

KIRLOSKAR ELECTRIC COMPANY LTD.



62nd

ANNUAL REPORT 2008-09

Balance Sheet as at 31st March, 2009 and Profit and Loss Account for the year ended 31st March, 2009

KIRLOSKAR ELECTRIC COMPANY LIMITED

BOARD OF DIRECTORS : **Vijay R. Kirloskar**
Chairman & Managing Director

Lakshmanan A.S.

Agarwal S.N.

Anil Kumar Bhandari

Sarosh J Ghandy

Mythili Balasubramanian
IDBI Nominee (upto 10.2.2009)

Ramesh D Damle
LIC Nominee (upto 2.11.2008)

Mahendra V.P.

Kamlesh Gandhi

Berthold Groeneveld
(from 31.10.2008)

Devender Singh D.
LIC Nominee (from 27.2.2009)

Meena Kirloskar
(from 31.7.2009)

Malik P.S.
Jt. Managing Director

COMPANY SECRETARY : **Mahajan P.Y.**

AUDITORS : **B.K. Ramadhyani & Co.**
Bangalore

BANKERS : Axis Bank
Bank of Baroda
Bank of India
State Bank of India
State Bank of Mysore
State Bank of Travancore
Bank of Commerce, Kualalumpur (Malaysia)

REGISTERED OFFICE : Industrial Suburb, Rajajinagar, Bangalore-560 010

FACTORIES : Govenahalli, Thyamagondlu,
Gokul Road, Hubli
Belvadi Industrial Area, Mysore
Hirehalli Industrial Area, Tumkur
Kondhapuri, Pune
Nagar Road, Pune
Kachenahalli, Bangalore
J D Royalite, Tumkur Road, Bangalore
Gurgaon, Haryana
Dulagarh, Kolkatta

Board of Directors



Vijay R. Kirloskar
Chairman & Managing Director



Malik P.S.
Jt. Managing Director



Lakshmanan A.S.



Agarwal S.N.



Anil Kumar Bhandari



Sarosh J Ghandy



Mahendra V.P.



Kamlesh Gandhi



Berthold Groeneveld



Devender Singh D.
LIC Nominee



Meena Kirloskar

From The Chairman and Managing Director



Dear Fellow Shareholders,

I am glad to present you the Annual Report for the year 2008-09. I am proud to say that in spite of the tough time we all faced during the second half of 2008-09 your Company has done well during the year, showing a growth of 5.51% in Turnover.

As a part of our continued efforts towards building a robust, efficient and financially sound organization, the Company achieved many significant milestones. The Company achieved an all time high turnover of Rs. 865.97 crores up from turnover of Rs. 820.77 crores in 2007-2008, with a profit after tax of Rs. 30.21 crores on stand alone basis.

On a consolidated basis, the turnover was at Rs. 1091.04 crores and profit after tax Rs. 33.21 crores. The overall growth was possible despite the trying times, on account of concerted efforts at reducing non productive costs and continuous monitoring and improvement of efficiencies of the operating process and procedures.

We have always believed in the fundamental strength of the Indian Economy. The fact that India has grown by 6.75% even in such trying times when the rest of the world was tottering at 1%-2%, which is testimonial to the inherent strength of our policies and sentiment.

In order to consolidate our strength and technical expertise in the field of Electrical Engineering and Manufacturing and to enter newer markets worldwide, we have acquired through our subsidiary in the Netherlands, Kirsons B.V, Lloyd Dynamowerke GmbH & Co. KG in Germany (LDW), a profile of which you will find in the following pages.

The turnover of LDW during the period of about 7 months after we took it over at the end of August 2008 was Euro 34.19 million and the profit after tax was Euro 1.11 million. The performance of LDW has been satisfactory considering the fact that the recession in Europe has been much severe than what we have faced here.

We have expanded our product portfolio and the geographical reach by acquiring LDW. Their superior technology and products complement our products and the opportunities for selling their products in Indian market for niche applications like Nuclear Power Plants and Wind Energy applications, in the changing perspective, would open new vistas for your Company. Through this acquisition, we now have a presence in the Middle East, East Asian Countries and Europe.

