



25th
ANNUAL REPORT
2009-2010

KINETIC MOTOR COMPANY LTD.

Board of Directors :

MR. A. H. FIRODIA

Chairman

Mrs. SULAJJA FIRODIA MOTWANI

Managing Director

Mr. DINESH MUNOT

Mr. M. VENKATAIAH

Mr. S. R. KOTECHEA

Mr. R. J. KABRA

Mr. LIU WU - HSIUNG

Auditors :

M/s. Lakhani & Co.

Chartered Accountants, Mumbai

Registered Office :

429-A, Jain Shripal Bhavan, Clerk Colony,

Pardeshipura, Indore, M.P. PIN - 452011

Corporate Office :

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

NOTICE

Notice is hereby given that the 25th Annual General Meeting of the Members of Kinetic Motor Company Limited will be held on Monday, 28th March, 2011 at 11:30 a.m. at Hotel Surya, Surya Circle (near Dhakkanwala Kuan), 5/5 Nath Mandir Road, South Tukoganj, Indore, PIN - 452001, M.P., to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 30th September, 2010 and the Balance Sheet as at that date, together with the Report of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Dinesh Munot, who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Mr. M. Venkataiah, who retires by rotation and is eligible for reappointment.
4. To appoint Auditors and fix their remuneration.
2. A statement setting out the information in respect of the Directors seeking appointment / re-appointment at the Annual General Meeting (Item Nos. 2 & 3 of the Notice), as per Clause 49 of the Listing Agreement, is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will be closed from Thursday, 24th March, 2011 to Monday, 28th March, 2011 (both days inclusive), in accordance with the requirements of Clause 16 of the Listing Agreement.
4. Pursuant to the provisions of Sections 205A and 205C of the Companies Act, 1956, inter-alia, all unclaimed / unpaid dividend, remaining unpaid or unclaimed for a period of 7 years from the date those are transferred to the special account in terms of the provisions of the said Sections, have been transferred to the Investors' Education and Protection Fund (IEPF) established by the Central Government.
5. Members desirous of obtaining any information concerning the accounts or operations of the Company are requested to address their queries to Secretarial Department, so as to reach the Company at least 10 days before the date of the meeting.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE SAID MEETING IS ENTITLED TO APPOINT A PROXY, TO ATTEND AND VOTE INSTEAD OF HIMSELF, AND THE PROXY NEED NOT BE A MEMBER. The Proxy as per the format included in the Annual Report should be returned to the Registered Office of the Company not less than FORTY-EIGHT HOURS before the time for holding the Meeting. Proxies submitted on behalf of limited companies, societies, partnership firms, etc. must be supported by appropriate resolution / authority, as applicable, issued by the member organization.

By Order of the Board of Directors

Sulajja Firodia Motwani
Managing Director

Pune : February 12, 2011

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

KINETIC MOTOR COMPANY LTD.

ANNEXURE

Item Sr. Nos. 2 & 3

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

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

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

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

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

By Order of the Board of Directors

Sulajja Firodia Motwani
Managing Director

Pune : February 12, 2011

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

DIRECTORS' REPORT

To
The Members,

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

FINANCIAL RESULTS

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

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

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

MANAGEMENT DISCUSSION & ANALYSIS REPORT**Business Restructuring**

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

Financial Restructuring

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

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

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

Research & Development And Technology Absorption

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

Industry Overview

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

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

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

Opportunities, threats, risks and concerns

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

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

Outlook

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

Financial performance vis-à-vis Operational performance:

Sales and Other Income

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

Margin

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

Interest Cost

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

Inventory

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

Debtors

Debtors for the period under review were Rs. 1.34 Crores as against Rs. 6.08 crores in the previous period

Internal Control System

Your Company has adequate internal control system commensurate with its size and nature of business for ensuring efficiency of operations and protection of company's assets. With a view to ensure better internal control systems, the company's Audit Committee periodically reviews compliance with Company's policies, procedures and laws.

Human Resource Development

During the period under review, most of the employees were transferred to Mahindra Two Wheelers Limited. Throughout the period under review, the relationship with the remaining employees has been cordial.

Cautionary Statement

This 'Management & Discussion Analysis Report' contains 'forward looking statements, based on Company's projections, estimates and perceptions about socio-economic conditions, government policies etc. The Company does not guarantee their accuracy, and cautions that

circumstance beyond control of the Management may affect the actual working.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on foreign exchange earnings and outgo is contained in Schedule 13, Notes to the Accounts (Point Nos.8, 9 and 10)

CONSERVATION OF ENERGY

The present level of energy consumption of the Company is very insignificant.

DIRECTORS' RESPONSIBILITY STATEMENT

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

1. In preparation of the accounts for the period under review, your company has followed the applicable accounting standards.
2. Appropriate accounting policies have been selected and applied consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 30th September, 2010 and of the loss of the Company for the period ended on that date.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. The Annual Accounts for the period under review have been prepared on a 'Going Concern' basis.

CORPORATE GOVERNANCE

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

REGISTERED OFFICE

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

PARTICULARS OF EMPLOYEES

Particulars of Employees as required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 are contained in a Statement forming part of this Report. However, as per the provisions of Section 219(1)(b)(vi) of the Companies Act, 1956, the Report and Annual Accounts are being sent to the shareholders of the Company, excluding the particulars of employees. Any shareholder interested in obtaining a copy of the said Statement may write to the Company.

DIRECTORS

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

AUDITORS

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

FIXED DEPOSITS

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

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

A. H. FIRODIA
Chairman

Pune : February 12, 2011

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH SEPTEMBER, 2010

Corporate Governance Philosophy

Corporate Governance, in essence, is a set of systems and procedures, which aims to ensure that the Company is managed to suit the best interest of all its stakeholders with an objective to maximise their wealth. The stakeholders may be Promoters, Shareholders, Customers, Lenders, Dealers, Vendors, Government or Employees. Your Company is committed for implementation of good corporate governance practices in the interest of its stakeholders.

Composition of Board of Directors

The Board of Directors of the Company comprises 7 Directors. The number of Non-Executive Directors is more than fifty per cent of the total number of directors. Independent Directors are atleast one-half of the total strength. Details of Directors, their Directorships / Memberships in Committees of other Companies and attendance at Board / Annual General Meeting of Kinetic Motor Company Limited (KMCL) are as under:

Name of Director	Category	No. of KMCL Board Meetings Attended	Attendance at last AGM of KMCL	No. of Other Directorships in Public Limited Companies as on 30/09/2010	Committee Membership of Other Companies as on 30/09/2010	
					Member	Chairman
Mr. A. H. Firodia	ED	5	No	7	Nil	Nil
Mrs. Sulajja Firodia Motwani	ED	5	No	4	Nil	Nil
Mr. Dinesh Munot	IND	1	No	2	Nil	Nil
Mr. M. Venkataiah	IND	3	Yes	Nil	Nil	Nil
Mr. R. J. Kabra	IND	2	No	Nil	Nil	Nil
Mr. Liu Wu-Hsiung	Nominee	0	No	Nil	Nil	Nil
Mr. S. R. Kotecha	ED	4	No	1	Nil	Nil

ED : Executive Director, IND : Independent Director

During the 12 months period ended 30th September, 2010 (hereinafter referred to as 'the period under review'), 5 Board Meetings were held on 04/12/2009, 08/01/2010, 31/03/2010, 22/05/2010 and 14/08/2010. The maximum time gap between any two Board Meetings was not more than four months. The Company did not have any pecuniary relationship or transactions with Non-Executive Directors except for payment of sitting fees during the period under review.

The Board reviews Compliance Report of all laws applicable to the Company, prepared by the Company as well as steps taken by the Company to rectify instances of non-compliance.

Code of Conduct

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

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

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

Audit Committee

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

During the period under review, 5 Audit Committee Meetings were held on 04/12/2009, 08/01/2010, 31/03/2010, 22/05/2010 and 14/08/2010. The time interval between two meetings was not more than four months. Directors' attendances at the meetings were as follows:

Name of Director	No. of Meetings attended
Mr. R. J. Kabra	2
Mr. M. Venkataiah	3
Mrs. Sulajja Firodia Motwani	5
Mr. S. R. Kotecha	3

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

Remuneration Committee

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

KINETIC MOTOR COMPANY LTD.

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

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

No Remuneration Committee Meeting was held during the year.

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

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

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

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

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

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

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

Shareholders' Grievance Committee

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

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

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

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

Annual General Meetings:

Accounting Year Ending	Date	Time	Location
30th September, 2009	30/03/2010	11.00 a.m.	Indore
30th September, 2008	19/01/2009	11.00 a.m.	At Pithampur
31st March, 2007	20/07/2007	11.00 a.m.	At Pithampur

At the last 3 AGMs, no special resolution was passed.

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 issued by the Institute of Chartered Accountants of India, are given in Notes to the Accounts, Note No. 19.
- (ii) Details of non-compliance by the Company, penalties, 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 :
None
- (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) The Company has not adopted any Whistle blower policy.
- (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.

Means of Communication

The Company's Quarterly Financial Results were published in leading English newspaper (Financial Express – Mumbai Edition) and also in regional language Hindi newspaper (Swadesh- Indore Edition). The results of the company are displayed on the website www.bseindia.com. The website also displays official news releases. No presentation was made to Institutional Investors and Analysts.

