include Microage Instruments Private Limited Rs. 1685.85 Lacs (Previous Year Rs. NIL).
- k ICD received include Jaya Hind Sciaky Limited (Formerly Kaygee Auto Product Pvt. Ltd.) Rs. NIL (Previous Year Rs. 50.00 Lacs), Ajinkya Holdings Private Limited Rs. 939.00 Lacs (Previous Year Rs. 83.00 Lacs) and Microage Instruments Private Limited Rs. 35.91 Lacs (Previous Year Rs. 10.00 Lacs).
- l ICD repaid include Microage Instruments Private Limited Rs. 615.32 Lacs (Previous Year Rs. 10.00 Lacs) and Ajinkya Holdings Private Limited Rs. 116.48 Lacs (Previous Year Rs. 83.00 Lacs).

- m Investment in Preference Shares include Microage Instruments Private Limited Rs. NIL (Previous Year Rs. 539.60 Lacs) and Kinetic Motor Company Limited Rs. 1030.00 Lacs (Previous Year Rs. NIL).
- n Investment in Equity Shares include Kinetic Motor Automotive Private Limited Rs. 2.00 Lacs (Previous Year Rs. NIL).
- o Sale of Shares held as Investment include Microage Instruments Private Limited Rs. NIL (Previous Year Rs. 539.60 Lacs).
- p Amounts Written back during the period in respect of loan from the related party include to Microage Instruments Private Limited Rs. NIL (Previous Year Rs. 119.81 Lacs).
- q Amounts writte off include JHS Taigene Electrical Company Private Limited Rs. 8.00 Lacs (Previous Year Rs. NIL).
- r Remuneration to key managerial personnel include to Mr. A.H. Firodia Rs. 25.79 Lacs (Previous Year Rs. 25.96 Lacs), Mr. Ajinkya Firodia Rs. 29.51 Lacs (Previous Year Rs. 33.76 Lacs) and Mrs. S.F. Motwani Rs. 11.09 Lacs (Previous Year Rs. NIL).
- s Fees for professional services paid to Mr. S. C. Shah Rs. NIL (Previous Year Rs. 0.40 Lac).
- t Interest payment includes Microage Instruments Private Limited Rs. 0.70 Lac (Previous Year Rs. NIL).

22. Previous year's figures have been regrouped wherever necessary.

As per our report of even date attached
For **M/s P.G. Bhagwat**
Chartered Accountants

Sandeep Rao
Partner
Pune
30th May, 2012

Pranvesh Tripathi
Company Secretary

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

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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 41st ANNUAL GENERAL MEETING of the Company at D1 Block, Plot No. 18/2, MIDC, Chinchwad, Pune – 411 019, on Wednesday, 26th September, 2012 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 41st Annual General Meeting of the Company, to be held at D1 Block, Plot No. 18/2, MIDC, Chinchwad, Pune – 411 019, on Wednesday, 26th September, 2012 , or at any adjournment thereof.

No. of Shares

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

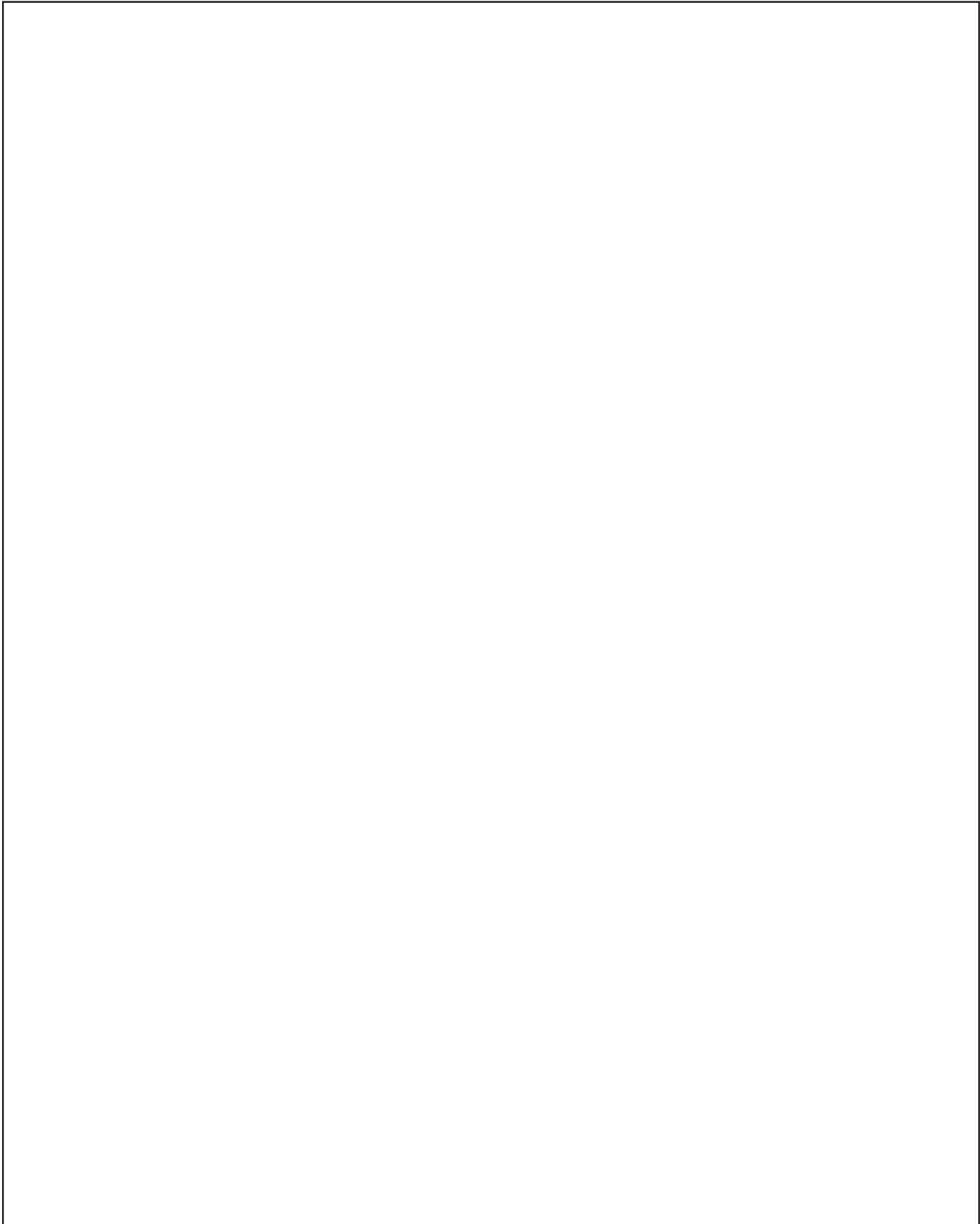
* Applicable for members holding shares in electronic form