We are also trying to reach the customers in every nook and corner of the Country and for the purpose have expanded our branch and service network. This will also enable us to provide better services to our esteemed customers as Customer Service and Customer Satisfaction remain at the core of our efforts and we feel that is the single most important reason for the loyalty of our customers.

The Global recession and slowdown resulting from the unprecedented financial crisis which engulfed the world markets during the latter part of 2008-09 is a serious economic problem whose consequences are being felt in every corner.

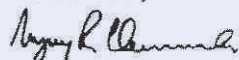
Fortunately, thanks to the rather conservative policies and ways of working of the financial institutions in our Country, the problem India has faced is only that of economic slow down and not that of deep recession as is there in the developed economies. The Government and the Central Bank of the Country responded quickly to minimize the impact. Of course, this is a challenge which calls for concerted action. We on our part have responded well taking swift actions and taking some out of the way actions. After all, a crisis provides an opportunity and all those who have self-confidence and who work with long term objectives through ethical principles and practises are bound to succeed. Hence I can say that we have grown and shall continue to grow despite the difficult times.

Most of our clientele in all sectors of Industry have been impacted adversely in the slowdown and consequential credit freeze. With the slowdown becoming a memory and the Industry picking pace to get back on track to recovery and growth, we anticipate an accelerated demand for our products and a healthy growth in our top line and consequently the bottom line from the next financial year.

We have been working at various efforts to shore up our efficiencies, like looking at optimizing labor costs, improving Inventory Management policies, reducing procurement prices for raw material, improving turnaround times for order booking, improving Quality policies and practises in the journey towards achieving zero defect in our products at best prices.

The interest of the shareholders have always been upper most in our mind and hence the prime focus of the Management. We are committed to maximize value for all stakeholders. I am sure with your unstinted support, the Company will reach still higher altitude.

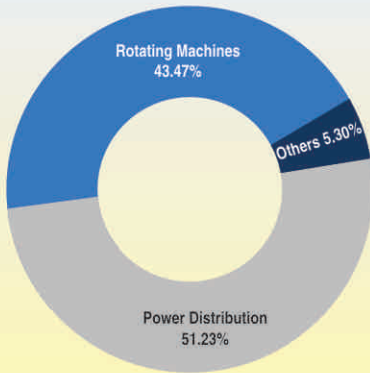
Yours sincerely



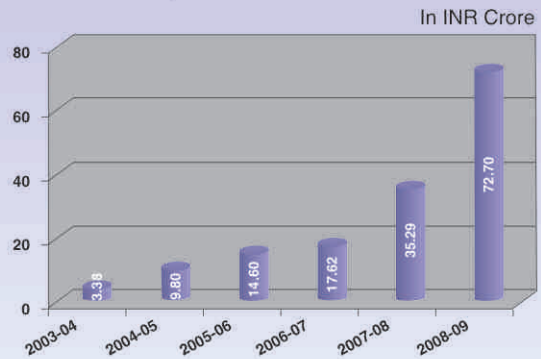
VIJAY R. KIRLOSKAR
Chairman & Managing Director