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

General Shareholders Information

The 25th Annual General Meeting is proposed to be held on 28th March, 2011 at Hotel Surya, Surya Circle (near Dhakkanwala Kuan), 5/5 Nath Mandir Road, South Tukoganj, Indore, Pin - 452 001, M.P.at 11:30 a.m.

Dates of Book-Closure: Thursday 24th March, 2011 to Monday 28th March, 2011 (both days inclusive).

Dividend Payment Date: Not Applicable

Listing of Shares on Stock Exchanges: The shares of the Company are listed on National Stock Exchange of India Limited "Exchange Plaza" Bandra Kurla Complex, Bandra East, Mumbai – 400 061, Madhya Pradesh Stock Exchange (Regional Stock Exchange), 201 Palika Plaza II, MTH Compound, Indore – 452001 and Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street Mumbai - 400 001.

KINETIC MOTOR COMPANY LTD.

Stock Code (National Stock Exchange of India Limited) : KINETICMOT

Stock Code (Bombay Stock Exchange Limited) : 505190

Market Price data (Bombay Stock Exchange Limited): High / Low Prices during each month in the period under review:

Month	Share Price		BSE Sensex	
	High (Rs.)	Low (Rs.)	High	Low
October, 2009	28.80	21.90	17493	15805
November, 2009	24.10	18.50	17290	15330
December, 2009	23.50	19.30	17530	16577
January, 2010	34.60	20.25	17790	15982
February, 2010	32.50	24.00	16669	15651
March, 2010	27.90	22.60	17793	16438
April, 2010	25.75	19.10	18047	17276
May, 2010	24.40	19.00	17536	15960
June, 2010	21.10	18.50	17919	16318
July, 2010	21.60	18.55	18237	17395
August, 2010	20.75	18.20	18475	17819
September, 2010	26.60	19.10	20267	18027

Registrar and Transfer Agents:

The Company's equity shares are compulsorily traded in Demat mode and hence transferable through the depository system. Link Intime India Pvt. Limited, Block No. 202, 2nd Floor, Akshay Complex, Off. Dhole Patil Road, Pune 411 001 have been appointed as Company's Registrar and Transfer Agent as per SEBI's Circular for appointment of common agency to carry physical and electronic share registry work.

Share Transfer System:

All the transfers received are processed by the Registrar and Transfer Agent and approved by the authorised Directors of the Company.

Distribution of shareholding as on 30th September, 2010

No. of shares held	Folios Nos.	%	Shares Nos.	%
Upto 5000	17488	85.31	2885705	12.15
5001 - 10000	1587	7.74	1391194	5.86
10001 - 20000	660	3.22	1062453	4.47
20001 - 30000	261	1.27	675552	2.85
30001 - 40000	99	0.48	359133	1.51
40001 - 50000	131	0.64	634082	2.67
50001 - 100000	140	0.68	1062980	4.48
100001 and Above	133	0.66	15674996	66.01
Total	20499	100.00	23746095	100.00

Shareholding Pattern as on 30th September, 2010

	Category	No. of Shares	%
A.	Shareholding of Promoter & Promoter Group		
1	Indian	9255632	38.98
2	Foreign	0	0.00
	Sub Total (1)	9255632	38.98
B.	Public Shareholding		
1	Institutions:		
	a.) Mutual Funds / UTI	1150	0.01
	b.) Financial Institutions / Banks	28590	0.12
	c.) Foreign Institutional Investors	2000	0.00
	Sub Total (2)	31740	0.13
2	Non-Institutions		
	a.) Bodies Corporate	5107476	21.51
	b.) Individuals	8039478	33.86
	c.) Clearing Members	926652	3.90
	d.) NRI / NRN	383517	1.62
	e.) OCB	1500	0.01
	f) Trusts	100	0.00
	Sub Total (3)	14458723	60.89
	GRAND TOTAL [(1)+(2)+(3)]	23746095	100.00

Dematerialization of shares:

As of 30th September, 2010 the Company had processed the Dematerialization Request Forms for 20066905 shares representing 84.51 % of the total number of shares issued by the Company.

The Company has not issued any GDRs / ADRs.

Convertible Securities outstanding at the end of the financial year:

3800000 No.s of Optionally Convertible Cumulative Preference Shares (OCCPS) issued and allotted to Micro Age Instruments Pvt. Ltd., at Rs.14.20 per OCCPS, convertible at the option of the allottee on or before 11.6.2011, and each such OCCPS being convertible into one equity shares of Rs.10 each at a premium of Rs.4.20 per equity share.

Address for correspondence:

Shareholder's correspondence may be addressed to, Link Intime India Pvt. Limited, Block No. 202, 2nd Floor, Akshay Complex, Off. Dhole Patil Road, Pune 411 001. Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository participants.

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

"Pursuant to Clause 49(1D) of the Listing Agreement with the Stock Exchanges, I hereby declare that all Board Members and Senior Management Personnel of the Company have affirmed Compliance with the respective provisions of the Code of Conduct of the Company for the year ended 30th September 2010."

By Order of the Board of Directors

Sulajja Firodia Motwani
Managing Director

Pune : February 12, 2011

KINETIC MOTOR COMPANY LTD.

CERTIFICATE FROM AUDITORS REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Shareholders of Kinetic Motor Company Limited,

We have examined the compliance of conditions of Corporate Governance by Kinetic Motor Company Limited for the year ended on 30th September, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The Compliance of conditions of Corporate Governance is the responsibility of management. Our examination was limited to procedures and implementations thereof adopted by the 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 Company.

In our opinion and to the best of our information and explanations given to us, we certify that the 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 Company nor the efficiency nor the effectiveness with which the management has conducted the affairs of the Company.

For Lakhani & Co.

Chartered Accountants
Firm Regn No.:105524W

Parag Modi

Partner

M.No.114105

Pune : February 12, 2011

Auditor's Report to the Members of KINETIC MOTOR COMPANY LIMITED

1. We have audited the attached Balance Sheet of KINETIC MOTOR COMPANY LIMITED (the 'Company') as at 30th September 2010, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. 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.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order') issued by the Central Government of India in terms of sub section (4A) of section 227 of the Companies Act, 1956 (the 'act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. We draw attention to Note 22 - Schedule 14 regarding certain transactions of purchase of components which require approval of the Central Government under Section 297 of the companies Act, 1956;
5. We draw attention to Note 21 - Schedule 14, regarding the appropriateness of the going concern basis used for the preparation of these financial statements, as the validity of the going concern basis depends upon undertaking the new business and the financial support from the promoters of the Company. Based on the undertaking of the new business subsequent to the year end and financial support from promoters, these financial statements have been prepared on a going concern basis.
6. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) 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;
 - (b) 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;
 - (c) The Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - (d) In our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub section (3C) of section 211 of the Companies Act, 1956;
 - (e) On the basis of written representations received from the directors, as on 30th September 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th September, 2010 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956;

KINETIC MOTOR COMPANY LTD.

(f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the notes thereon and attached thereto give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the Balance Sheet, of the state of affairs of the Company as at 30th September 2010;

(ii) in the case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date; and

(iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Lakhani & Co.

Chartered Accountants
Firm Regn No.:105524W

(Parag Modi)

Partner

M.No.114105

Pune : February 12, 2011

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 3 of our report of even date to the members of **KINETIC MOTOR COMPANY LIMITED** on the financial statements for the year ended 30th September, 2010)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) According to the information and explanations given to us, all the fixed assets have been physically verified, at regular intervals by the management during the period, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) The Company has disposed off substantial part of its Fixed Assets during the year. However, as per the information and explanations provided to us, the Company is exploring the avenues for undertaking new business and after considering the financial support from the promoters of the Company; in our opinion the risk of going concern is mitigated.
- (ii) (a) As per the information furnished, the inventories have been physically verified during the year by the management. In our opinion, having regard to the nature and location of inventory, 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) The Company has maintained proper records of inventory. In our opinion the discrepancies noticed on verification of physical stocks and the book records were not material and have been properly dealt with the books of account.
- (iii) (a) According to information and explanation given to us, the Company has not granted any loans secured or unsecured to companies, firms or other parties covered in register maintained under Section 301 of Companies Act, 1956. Sub-Clauses (b), (c) and (d) are not applicable.
- (b) The Company has taken interest free unsecured loans during the year from 2 companies covered in register maintained under section 301 of Companies Act, 1956. The Maximum amount outstanding during the period was Rs. 24,59,77,750/- and the year end balance was Rs. 24,59,77,750/-
- (c) In our opinion, the other terms and conditions in respect of interest free unsecured loans granted by the Companies (referred to in (b) above) are prima-facie, not prejudicial to the interest of the Company.
- (d) In respect of the aforesaid loans taken, there are no stipulations as regards repayment of loans.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchase of fixed assets and sale of goods . There is no purchase of inventory during the year. During the course of our audit no major weaknesses have been noticed in internal control system.
- (v) (a) On the basis of audit procedures performed by us and according to the information and explanations given to us, we are of the opinion that the contracts and arrangements that needed to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered in the register.
- (b) In our opinion and according to explanations given to us, having regard to our comments in paragraph (iv) above, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the

Companies Act, 1956 have been made at prices which are reasonable having regard to the prevailing market prices for such transactions at the relevant time.