Signed this day of, 2012 Signature of the Member

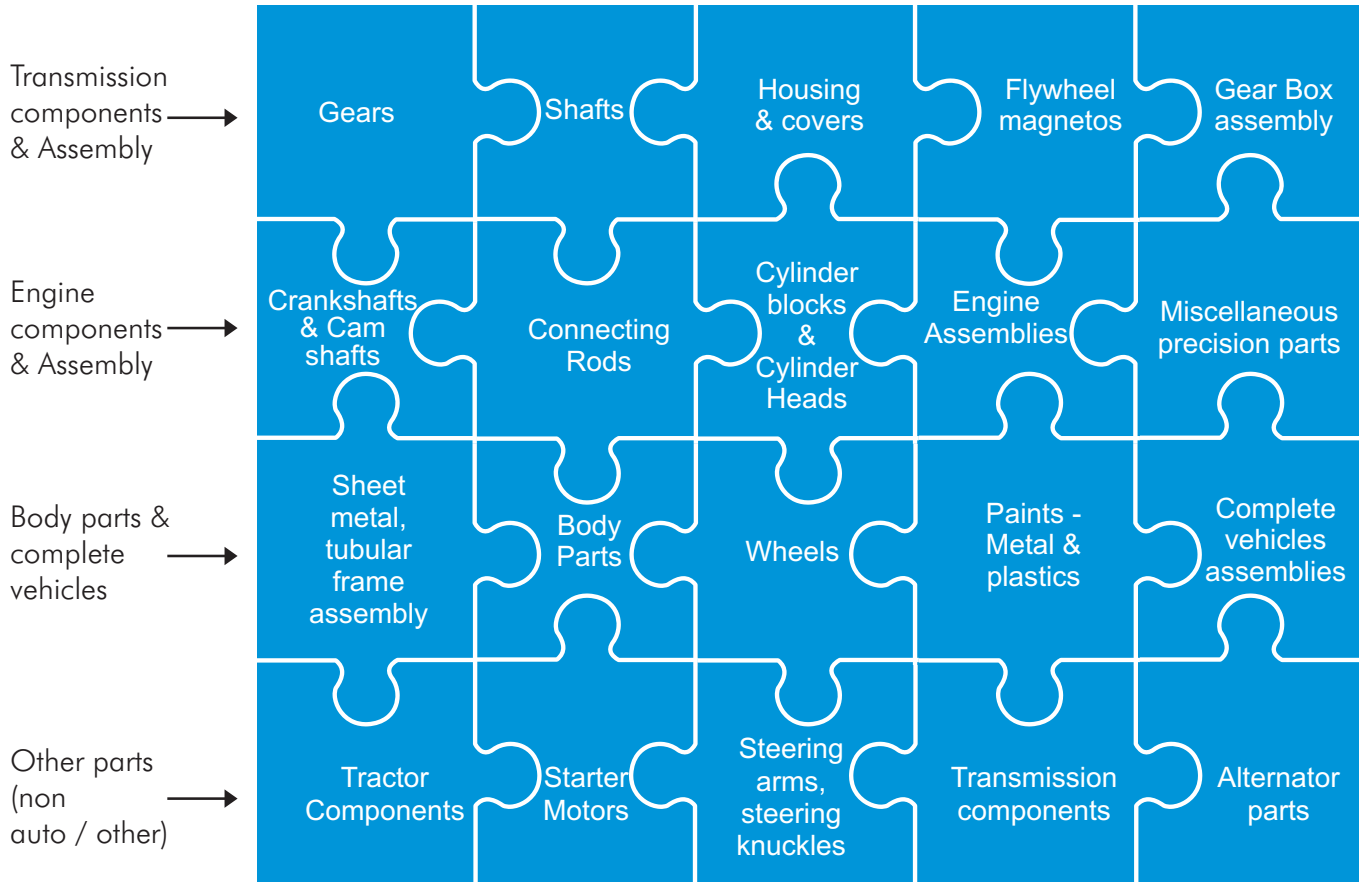
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NOTES:

- (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.



Diverse Capabilities for Automotive Parts



Our Valued Customers





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

Quality Policy

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

This policy shall be deployed through :-

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

KINETIC ENGINEERING LIMITED

D1 Block, Plot No. 18/2, M.I.D.C., Chinchwad, Pune - 411019

Ph: +91 20 66142078 ; Fax: 20 66142088

www.kineticindia.com