Financial Summary

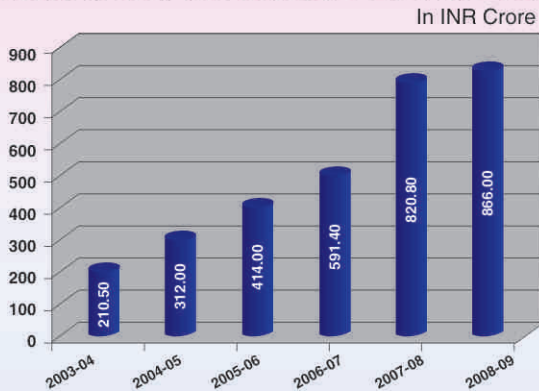
Share of Net Revenue by Segment



Growth in Export Revenues over the Years



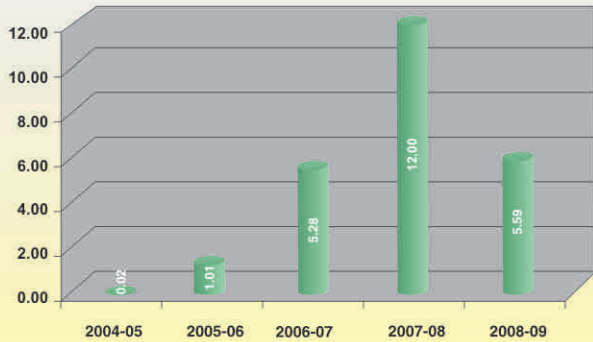
Growth in Total Net Revenues Over The Years



Financial Summary

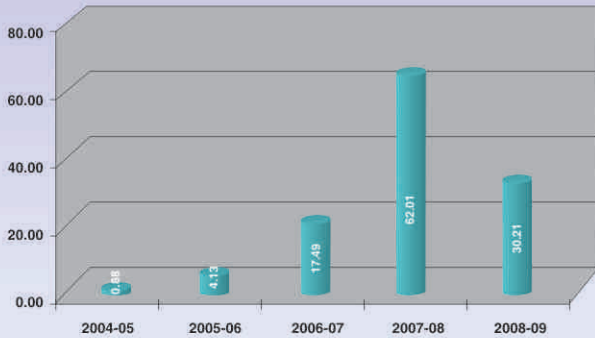
EPS over the Years

In INR



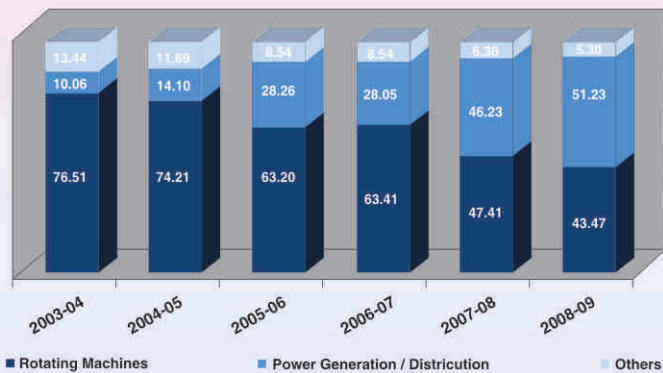
Growth of PAT (Profit After Tax)

In INR Crore



Evolution of Segmental Income in Net Revenue

In Percentage



Kirloskar Electric Acquires Lloyd Dynamowerke GmbH & Co KG



Lloyd Dynamowerke GmbH & Co.

Kirloskar Electric acquired 95% of LLOYD DYNAMOWERKE GMBH & CO KG in August 2008.

LDW Profile:

Lloyd Dynamowerke GmbH & Co KG ("LDW") located in Bremen, Germany develops and builds Electrical machines and Drive systems for Industrial applications.

The Company has over 90 years of experience in manufacturing of Electrical Machines with significant Innovation and Research capabilities.

LDW has been manufacturing generators for industrial applications since 1915.

The range of products manufactured by LDW includes direct current equipment, synchronous/ Asynchronous machines and comprehensive services which are highly appreciated by the Company's customers.

LDW enjoys its reputation as a reliable system supplier providing state-of-the-art technical expertise and the experience required for developing technically sophisticated and customized solutions.

Products

AC Motors	DC Motors
Synchronous Generators	Asynchronous Motors

Product Range

The Product Range of LDW includes machines for every Industrial or Commercial application.

The range of products include:

- Asynchronous machines from 1,000 kW to 25,000 kW
- Compact Asynchronous motors from 50 kW to approx. 2,000 kW
- Synchronous machines from 4,000 kVA to 55,000 kVA
- DC machines from 50 kW to 8,000 kW
- Drives

In additions to these products, LDW also provides other Electrical machines, like Voltage regulators and Electrical components.