- (vi) The Company has not accepted any deposits from public to which the provisions of sections 58A, 58AA, or any other provisions of the companies Act, 1956 and the companies (Acceptance of Deposits) Rules, 1975 apply.
- (vii) The Company has an internal audit system, which is commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the notification of the Central Government for maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 and on basis of information received, are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however made a detailed examination of the said records.
- (ix) a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is not regular in depositing the undisputed statutory dues including investor education and protection fund, employee's state insurance, income tax, custom duty, excise duty, cess and other material statutory dues as applicable, with the appropriate authorities except for the delay in payment of provident fund, state value added tax & service tax and the periods of delays range from 1 day to 515 days. Based on our audit procedure and according to the information and explanations given to us, no undisputed dues payable in respect of provident fund, employee's state insurance, income tax, state value added tax, service tax, customs duty, excise duty and cess were in arrears, as at 30th September, 2010 for a period of more than six months from the date they became payable except for the

provident fund (company's contribution) amounting to Rs.4,70,950 and Employees' provident fund amounting to Rs.2,37,600 which are in arrears for a period of more than six months from the date they became payable.

- b) The details of dues in respect of central sales tax, state value added tax, excise duty, entry tax and cess which have not been deposited as at 30th September, 2010, on account of disputes are give below:

Nature of the dues	Amounts involved (dues to the extent not deposited) (Rs. In lakhs.)	Forum where dispute is pending
Central Sales Tax (Assessment years 1994-1995, 1999-2000, 2000-2001)	39.74	Appellate Deputy Commissioner, Commercial Tax, Indore
Central Sales Tax (Assessment years 2001-2002)	24.22	Madhya Pradesh Commercial Tax Tribunal, Bhopal
Central Sales Tax (Assessment years 1998-1999)	5.34	Madhya Pradesh Commercial Tax Tribunal, Bhopal
Sales Tax Kolkatta (Assessment years 2001-2002)	0.60	Sales Tax Tribunal, Kolkatta
Central Sales Tax (Assessment years 2002-2003)	16.91	Appellate Deputy Commissioner, Commercial Tax, Indore
Central Sales Tax (Assessment years 2003-2004)	27.70	Appellate Deputy Commissioner, Commercial Tax, Indore
Sales Tax Behrampur (Assessment years 1999-2000, 2000-2001, 2001-2002)	4.50	Special Additional Commissioner Commercial Tax, Behrampur
Entry Tax (Assessment years 1994-1995, 1995-1996)	0.64	Deputy Commissioner Commercial Tax, Indore
Madhya Pradesh Commercial Tax (Assessment years 1998-1999)	1.88	Madhya Pradesh Commercial Tax Tribunal, Bhopal
Madhya Pradesh Commercial Tax (Assessment years 1999-2000)	0.78	Appellate Deputy Commissioner, Commercial Tax, Indore
Excise Duty	50.47	Supreme Court
Excise Duty	21.05	High Court Madhya Pradesh - Indore Branch
Excise Duty	1.22	Commissioner Appellate Tribunal
Madhya Pradesh Commercial Tax (Assessment Year 2007-2008).	16.46	Appellate Deputy Commissioner, Commercial Tax, Indore

- (x) *Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that, the accumulated losses of the Company exceeds fifty percent of its net worth. Further, the Company has incurred cash losses in the current financial year but has not incurred cash losses in the immediately preceding financial period.*
- (xi) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company had no outstanding dues payable to the Banks and financial institution. There were no amounts outstanding on account of debentures during the year.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the Order is not applicable.
- (xiii) The Company is not a chit fund, nidhi or mutual fund or a society. Accordingly, clause 4(xiii) of the Order is not applicable.
- (xiv) The Company has maintained proper records of transactions and contracts in respect of dealing in securities and that timely entries have been made therein. All securities have been held by the Company in its own name.
- (xv) According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly clause 4(xv) of the Order is not applicable.
- (xvi) There were no term loans taken during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, in our opinion, no funds raised on short term basis have been used for long term investment.
- (xviii) According to the information and explanations given to us, the Company has made preferential allotment of shares to a company covered in the register maintained under section 301 of the Act and the price at which the shares have been issued is prima facie not prejudicial to the interest of the Company.
- (xix) The Company has not issued any debentures. Accordingly clause 4(xix) of the Order is not applicable.
- (xx) The Company has not raised any money by public issue during the year. Accordingly clause 4(xx) of the Order is not applicable.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor we have been informed of such case by the management.

For Lakhani & Co.
Chartered Accountants
Firm Regn No.:105524W

Parag Modi
Partner
M.No.114105

Pune : February 12, 2011

KINETIC MOTOR COMPANY LTD.

BALANCE SHEET AS AT 30th SEP.2010.

	Schedule	Rs. in Lacs	As at 30th Sep., 2010 Rs. in Lacs	As at 30th Sep., 2009 Rs. in Lacs
I. SOURCES OF FUNDS				
1. Shareholders' Funds				
(a) Share Capital	1	7469.66		7798.08
(b) Reserves & Surplus	2	4811.18		4482.76
			12280.84	12280.84
3. Loan Funds				
(a) Unsecured Loans	3	2459.78		2334.98
			2459.78	2334.98
4. Deferred tax balance				
(a) Deferred Tax Liability		24.43		352.00
(b) Less : Deferred Tax Asset		24.43		352.00
			-	-
		Total	14740.62	14615.82
II. APPLICATION OF FUNDS				
1. Fixed Assets				
(a) Gross Block		4018.82		5479.83
(b) Less : Depreciation / Amortisation		3138.95		3708.19
(c) Net Block	4		879.87	1771.64
2. Investments	5		2959.00	2959.00
3. Current Assets, Loans & Advances	6			
(a) Inventories		5.97		66.51
(b) Sundry Debtors		24.15		363.37
(c) Other Receivables		109.54		244.54
(d) Cash and Bank Balances		97.59		40.24
(e) Loans & Advances		256.73		306.15
		493.98		1020.83
Less : Current Liabilities & Provisions	7			
(a) Current Liabilities		1776.97		2717.67
(b) Provisions		36.98		34.58
		1813.95		2752.25
Net Current Assets			(1319.97)	(1731.42)
4. Debit balance in Profit & Loss Account			12221.71	11616.60
		Total	14740.62	14615.53
Notes to the Accounts	13			

As per our report attached
For Lakhani & Co
Chartered Accountants
Firm Registration no :105524W

A.H. FIRODIA
SULAJJA FIRODIA MOTWANI
DINESH MUNOT
S.R. KOTECHA

Chairman
Managing Director
Director
Director

Parag Modi
Partner
Mem No: 114105
Pune : 12th February, 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 30th SEP. 2010

	Schedule	Rs. in Lacs	12 months ended 30th Sep., 2010 Rs. in Lacs	12 months Period ended 30th Sep. 2009 Rs. in Lacs
INCOME				
Sales - Gross		48.05		1769.20
Less : Excise Duty		2.47		199.05
Sales - Net		45.58		1570.15
Other Income	8	714.21		1652.39
			759.79	3222.54
EXPENDITURE				
Materials	9	60.55		1374.49
Other Expenses	10	1025.45		1027.88
Depreciation / Amortisation		149.40		650.00
Interest & Financial Charges	11	14.14		128.71
			1249.53	3181.08
Profit / (Loss) before Extra Ordinary & Prior Period Items			(489.74)	41.46
Extra Ordinary Items	12		(143.94)	9739.46
Prior Period Items			(28.24)	19.37
Profit / (Loss) for the year / period before Tax			(605.45)	9761.55
(Provision) / Credit for Taxation				
- Current tax		-		-
- Deferred tax		-		-
- Fringe Benefit Tax		-		1.00
			-	
Profit / (Loss) for the year / period after Tax			(605.45)	9760.55
Profit / (Loss) brought forward from previous period			(15300.32)	(25060.81)
			(15905.70)	(15300.59)
Less : Deducted from Uncommitted Reserves per contra			3683.99	3683.99
Balance Profit/(Loss) carried to Balance Sheet			(12221.71)	(11616.60)
Basic Earning per Equity Share (Nominal Value per Share Rs. 10) not annualised				
- Before extraordinary items			(1.94)	0.10
- After extraordinary items			(2.55)	46.31
- Diluted Earning per Equity Share (Nominal Value				-
- Before extraordinary items			(1.68)	0.06
- After extraordinary items			(2.20)	29.56
Notes to the Accounts	13			

As per our report attached

For Lakhani & Co

Chartered Accountants

Firm Registration no :105524W

A.H. FIRODIA**SULAJJA FIRODIA MOTWANI****DINESH MUNOT****S.R. KOTECHA***Chairman**Managing Director**Director**Director***Parag Modi***Partner*

Mem No: 114105

Pune : 12th February, 2011

KINETIC MOTOR COMPANY LTD.

CASH FLOW STATEMENT FOR THE 12 MONTHS PERIOD ENDED 30TH SEPTEMBER, 2009

	Year ended 30th Sept, 2010	Year ended 30th Sept, 2009
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit / (Loss) before Tax	(605.44)	9761.54
Adjustment for non-cash item/items required to be disclosed separately:		
Amortisation of Discount on issue of Debentures	-	87.23
Depreciation	149.40	650.00
Depreciation Excess Provided	(68.08)	
Earlier Year Written Back		
Interest Expense	14.14	41.47
Provision for Doubtful Debts	(1,163.20)	78.61
Diminution in value of Assets	330.94	1692.70
(Profit)/Loss on sale of Assets	(39.11)	(8615.80)
(Profit)/Loss on sale of Investment	-	1.89
Provision written Back	(5.00)	(1560.01)
Lendor/Vendor write back	(118.91)	(4244.36)
Interest Income	(0.68)	(4.29)
Dividend Income	-	(33.15)
	<u>(900.51)</u>	<u>(11905.70)</u>
Operating Profit / (Loss) before changes in Working Capital	(1505.95)	(2144.16)
Adjustment for changes in Working Capital and Provisions:		
Trade Receivables	1544.31	46.24
Loans and Advances	49.42	792.19
Inventories	60.54	2216.06
Current Liabilities	(423.80)	(4646.93)
Provisions	2.40	(175.41)
	<u>1232.86</u>	<u>(1767.84)</u>
Cash generated from Operations	(273.09)	(3912.01)
Taxes paid	0.84	10.99
	<u>0.84</u>	<u>10.99</u>
Net Cash from Operating Activities	<u>(272.25)</u>	<u>(3901.01)</u>
B) CASH FLOW FROM INVESTING ACTIVITIES		
Fixed Assets :		
Purchase	-	(532.09)
Sale	230.00	12820.00
Investments :		
Loss On sale of Mutual Funds	-	(1.89)
Purchase	-	(2950.00)
Interest received	0.68	4.29
Dividend received	-	33.15
Inter corporate deposit (placed/repaid (net)		-
Net cash used in Investing Activity	<u>230.68</u>	<u>9373.46</u>
Total c/f	<u><u>(41.57)</u></u>	<u><u>5472.45</u></u>

CASH FLOW STATEMENT FOR THE 12 MONTHS PERIOD ENDED 30TH SEPTEMBER, 2010 (Contd.)

	Year ended 30th Sept, 2010	Year ended 30th Sept, 2009
Total b/f	(41.57)	5472.45
C) CASH FLOW FROM FINANCING ACTIVITIES		
Borrowings repaid	124.80	(5920.84)
Increase in Share capital etc.	-	1295.20
Redemption of Preference Shares	-	(795.18)
Interest paid	(14.14)	(41.47)
Dividend paid	(11.74)	-
Net cash generated from Financing Activities	98.92	(5462.29)
D) NET INCREASE/DECREASE(-) IN CASH AND CASH EQUIVALENTS (A+B+C)	57.34	10.14
Cash and cash equivalents (Opening balance)	45.31	35.16
Cash and cash equivalents (Closing balance)	102.66	45.31

Notes :

- Figures in brackets represent outflows of cash and cash equivalents.
- Cash and cash equivalents comprises of :

	30th Sept, 2010	30th Sept. 2009	30th Sept. 2008
Cash on hand	0.16	0.55	2.70
Balance with Scheduled Bank on Current Accounts			
Current Accounts	102.15	44.41	1008.91
Deposits Accounts *	0.35	0.35	2.85
Margin Money Account	-	-	3.00
* Pledged with government authorities			
	<u>102.66</u>	<u>45.31</u>	<u>1017.46</u>

As per our report attached
For Lakhani & Co
Chartered Accountants
Firm Registration no :105524W

A.H. FIRODIA
SULAJJA FIRODIA MOTWANI
DINESH MUNOT
S.R. KOTECHEA

Chairman
Managing Director
Director
Director

Parag Modi
Partner
Mem No: 114105
Pune : 12th February, 2011

KINETIC MOTOR COMPANY LTD.

	As at 30th Sep., 2010 Rs. in Lacs	As at 30th Sep, 2009 Rs. in Lacs
SCHEDULE - 1		
SHARE CAPITAL		
Authorised		
3,01,53,730 (Previous period 3,01,53,730) Equity Shares of Rs.10/- each	3,015.37	3,015.37
5,30,000 (Previous period 15,30,000) Convertible Cumulative Preference Shares of Rs. 65/- each	344.50	994.50
30,85,500 (Previous period 30,85,500) Optionally Convertible Cumulative Preference Shares of Rs. 65/- each	2,005.58	2,005.58
18,53,650 (Previous period 30,77,000) 8.5% New Optionally Convertible Cumulative Preference Shares of Rs. 65/- each	1,204.87	2,000.05
7,70,000 (Previous period 7,70,000) Redeemable Cumulative Preference Shares of Rs.65/- each	500.50	500.50
8,71,800 (Previous period 8,71,800) 6% Compulsorily Convertible Cumulative Preference Shares of Rs.39/- each	340.00	340.00
5,00,000 (previous Period 5,00,000) Redeemable Cumulative Preference Shares of Rs 100/- each	500.00	500.00
56,00,000 (Previous period Nil) Optionally Convertible Cumulative Preference Shares of Rs.14.20 each	795.20	-
Unclassified Preference Share Captial (Previous peroid Nil)	649.98	-
	<u>9,356.00</u>	<u>9,356.00</u>
Issued, Subscribed and Paid- up		
2,37,46,095 (Previous period 2,10,74,300) Equity Shares of Rs. 10/- each fully paid up (Refer note 1 below)	2,374.61	2,107.43
5,30,000 (Previous period 5,30,000) Convertible Cumulative Preference Shares of Rs. 65/- each fully paid up (Refer note 2 & 3 below)	344.50	344.50
30,85,500 (Previous period 30,85,500) Optionally Convertible Cumulative Preference Shares of Rs. 65/- each fully paid up (Refer note 2 & 3 below)	2,005.58	2,005.58
18,53,650 (Previous period 18,53,650) 8.5% New Optionally Convertible Cumulative Preference Shares of Rs. 65/- each fully paid up (Refer note 3 below)	1,204.87	1,204.87
7,70,000 (Previous period 7,70,000) Redeemable Cumulative Preference Shares of Rs.65/- each fully paid up (Refer note 2 & 4 below)	500.50	500.50
5,00,000 (Previous period 5,00,000) Redeemable Cumulative Preference Shares of Rs.100/- each (Refer note 5 below)	500.00	500.00
Nil (Previous period 8,71,795) 6% Compulsorily Convertible Cumulative Preference Shares of Rs.39/- each fully paid up (Refer note 6 below)	-	340.00
38,00,000 (Previous period Nil) Optionally Convertible Cumulative Preference Shares of Rs.14.20 each	539.60	-
Share Application money pending allotment in respect of Nil (Previous period 56,00,000) optionally Covertible Cumulative Preference Shares of Rs. 14.20/- each (Refer note 7 below)	-	795.20
	<u>7,469.66</u>	<u>7,798.08</u>

Notes :

- 1 Of the 2,37,46,095 Equity Shares above, 10,00,000 equity shares of Rs.10/- each at a premium of Rs 55/- per share have been issued on conversion of 10,00,000 Convertible Cumulative Preference Share of Rs. 65/- each which were allotted as fully paid up towards discharge of part consideration of transfer of SUPA Undertaking/Business
- 2 5,30,000 Convertible Cumulative Preference Shares of Rs. 65/- each, 23,15,500 out of 30,85,500 Optionally Convertible Cumulative Preference Shares of Rs. 65/- each and 7,70,000 Redeemable Cumulative Preference Shares of Rs.65/- each were allotted as fully paid-up towards discharge of part consideration of transfer of SUPA Undertaking/ Business.
- 3 5,30,000 Convertible Cumulative Preference Shares of Rs. 65/- each, 30,85,500 Optionally Convertible Cumulative Preference Shares of Rs. 65/- each and 18,53,650 8.5% New Optionally Convertible Cumulative Preference Shares of Rs.65/- each were not opted to be converted, and are accordingly Redeemable at par, at the option of the Company, at any time after 31st August 2009. These Preference Shares are entitled to a fixed dividend @ 8.50% p.a., due and payable on the date of redemption, or such other dates as may be acceptable to the allottees.
- 4 7.70,000 Redeemable Cumulative Preference Shares of Rs. 65 each are redeemable at the option of the company at any time after 31.08.2009
- 5 5,00,000 Redeemable Cumulative Preference Shares of Rs.100/- each were allotted as fully paid-up, in discharge of part consideration for the licensing of brand "Kinetic"by Kinetic Engineering Ltd . These were Redeemable on 15th March 2010, and are entitled to a fixed dividend @ 8.50% p.a. payable on redemption, or at any date thereafter as may be acceptable to the allottees.
- 6 During the year 8,71,795 6% Compulsorily convertible Cumulative Preference Shares of Rs. 39 each, were converted into 8,71,795 equity shares of Rs.10 each at a premium of Rs. 29 per share.
- 7 During the year 18,00,000 Optionally Convertible Cumulative Preference Shares of Rs. 14.20 each, were converted into 18,00,000 Equity Shares of Rs.10 each at a premium of Rs. 4.20 per share.
- 8 Arrears of fixed cumulative dividend Rs.1103.90 lacs (Previous period Rs.703.86 lacs).