LDW specializes in calculation, construction and manufacturing of customized motors for individual demands - including the electrical layout design as well as mechanics.

For example, LDW provides tailor-made machines for unchangeable site conditions or special bearings for additional forces.

Managing Partner of LDW Mr. Berthold Groeneveld has been appointed to the Board of Directors of Kirloskar Electric.





Achievements

1. The AC Motor Unit at Hubli has got the certification for Group "II C" gas group from the Director General of Mines Safety, thereby classifying KEC motors as safe for operation in hazardous environments where the gases like Hydrogen, acetylene, carbon disulphide are present at hazardous levels.
2. The largest DC Motor ever made in KEC made for the main drive for an Aluminium Plant



3. The Switchgear division developed a new 40kA vacuum circuit Breaker.



4. KEC made the Largest Power transformer rated at 62.5 MVA.



KIRLOSKAR ELECTRIC COMPANY LTD.

DIRECTORS' REPORT

TO THE SHAREHOLDERS FOR THE YEAR ENDED 31ST MARCH, 2009

To

The Shareholders,

Your Directors present the Company's 62nd Annual Report with the Audited Balance Sheet as at 31st March, 2009 and Profit and Loss Account for the year ended 31st March, 2009.

RESULTS OF OPERATIONS

	Rs. in million	
	2008-09	2007-08
Income	8659.6	8207.8
Expenditure	6674.9	6068.0
Gross Profit	1984.7	2139.8
Operating expenses	1333.1	1263.1
Operating Profit before interest and depreciation	651.6	876.7
Interest	225.3	150.2
Depreciation, amortisation and provisions	165.1	134.1
Operating profit before tax and extraordinary items	261.2	592.4
Other income (net)	87.3	101.7
Net profit before tax and extraordinary items	348.5	694.1
Extraordinary Income (Expenditure)	0	1.8
Net profit before tax and after extraordinary items	348.5	695.9
Provision for taxation	46.4	75.8
Net profit after tax and after extraordinary items	302.1	620.1

Company Performance

During the year under report, your Company has achieved a turnover (Gross) of Rs.9.63 billion (previous year Rs. 9.46 billion). The operations have resulted in a net profit of Rs. 302.12 million (previous year Rs. 620.14 million).

Industry Outlook

The Electrical Industry has been witnessing consistent growth during last few years but for the slow down witnessed during the second half of the last year. The performance of the industry is directly related to the country's GDP growth. If the monsoon is good and the industrial revival takes place for which the government has taken several steps, the Electrical Industry can regain its momentum.

Revision of Accounts for the year ended 31st March, 2008

As the members are aware, the Company had proposed a Scheme of Arrangement and Amalgamation under sections 391-394 of the Companies Act. The Hon'ble High Court of Karnataka sanctioned the Scheme of Arrangement and Amalgamation vide its order dated 4th September, 2008. The appointed date under the Scheme of Arrangement and Amalgamation being 1st April 2007, the Company had to reopen and revise the accounts for the year ended 31st March, 2008. The Company has accordingly revised the accounts and the same have been enclosed and will need your approval as per the notice calling the meeting.

Appropriations

Equity Dividend

In order to conserve for resources for Company's growth, your Directors regret their inability to declare any equity dividend for the year under report. The Company has not transferred any amount to its General Reserve.

Preference Dividend

Your Directors have recommended payment of dividend of 7% on the Preference Shares issued to IDBI Bank Ltd – on 18,00,000 Preference Shares of Rs.100 each from 1.10.2001 to 30.4.2003 and on 12,00,000 Preference Shares of Rs.100 each from 1.5.2003 to 31.3.2004.

Subsidiary Companies

The Company as of March 31, 2009 had one subsidiary, viz., Kirsons B.V., Netherlands (Kirsons). Kirsons is having two subsidiaries - Lloyd Dynamowerke GmbH & Co. KG, Germany and Lloyd Beteiligungs-GmbH, Germany. Pursuant to section 212 of the Companies Act, the annual accounts of subsidiary companies for the year ended 31st March, 2009 along with the statements referred to in the said section, are attached with Consolidated Financial Statements as required. Further, pursuant to Accounting Standard – 21 (AS-21) prescribed under the Companies (Accounting Standard) Rules, 2006, Consolidated Financial Statements presented by the Company include financial information about its subsidiaries.

Subsidiary – Kirsons B.V.

Kirsons B.V., your subsidiary has achieved a turnover of Euro 0.57 lakhs. The operations have resulted in a net loss of Euro 4.96 lakhs.

Environment, Safety and Energy Conservation

As required by the Companies (Disclosure of particulars in the Report of Directors) Rules, 1988, the relevant data pertaining to conservation of energy, technology absorption and other details are given in the Annexure to this report.

Particulars of Employees

In terms of the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of specified employees are set out in the Annexure to the Directors' Report.

Corporate Governance

Pursuant to the requirements of the Listing Agreements with Stock Exchanges, your Directors are pleased to annex the following:

1. Management Discussion and Analysis Report
2. A report on Corporate Governance
3. Auditors Certificate regarding compliance of conditions of Corporate Governance
4. CEO & CFO Certificate
5. CEO Certificate regarding compliance with the Code of Conduct.

These annexures form part of this report.

Directors

Mr. Sarosh J Ghandy and Mr.S.N. Agarwal retire by rotation and being eligible offer themselves for re-appointment.

Mr.Berthold Groeneveld who was appointed by the Board as an additional Director, holds office upto the date of Annual General Meeting and is proposed for appointment.

Mr.D.Devender Singh who was appointed by the Board of Directors to fill the casual vacancy caused by the resignation of Mr.Ramesh D Damle holds office upto the date of Annual General Meeting. He is eligible for appointment.

Mrs Meena Kirloskar who was appointed by the Board as an additional Director, holds office upto the date of Annual General Meeting and is proposed for appointment.

The Board of Directors have at their meeting held on 31st July, 2009 re-appointed Mr.P.S.Malik as Joint Managing Director for a period of three years from 10.10.2009, subject to approval of shareholders and such other approvals as may be required.

Directors' Responsibility Statement

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

1. In the preparation of the annual accounts, the applicable accounting standards have been generally followed.
2. Appropriate accounting policies have been selected and applied consistently and they have made judgements 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 31st March, 2009 and of the Profit and Loss Account for the year ended 31st March, 2009.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The annual accounts have been prepared on a going concern basis.

Human Resources

The Company considers its employees as its most valuable asset. The Company focuses on building an organization through induction and development of talent to meet current and future needs. Various HR initiatives have been taken to align the HR Policies of the Company with the growth projections of the Company.

Segmentwise Operational Performance**Rotating Machine Group**

During the year under review the sales under Rotating Machine Group amounted to Rs. 4186.09 million as against Rs. 4485.97 million.

Power Generation Group

During the year under review the sales under Power Generation Group amounted to Rs4933.07 million as against Rs. 4374.10 million.

Others

During the year under review the sale of other Electrical Products amounted to Rs. 510.13 million as against Rs. 601.98 million.

Lloyd Dynamowerke GmbH & Co. KG, Germany (LDW)

As you are aware the Company has acquired approximately 95% stake in Lloyd Dynamowerke GmbH & Co. KG, Germany and the entire shareholdings in Lloyd Beteiligungs-GmbH, Germany through its subsidiary in The Netherlands – Kirsons B.V. Lloyd Dynamowerke GmbH & Co. KG, Germany is a limited partnership existing in accordance with the laws of Germany which owns an electrical machine manufacturing plant at Bremen, which is being operated by the said limited liability firm. During the year ended 31st March, 2009 Lloyd Dynamowerke GmbH & Co. KG, had turnover of Euros 34.19 million with a net profit after tax of Euros1.11 Million.