KINETIC MOTOR COMPANY LTD.

		As at 30th Sep., 2010 Rs. in Lacs	As at 30th Sep, 2009 Rs. in Lacs
SCHEDULE - 2			
RESERVES & SURPLUS			
1. Capital Reserve			
Investment Subsidy		122.50	122.50
2. Investment Allowance (Utilised) Reserve			
As per last balance sheet	268.99		268.99
Less : Profit & Loss Account Debit Balance deducted per contra	(268.99)		(268.99)
3. Securities Premium Account		-	-
As per last balance sheet	4360.26		2985.26
Add : On shares issued during the period	328.42		1375.00
		4688.68	4360.26
4. General Reserve			
As per last balance sheet	3,415.00		3415.00
Less : Profit & Loss Account Debit Balance deducted per Contra	(3415.00)		(3415.00)
		-	-
	Total	4811.18	4482.76
SCHEDULE - 3			
LOAN FUNDS			
I UNSECURED LOANS			
From other than Banks			
Loan Others		2459.78	2334.98
	Total	2459.78	2334.98

SCHEDULE - 4 FIXED ASSETS											(Rs. in lacs)
Particulars	Tangible Assets						Intangible Assets **			Total	Previous Period
	Freehold Land	Leasehold Land	Building	Plant and Machinery	Furniture and Fittings	Vehicles	Aircraft #	Goodwill	Technical Know - How		
Gross Block :											
As at 30th Sep., 2009	-	125.71	105.51	3153.09	107.76	177.97	64.40	538.98	586.42	5479.83	18556.51
Additions	-	-	121.47	6.23	-	-	-	-	-	127.70	807.09
Deductions	-	30.99	194.37	854.44	-	177.97	-	-	-	1,257.77	12191.06
Impairment of Assets	-	-	-	-	-	-	-	179.32	151.62	330.94	1692.70
As at 30th Sept., 2010	-	94.72	32.61	2304.88	107.76	0.00	64.40	359.66	434.79	4018.82	5479.83
Depreciation / Amortisation :											
Upto 30th Sep., 2009	-	2.00	31.57	2466.26	102.04	125.77	31.81	385.09	441.35	3708.19	10799.47
For the period	-	1.05	2.01	7.12	3.69	8.26	3.61	-	-	149.40	650.00
Deductions	-	0.27	22.37	508.78	-	134.02	-	25.43	27.76	718.63	7741.29
Upto 30th Sept., 2010	-	2.78	11.21	1964.61	105.73	0.00	35.42	359.66	413.59	3138.95	3708.19
Net Block :											
As at 30th Sept., 2010	-	91.94	21.39	340.27	2.03	0.00	28.98	0.00	21.21	879.87	1771.64
As at 30th Sep., 2009	-	123.71	73.94	686.83	5.71	52.20	32.58	153.89	145.08	1273.94	7757.04

Company's ownership share in the Aircraft is 25%.

** Other than internally generated.

Note :

- 1) Out of the above, Plant & Machinery having cost Rs. 2298.65 (Accumulated Depreciation Rs. 1964.61 , WDV as at 30.09.2010 of Rs. 334.05), and Technical Knowhow having Cost Rs. 586.42 after Impairment Rs. 151.62 (Accumulated Depreciation Rs. 413.59 WDV Rs. 21.21) are held for disposal
- 2) Out of the addition in the building Rs. 121.47, Rs. 105.00, pertains to the adjustment to the opening Gross Block in relation to Asset sold in the earlier year.

KINETIC MOTOR COMPANY LTD.

		As at 30th Sep., 2010 Rs. in Lacs	As at 30th Sep, 2009 Rs. in Lacs
SCHEDULE - 5			
Rs. in Lacs			
INVESTMENTS (Long term)			
Unquoted :			
Trade :			
90,000 (Previous period 90,000) Equity Shares of Rs.10/- each fully paid in Kinetic Marketing & Services Limited		9.00	9.00
29,500,000 (Previous Period 29,500,000) Equity Shares of Rs.10/- each fully paid in Mahindra Two Wheelers Ltd.		2950.00	2,950.00
Listed but not Quoted :			
Trade :			
4,33,333 (Previous period 4,33,333) Equity Shares of Rs.10/- each fully paid in Athena Financial Services Limited (formerly Kinetic Finance Ltd.)*		130.60	130.60
market value Rs.Nil (Previous period Rs.Nil)			
Less : Provision for Diminution in value of Investment		(130.60)	(130.60)
		-	-
Total		2959.00	2959.00
SCHEDULE - 6			
CURRENT ASSETS, LOANS AND ADVANCES			
I. Current Assets			
(a) Inventories			
(as valued and verified by the management)			
Finished Goods			
- Two Wheelers		5.97	27.36
- Spares for resale		-	39.15
		5.97	66.51
(b) Sundry Debtors			
(Unsecured)			
i) Debts outstanding for a period exceeding six months			
Considered good		6.92	116.99
Considered doubtful		40.35	1203.55
		47.27	1320.54
ii) Other Debts - Considered good		17.23	246.38
		64.50	1566.92
Less : Provision for doubtful debts		40.35	1203.55
		24.15	363.37
(c) Other Receivables		109.54	244.54
Total c/f		139.66	674.42

	Rs. in Lacs	As at 30th Sep., 2010 Rs. in Lacs	As at 30th Sep, 2009 Rs. in Lacs
CURRENT ASSETS, LOANS AND ADVANCES (contd.)			
Total b/f		139.66	674.42
(d) Cash and Bank Balances			
Cash on hand	0.16		0.55
With scheduled banks in :			
- Current Accounts	102.15		44.41
- Deposit Accounts *	0.35		0.35
	102.66		45.31
Less : Provision for Doubtful Assets	5.07		5.07
		97.59	40.24
* Pledged with government authorities			
II. Loans and Advances :			
(Unsecured, considered good unless otherwise stated)			
Advances recoverable in cash or in kind or for value to be received			
- Considered good	113.90		153.39
- Considered doubtful	10.01		10.01
	123.91		163.40
Less : Provision for Doubtful Advances	10.01		10.01
	113.90		153.39
Balance with Excise Authorities	27.75		37.67
Payment of taxes less provisions (Current tax)	115.08		115.92
		256.73	306.97
Total		493.98	1021.63
SCHEDULE - 7			
CURRENT LIABILITIES AND PROVISIONS			
I. Current Liabilities			
(a) Acceptances	0.03		0.03
(b) Sundry Creditors*	986.79		1407.40
(c) Unclaimed Dividend	0.02		11.76
II. Other Liabilities :	-		
(a) Advance against Sales etc.	333.94		499.31
(b) Advance Against Sale of Assets	456.19		800.00
		1776.97	2718.50
III. Provisions			
Leave Encashment	6.45		4.05
Gratuity	27.03		27.03
Fringe Benefit Tax	3.50		3.50
		36.98	34.58
* including total outstanding dues of small scale industrial undertakings Rs.175.50 Lacs (Previous period Rs.257.76 Lacs)			
Total		1813.95	2753.08

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		As at 30th Sep., 2010	As at 30th Sep, 2009
SCHEDULE - 8			
OTHER INCOME			
Profit / (Loss) on Sale of Investment (Net)		-	-
Interest on Intercompany Deposits, on income tax refunds, on bank deposits, on receivables etc. (Gross)		0.68	4.29
(Tax deducted at source Rs.Nil (Previous period Rs. Nil)		-	-
Dividend on Trade Investments(Gross)		-	33.15
Profit / (Loss) on Sale of Assets (Net)		372.19	-
Excess Provisions Written Back (Refer Note No.25 in Schedule 14)		5.00	1,560.01
Other Sales		2.05	-
Sundry Balances Written Back		283.14	-
Miscellaneous Receipts		51.15	56.83
	Total	714.21	1654.28
SCHEDULE - 9			
MATERIALS			
Stock at Commencement			
Finished Goods			
- Two Wheelers	27.36		671.31
Work-in-Progress	39.15		332.63
		66.51	1003.94
Raw Materials & Components Consumed			
Stock at Commencement	-		1214.15
Purchases	-		663.14
	-		1,877.29
Less : cost of Raw Mat. Discarded / disposed	-		1,700.91
	-		176.38
Less : Closing Stock	-		-
	-		176.38
Purchases of Spares for resale	-		3.92
Purchases of Finished Goods for resale	-		214.07
Consumables	0.01		33.76
Fabrication, Machining & Processing charges	-		0.37
Freight, Octroi, etc.	-		8.56
		66.52	1441.00
Less : Closing Stock			
Finished Goods			
- Two Wheelers	5.97		27.36
- Spares for resale	-		39.15
		5.97	66.51
	Total	60.55	1374.50

SCHEDULE - 10		As at 30th Sep., 2010 Rs. in Lacs	As at 30th Sep, 2009 Rs. in Lacs
OTHER EXPENSES	Rs. in Lacs		
Power & Fuel		1.51	21.19
Repairs & Maintenance			
Plant & Machinery		-	31.16
Others		0.59	8.20
Payments to & Provisions for employees			
Salary, Wages & Bonus	97.45		358.47
Contribution to Provident Fund and			
Other Funds & Schemes	17.70		79.81
Staff Welfare Expenses	1.30		28.68
		116.45	466.96
Rent (Net of recoveries)		0.18	11.66
Rates & Taxes		3.67	4.45
Excise Duty on Increase / (Decrease) in			
Finished Goods stocks		(0.64)	32.01
Insurance (Net of recoveries)		3.19	6.63
Royalty		-	32.43
Free Service Charges and Warranty Expenses			
(Net of recoveries)		35.08	78.77
Advertisement & Sales Promotion		2.93	26.07
Packing & Forwarding (Net of recoveries)		0.28	16.90
Travelling & Conveyance		10.27	24.17
Legal & Professional Fees		33.84	93.53
Provision for doubtful debts / Assets		46.74	78.61
Misc Expenses		49.60	95.15
Bad Debts	1521.49		
Les : Provision For Doubtful Debts			
Written Back	(1163.20)	358.28	-
Loss on Sale of Fixed Assets		363.48	-
Loss on Sale of Investments		-	1.89
Total		1025.45	1029.78
SCHEDULE - 11			
INTEREST AND FINANCIAL CHARGES			
Interest			
Others		11.51	35.99
Amortisation of discount on issue of debentures		-	87.23
Bank charges and other financial charges		2.63	5.49
Total		14.14	128.71

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SCHEDULE - 12

EXTRA ORDINARY ITEMS

		As at 30th Sep., 2010 Rupees	As at 30th Sep, 2009 Rupees
- Profit on Sale Of Assets			8615.80
- Impairment In The Value Of Assets		(330.94)	(1,692.70)
- Loss on Discarding of Raw Materials			
Sale Value	-		309.29
Less : Excise Duty	-		36.38
			272.91
Less : Cost Of Sales	-	-	1,700.91
			(1,428.00)
- Balances written back on settlement with Lenders / Vendors		118.91	4236.00
#REF!			
- Depreciation Excess Provided Earlier Year Written Back		68.08	-
	Total	(143.94)	9,739.46

SCHEDULE - 13**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH SEPTEMBER, 2010****1. SIGNIFICANT ACCOUNTING POLICIES****A) Fixed Assets and Depreciation/Amortisation :**

- i) Fixed Assets are stated at cost of acquisition or construction less depreciation/amortisation. Cost comprises the purchase price and other attributable costs.
- ii) Depreciation on fixed assets :
 - a) Depreciation on tangible fixed assets is provided on the straight line method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 except in respect of following assets where the rates are higher:
 - Certain Plant & Machinery - 10%
 - Certain Dies, Moulds, Jigs & Fixtures - 15% to 50%
 - Certain Vehicles - 20%
 - b) Leasehold land is amortised over the period of the lease.
- iii) Goodwill and Technical knowhow (intangible assets) are amortised on a straight line basis over a period of 5 years.

B) Inventories :

Inventories are stated at the lower of cost and net realisable value. In determining the cost of inventories the annual weighted average method is used in respect of "raw materials and components" and first-in-first-out (FIFO) method in respect of "stores and spares". Cost of work-in-progress and manufactured finished goods include material cost, labour and manufacturing overheads on the basis of full absorption costing.

C) Foreign Exchange Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Current assets and current liabilities outstanding at the period end are translated at period end exchange rates and the profit / loss so determined and also the realised exchange gains / losses are recognised in the profit and loss account.

D) Employee Benefits :

Employee benefits includes gratuity, superannuation and provident fund and leave encashment benefits under the approved schemes of the Company. In respect of defined contribution plans, the contribution payable for the year is charged to the Profit and Loss Account.

In respect of defined benefit plans and other long term employee benefits, the employee benefit cost is accounted for based on an actuarial valuation as at the Balance Sheet date.

E) Borrowing Cost :

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

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F) Taxes on Income :

Tax expenses for the year is included in the determination of the net profit for the year.

Deferred tax is recognised on all timing differences, subject to consideration of prudence in respect of deferred tax assets.

G) Miscellaneous Expenditure (to the extent not written off / adjusted) :

Discount on issue of debentures are amortised over the period of debentures.

2. CONTINGENT LIABILITIES :

- i) Income Tax matters under appeal **Rs. 112.42 lacs** (Previous period Rs.112.42 Lacs)
- ii) Sales Tax disputed by the Company **Rs.96.16 lacs** (Previous period Rs.68.02 lacs)
- iii) Entry Tax disputed by the Company **Rs.17.14 lacs** (Previous period Rs. 0.72 lacs)
- iv) Excise Duty claims in dispute **Rs.55.49 lacs** (Previous period Rs. 195.14 lacs)
- v) Labour matters **Rs. 45.07 lacs** (Previous period Rs. 63.24 lacs)

3. Details of Capacity and Production :

Class of Goods	Licenced Capacity		Installed Capacity		Production	
	Current Period Nos.	Previous Period Nos.	Current Period Nos.	Previous Period Nos.	Current Period Nos.	Previous Period Nos.
Scooters, Motorcycles and Mopeds	1,00,000 p.a.	7,00,000 p.a.	60,000 p.a. (Two Wheelers	2,35,000 p.a. (Two Wheelers	Nil (Two Wheelers	1,126 (Two Wheelers

- i) The licenced capacity disclosed is as per the capacity indicated in the prescribed memorandum filed with the Department of Industrial Development (Secretariat of Industrial Approvals) in terms of notification no.477(E) dated July 25, 1991.
- ii) Installed capacity is as certified by the management and relied on by the auditors as this is a technical matter.
- iii) Production includes Nil (Previous period Nil) vehicles scrapped/dismantled.
- iv) The company has manufactured and sold Nil (Previous year Nil)
- v) The entire Manufacturing facility of the company has been sold after 30.09.2010.

4. Particulars in respect of Opening Stock, Purchases, Sales, Closing Stock of each class of goods dealt with by the Company :

Class of Goods	Opening Stock			
	Current Period		Previous Period	
	Qty. Nos.	Value Rs. in Lacs	Qty. Nos.	Value Rs. in Lacs
Two Wheelers : Scooters, Motorcycles & Mopeds				
Manufactured	165	36.47	1340	267.87
Traded	-	-	-	-
	165	36.47	1340	267.87
Spare Parts and others	*	52.21	*	403.44
	165	88.68	1340	671.31

Class of Goods	Purchases				Sales			
	Current Period		Previous Period		Current Period		Previous Period	
	Qty. Nos.	Value Rs. in Lacs	Qty. Nos.	Value Rs. in Lacs	Qty. Nos.	Value Rs. in Lacs	Qty. Nos.	Value Rs. in Lacs
Two Wheelers : Scooters, Motorcycles & Mopeds								
Manufactured	-	-	1,126	-	100	17.12	2301	366.97
Traded **	-	-	-	-	-	-	-	-
	-	-	1,126	-	100	17.12	2301	366.97
Spare Parts and others	*	*	-	*	*	*	*	-
DEPB Licenses	-	-	-	-	-	-	-	16.05
	-	-	1,126	-	100	17.12	2301	383.02

Class of Goods	Closing Stock			
	Current Period		Previous Period	
	Qty. Nos.	Value Rs. in Lacs	Qty. Nos.	Value Rs. in Lacs
Manufactured	65	5.97	165	36.47
Traded	-	-	-	-
	65	5.97	165	36.47
Spare Parts and others	*	-	*	52.21
DEPB Licenses	65	5.97	165	88.68

*i) It is not practicable to furnish quantitative information in view of considerable number of items diverse in size and nature.

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5. Raw Materials and components consumed :

	Current Period		Previous Period	
	Qty.	Value Rs. in Lacs	Qty.	Value Rs. in Lacs
Other raw materials and Components	*	-	*	176.38
		-		176.38

Notes :

*i) It is not practicable to furnish quantitative information of other raw material and components consumed in view of considerable number of items diverse in size and nature.

6. Value of imported and indigenous raw materials (including components) consumed and percentage of each to the total consumption :

	Current Period		Previous Period	
	Value Rs. in Lacs	Percentage	Value Rs. in Lacs	Percentage
Raw Materials and Components :				
Imported	-	0.00%	114.00	17.27%
Indigenously obtained	-	0.00%	545.00	82.73%
	-	0.00%	659.00	100.00%

Components and spare parts referred to in para 4(D)(c) of part II of Schedule VI to the Companies Act, 1956 are interpreted to mean the components and spare parts which are incorporated in the products sold and not those used for the maintenance of plant and machinery.

7. a) Managerial Remuneration paid/payable :

	Current Period Rs. in Lacs	Previous Period Rs. in Lacs
Salary & Allowances	53.40	60.37
Contribution to Provident Fund, Superannuation Scheme and Gratuity Scheme	11.83	15.88
Perquisites	5.07	9.27
Directors' Fees	0.00	0.60
	70.30	86.12

Note : 1) The provision for leave encashment is not included above as the same is provided for on an actuarial basis for the Company as a whole.

2) Remuneration paid to Executive directors amounting to Rs.45.66 lacs as per approval letter dated 17th November, 2006. by Central Government of India.

8. C.I.F. Value of Imports :	Current Period Rs. in Lacs	Previous Period Rs. in Lacs
Components and Spare parts	-	113.83
9. Expenditure in Foreign Currency : (Disclosed on accrual basis)		
Bank Charges	-	2.01
Others	6.79	4.98
10. Earning in Foreign Currency :		
F.O.B. Value of Exports including Rs. Nil (Previous period Rs.Nil) where realisation is in Indian rupees)	-	308.36
Freight Charges	-	5.14
11. Auditors' Remuneration (inclusive/ net of service tax, as applicable):		
Audit Fees	1.50	2.00
Other matters	3.00	3.25
Out of pocket expenses reimbursed	0.39	0.03
12. Research and Development expenses aggregating Rs. 2.16 lacs have been incurred by the Company which are disclosed under appropriate account heads. (Previous period Rs.19.37 lacs)		
13. The net exchange difference arising during the period recognised appropriately in the profit and loss account - net loss - Rs. Nil ; (Previous period net loss Rs. 4.37 lacs)		
14. The deferred tax liability of Rs.24.43 Lacs (Previous period Rs. 352 lacs) is in respect of provision for Depreciation. The deferred tax asset of Rs.24.43 Lacs (Previous period Rs. 352 lacs) is in respect of carried forward tax losses.		
15. Disclosures required by Para 13.5A of Chapter XIII of SEBI (Disclosure & Investor Protection) Guidelines, 2000, in respect of preferential issues made by the Company during the period :		
(Rs.Lacs)		

Details of the preferential issue	Amount utilised	Purpose for which utilised	Amount unutilised	Form of investment of unutilised amounts
56,00,000 (Nil) Optionally Convertible Cumulative Preference Shares of Rs.14.20 each	Nil (795.20)	Redemption of Preference Shares	-	-

Notes:

- The amount of Rs.795.20 Lacs was received towards Share application money during the previous year and was utilised during the previous year.
- Previous period figures are indicated in brackets.

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16. Earning Per Share

(Rs.Lacs)

	Current Period	Previous Period
Net Profit / (Loss)	(605.45)	9,760.55
Less: Dividend on cumulative preference shares (including tax thereon @ 16.99%)	-	-
Profit / (Loss) available for Equity Shareholders	(605.45)	9,760.55
Earnings per share (Basic) Rs	(2.55)	46.31
Earnings per share (Diluted) Rs	(2.20)	29.56
EPS before preference dividend (Rs)	-	-
Nominal Value per equity share (Rs)	10	10

NOTE : The weighted average number of equity shares used as the denominator is 2,37,46,095 (Previous period 3,30,15,245).

17. Details of provisions and movements in each class of provisions as required by the Accounting Standard on Provisions, Contingent Liabilities and Contingent Assets (Accounting Standard - 29):

(Rs. Lacs)

Particulars	Product Warranty	Free Service Charges
Carrying Amount as at 1st October, 2009	Nil Nil	Nil (19.00)
Additional Provision made during the period	Nil Nil	Nil (19.00)
Amounts used during the period	Nil Nil	Nil (60.00)
Unused amounts reversed during the period	Nil Nil	Nil (-)
Carrying Amount as at 30th September, 2010	Nil Nil	Nil (19.00)

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

Product Warranty & Free Service Charges

Estimated product warranty cost and free service charges are accrued at the time products are sold, based on past experience to be discharged over a period of 12 months from the date of sale.

18. (a) Amount payable to Micro and Small Enterprises (to the extent identified by the Company from available information) as at 30th September, 2010 is Rs.175.50 lacs (including unpaid amounts-principal amounts-Rs.175.50 lacs and interest accrued and remaining unpaid - Rs.Nil), (Previous period Rs.257.76 lacs) (including unpaid amounts-principal amount-Rs.257.76 lacs and interest accrued and remaining unpaid Rs.Nil).

(b) Amount of interest payments made to suppliers registered under the Micro, Small and Medium Enterprise Development Act, 2006 beyond 45 days during the period 1st October, 2009 to 30th September, 2010 is Rs.Nil lacs.(Previous period Rs.Nil)

19. Related Party Disclosures

A) Name of related party and nature of relationship where control exists :

- | | | |
|---|--|--|
| 1 | Company having Significant Influence
(Expect for the period 01/10/2009
to 04/01/2010 company is a holding company) | Kinetic Engineering Ltd. |
| 2 | Companies under common control | Ajinkya Auto Fab Ltd.
Ajinkya Holdings Pvt Ltd
Kinetic Communications Ltd.
Micro Age Instruments Pvt. Ltd.
Kinetic Marketing & Services Ltd.
JHS Tyaigene Electrical Co. Pvt. Ltd.
Ducati Energia (India) Pvt. Ltd.
Jaya Hind Sciaky Ltd. |
| 3 | Associate Company | Mahindra Two wheelers Limited |
| 4 | Key Management Personnel | Mr.Arun H.Firodia
Mrs.Sulajja Firodia Motwani |
| 5 | Relative of Key Management Personnel | Mr. Ajinkya Firodia
Mrs.Vismya Firodia Bakshi
Mrs.Jayashree Firodia |

* Enterprises over which Key Management Personnel and their relatives are able to exercise significant influence

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B) Related Party Transactions:

(Rs. In Lacs)

Particulars	Company having Significant Influence	Companies under Common control	Associate Company	Key Management Personnel	Relatives of Key Management Personnel	Total
Purchases:						
Goods	Nil (106.88)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (106.88)
Fixed Assets						
- Kaygee Auto Products Ltd	Nil (775.00)	6.23 (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	6.23 (775.00)
Cost of Shared Services						
- Kinetic Engineering Ltd	4.51 (1.85)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	4.51 (1.85)
- Mahindra 2 Wheelers Ltd	Nil (Nil)	Nil (Nil)	12.08 (Nil)	Nil (Nil)	Nil (Nil)	12.08 -
Sales :						
Goods	Nil (21.60)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (21.60)
Other Sales						
- Mahindra 2 Wheelers Ltd	Nil (0.38)	Nil (Nil)	10.43 (Nil)	Nil (Nil)	Nil (Nil)	- (0.38)
Fixed Assets						
- Micro Age Instruments Pvt Ltd	Nil (Nil)	42.75 (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	42.75 -
- Mahindra 2 Wheelers Ltd	Nil (Nil)	Nil (Nil)	393.81 (Nil)	Nil (Nil)	Nil (Nil)	393.81 (Nil)
Advance Against Supa Assets						
- Kinetic Engineering Ltd	71 (161)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	71.22 (161.22)
Royalty Paid / payable	Nil (536.46)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (536.46)
Inter Corporate Deposit Received						
- Micro Age Instruments Pvt Ltd	Nil (Nil)	105.00 (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	105.00 (Nil)
- Ajinkya Holding Pvt Ltd	Nil (Nil)	20.80 (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	20.80 (Nil)
Repaid / discharged	Nil (352.27)	Nil (4.80)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (357.07)
Closing Balance						
- Micro Age Instruments Pvt Ltd	Nil (Nil)	2,438.98 (2,334.98)	Nil (Nil)	Nil (Nil)	Nil (Nil)	2,438.98 (2,334.98)
- Ajinkya Holding Pvt Ltd	Nil (Nil)	20.80 (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	20.80 (Nil)
Remuneration	Nil (Nil)	Nil (Nil)	Nil (Nil)	70.30 (86.12)	0.20 (9.06)	70.50 (95.18)
Director's Sitting Fees	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (0.16)	Nil (Nil)	Nil (0.16)

Particulars	Company having Significant Influence	Companies under Common control	Associate Company	Key Management Personnel	Relatives of Key Management Personnel	Total
Outstandings Payable						
- Kinetic Engineering Ltd	301.51 (301.51)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	301.51 (301.51)
- Micro Age Instruments Pvt Ltd	Nil (Nil)	Nil (14.97)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (14.97)
- Ajinkya Auto Feb Pvt Ltd	Nil (Nil)	Nil (39.25)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (39.25)
- Kaygee Auto Products Ltd	Nil (Nil)	36.98 (31.00)	Nil (Nil)	Nil (Nil)	Nil (Nil)	36.98 (31.00)
- JHS Taigene Electric Company Pvt Ltd	Nil (Nil)	Nil (12.43)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (12.43)
- Kinetic Communication Ltd	Nil (Nil)	Nil (9.53)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (9.53)
- Ducati Energia India Pvt Ltd	Nil (Nil)	12.01 (12.01)	Nil (Nil)	Nil (Nil)	Nil (Nil)	12.01 (12.01)
Receivable						
- Mahindra 2 Wheelers Ltd	Nil (Nil)	Nil (Nil)	114.61 (255.44)	Nil (Nil)	Nil (Nil)	114.61 (255.44)
Note : Previous year figures are in brackets.						

20. As the Company's business activity falls within a single primary business segment viz., "Two wheelers and its parts" and is a single geographical segment, the disclosure requirements of Accounting Standard (AS-17) "Segment Reporting" issued by The Institute of Chartered Accountants of India are not applicable.

21. After completing the financial restructuring, the Company has finalised plans for trading activity in respect of "Postal Soleckshaw" a light multi-utility power driven 3 wheeler. The company is further planning processing activity, by setting up manufacturing facility at Chinchwad, Pune. Having regard to the above and the financial support from the promoters of the Company, the accounts of the Company have been prepared on a 'Going Concern' basis.

22. The Company purchases components, in the ordinary course of business, from JHS Taigene Electrical Co. Pvt.Ltd (JHST), Ducati Energia India Private Limited (Ducati) and Champ Engineering Private Limited (Champ), a Private Limited Companies in which a director of the Company is a director. During the previous/ current period, due to paucity of funds, credit terms of suppliers in general had been extended. As such, the Company has purchased components worth Rs.2.16 lacs (including Rs.8.08 lacs in the previous period) from JHST, Ducati and Champ on credit basis, i.e. on the terms which are more favourable to the Company. As per the provision of section 297 of the Companies Act, 1956, if approval of the Central Government is not obtained for such contract, the same is voidable at the Board of the Directors of the Company. However, as JHST, Ducati and Champ has agreed to these revised terms and the same are in the interest of the Company, the Board has not treated the contracts as void.

KINETIC MOTOR COMPANY LTD.

23. Other Receivables includes amount retained by the purchaser for the sale of Fixed Assets. The amount is outstanding for more than six months, however as per the aforesaid Agreement, amount shall be released by the purchaser subject to condition stated therein at the end of 3 years from the date of execution of Agreement.

The amount is outstanding for more than six months, however as per the aforesaid Agreement amount shall be released by purchaser, subject to condition stated therein at the end of 3 years from the date of execution of the Agreement.

24 Details of Employee Benefits as required by the Accounting Standard 15 (Revised) Employee Benefits are as follows:-

(A) Defined Contribution Plan

Amount recognized as an expense in the Profit and Loss Account in respect of Defined Contribution Plans is Rs. 20.64 lacs

(B) Defined Benefit Plan

i) Actuarial gains and losses in respect of defined benefit plans are recognized in the Profit & Loss Account.

ii) The Defined Benefit Plans comprise of Gratuity. Gratuity is a benefit to an employee based on 15 days last drawn salary for each completed year of service.

(C) Changes in the present value of defined obligation representing reconciliation of opening and closing balances thereof are as follows :

			(Rs. in lacs)
Particulars	Gratuity (Funded) as at	30/09/2010	30/09/2009
Present Value of Defined Benefit Obligation as on 1st October,2009		43.31	473.81
Service cost		2.16	2.74
Interest Cost		3.13	15.95
Losses (gains) on Curtailment		-	-
Liabilities extinguished on settlements		-	(558.26)
Plan amendments		-	-
Actuarial (gains)/losses		(10.75)	135.93
Benefits paid		(2.02)	(26.86)
Present Value of Defined Benefit Obligation as on 30th September 2010		35.83	43.31

(D) Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows :

(Rs. in lacs)			
Particulars	Gratuity as at	30/09/2010	30/09/2009
Fair value of Plan assets as on			
1st October, 2009		16.28	190.48
Expected return on plan assets		1.37	8.27
Actuarial gains/(losses)		(0.44)	14.75
Actual contributions by employers		0.00	12.90
Benefits paid		(2.02)	(26.86)
Plan assets as on 30th September 2010		15.19	16.28

(E) Analysis of Defined Benefit Obligation :

(Rs. in lacs)			
Particulars	Gratuity (Funded) as at	30/09/2010	30/09/2009
Defined Benefit Obligation as at 30th September 2010		35.83	43.31
Market Value of Plan assets at the end of period		15.19	16.28
Net (Asset)/Liability recognized in the Balance Sheet as at 30th September 2010		20.64	27.03

(F) Reconciliation of Present Value of Defined Benefit Obligation and fair value of plan assets showing amount recognized in the Balance Sheet :

(Rs. in lacs)			
Particulars	Gratuity as at	30/09/2010	30/09/2009
Present Value of Defined Benefit Obligation		35.83	43.31
Fair value of plan assets		15.19	16.28
Funded status [(Surplus)/Deficit]		20.64	27.03
Unrecognized Past Service Costs		-	-
Net asset/(Liability) recognized in Balance Sheet		(20.64)	(27.03)

KINETIC MOTOR COMPANY LTD.

(G) Components of employer expenses recognized in the statement of profit and loss for the year ended 30th September 2010:

		(Rs. in lacs)	
Particulars	Gratuity as at	30/09/2010	30/09/2009
Current Service cost		2.16	2.74
Interest cost		3.13	15.95
Expected return on plan assets		(1.37)	8.27
Curtailment cost/(credit)		-	-
Settlement cost/(credit)		-	(128.79)
Past Service cost		-	-
Actuarial Losses/(Gains)		(10.31)	121.18
Total expense recognised in the Statement of Profit & Loss		(6.40)	2.82

(H) In respect of Funded Benefits with respect to gratuity, the fair value of Plan assets represents the amounts invested through "Insurer Managed Funds" :

(I) Principal Actuarial Assumptions :

		(Rs. in lacs)	
Particulars	Gratuity as at	30/09/2010	30/09/2009
Discount Rate (%)		7.80	7.40
Expected Return on plan assets (%)		9.00	9.00
Salary Escalation (%)			
For Staff		6.00	6.00
For Workers		6.00	6.00
Medical cost inflation		N.A.	N.A.

- The Discount rate is based on the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated terms of the obligations.
- Expected Rate of Return of Plan Assets : This is based on the expectation of the average long term rate of return expected on investments of the Fund during the estimated term of obligations.
- Salary Escalation Rate : The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

(J) There is no material impact on the profit for the year consequent to the adoption of AS-15(Revised 2005) Employee Benefits.

25 A) Details of Derivative Instruments (for hedging)

None

B) Details of foreign currency exposures that are not hedged by a derivative instrument or otherwise :

(Rs. in Lacs)

Particulars	Currency	Current Period		Previous Period	
		Amount in Foreign Currency	Equivalent amount in Rs.	Amount in Foreign Currency	Equivalent amount in Rs.
Sundry Creditors (Liability)	USD	-	-	-	-
Other receivables & advances(asset)	USD	-	-	-	-
Sundry Debtors (Asset)	USD	-	-	3.19	140.24

26 Previous period's figures have been regrouped/recast wherever necessary to confirm to this period's classification.

As per our report attached

For Lakhani & Co

Chartered Accountants

Firm Registration no :105524W

A.H. FIRODIA
SULAJJA FIRODIA MOTWANI
DINESH MUNOT
S.R. KOTTECHA

*Chairman
Managing Director
Director
Director*

Parag Modi

Partner

Mem No: 114105

Pune : February 12, 2011

KINETIC MOTOR COMPANY LTD.

Balance Sheet Abstract and Company's General Business Profile :

I Registration Details

CIN No.	:	L35911MP1984PLC002353
State Code	:	10
Balance Sheet Date	:	30-09-2010

II Capital Raised during the Year (Amount in Rs. Lacs)

Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL

III Position of Mobilisation and Development of Funds (Amount in Rs. Lacs)

Total Liabilities	14740.62
Total Assets	14740.62

Sources of Funds

Paid up Capital	7469.66
Reserves & Surplus	4811.18
Secured Loans	NIL
Unsecured Loans	2459.78

Application of Funds

Net Fixed Assets	879.87
Investments	2959.00
Net Current Assets	(1319.97)
Deferred Tax Assets	-
Miscellaneous Expenditure	NIL
Accumulated Losses	12221.71

IV Performance of Company (Amount in Rs. Lacs)

Turnover	:	759.79
Total Expenditure	:	1249.53
Profit / (Loss) Before Tax	:	(489.74)
Extra Ordinary Items	:	(143.94)
Prior Period Items	:	(28.24)
Profit / (Loss) After Tax	:	(605.45)
Prior Period Items	:	
Earnings Per Share (in Rs.)	:	(2.55)
Dividend	:	NIL

V Generic Names of Three Principal Products / Service of Company (as per monetary terms)

Item Code No. (ITC Code)	:	8711
Product Description	:	MOTORRISED TWO WHEELERS

KINETIC MOTOR COMPANY LIMITED

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

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE HALL

I hereby record my presence at the 25th ANNUAL GENERAL MEETING of the Company at Hotel Surya, Surya Circle (near Dhakkanwala Kuan), 5/5 Nath Mandir Road, South Tukoganj, Indore, PIN - 452001, M.P., at 11:30 a.m. on Monday, 28th March, 2011.

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

Signature

No. of Shares held

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

* Applicable for members holding shares in electronic form

NOTES:

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

tear here

KINETIC MOTOR COMPANY LIMITED

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

PROXY FORM

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 25th Annual General Meeting of the Company, to be held at Hotel Surya, Surya Circle (near Dhakkanwala Kuan), 5/5 Nath Mandir Road, South Tukoganj, Indore, PIN - 452001, M.P., at 11:30 a.m. on Monday, 28th March, 2011, or at any adjournment thereof.

As Witness my hand/our hands this day of 2011.

Signature of Member

(Affix Re 1
Revenue
Stamp)

NOTE The Proxy duly completed must be returned so as to reach the Registered Office of the Company not less than FORTY-EIGHT HOURS before the time for holding the aforesaid meeting.

No. of Shares

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

* Applicable for members holding shares in electronic form

KINETIC MOTOR COMPANY LTD.

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

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