Auditors' Report

The comments/observations of the Auditors are self-explanatory and the Company's explanations thereto have been given in relevant notes in the Notes to Accounts. Further explanations in regard to the reservations/qualifications in the Auditors Report are furnished below :-

Para 8 of the Auditors Report

The Company has complied with Accounting Standard 2 in respect of valuation of raw materials, stores and components and in respect of work in progress and finished goods. The Company has initiated steps to bring the valuation of work in progress and finished goods at all units in line with Accounting Standard –2 (Valuation of Inventory). However, this has no impact on the accounts.

The Company's policy is to account every income/expenditure during the year itself, only exceptional items have been left out. Compared to the volume of the business of the Company, it is insignificant and has no impact on the accounts. Appropriate action has been taken to implement Accounting Standard – 5 (disclosure of prior period income and expenditure).

Para 11 i) of the Auditors Report

As stated in Note 24 b. of Schedule "N", the company is in process of reconciling the balances of the Company, its erstwhile subsidiary – Kaytee Switchgear Limited and the operating business of Kirloskar Power Equipments Limited. However, this has no material impact on the accounts.

Para 11 ii) of the Auditors Report and Para 4 of the Annexure to the Auditors' Report

The SAP R3 is an integrated system for materials, production, sales and financial accounting. Some mistakes have crept in while implementing the system. Most of the mistakes have been identified and the reconciliation is in progress. However, as the opening stock and closing stock of inventory is based on physical verification, the deficiency apprehended on account of errors in SAP R3 System will not have any impact on the accounts.

Para 11 iii) of the Auditors Report

The Company has initiated steps to bring the valuation of work in progress and finished goods at all units in line with Accounting Standard-2. However the process followed in determination of cost and net realizable value need to be further refined/improved to bring it in line with the requirements of the Company. The Company is taking steps to further refine the process However, this has no impact on the accounts.

Para 11 iv) of the Auditors Report

As mentioned in Note 27, the Company is confident of realising the amounts due from certain companies referred to therein.

Para 2 a.of the Annexure to the Auditors' Report

Confirmation has been received from some parties and from some they are expected. Confirmation is an ongoing process.

Para 2 c. and Para 8 of the Annexure to the Auditors' Report

The necessary steps have been taken for proper record keeping of inventories at the concerned unit.

Auditors

M/s. B. K. Ramadhyani & Co., Chartered Accountants M/s. Sundar & Associates, Chartered Accountants, are the retiring Auditors in India and Malaysia respectively. They are eligible for re-appointment. The required certificates to the effect that the re-appointments, if made, will be within the limit specified in Section 224(1-B) of the Companies Act, have been received from M/s. B. K. Ramadhyani & Co., and M/s. Sundar & Associates.

Fixed Deposits

18 persons had not claimed repayment of their matured deposits amounting to Rs. 9.14 lakhs as at 31st March, 2009.

Acknowledgements

The Directors place on record their appreciation of efforts of employees at all levels. They would like to place on record their sincere appreciation for the continued co-operation and support provided by the Bankers, Financial Institutions, Customers, Suppliers, Depositors and Shareholders.

For and on behalf of the Board of Directors,

Bangalore
Date : 31st July, 2009

Vijay R Kirloskar
Chairman & Managing Director

CERTIFICATE

To the Members of Kirloskar Electric Company Limited

We have examined the compliance of conditions of corporate governance by Kirloskar Electric Company Limited, for the year ended on 31.3.2009 as stipulated in clause 49 of the Listing Agreement of the said company with stock exchange(s).

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the 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 according to the 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 state that no investor grievances are pending for a period exceeding one month against the company as per the records maintained by the Shareholders/ Investors Grievance Committee.

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

For B K RAMADHYANI & CO.,
Chartered Accountants

CA. SHYAM RAMADHYANI
Partner

Place : Bangalore
Date : 31/07/2009

ANNEXURE TO THE DIRECTORS' REPORT

**DISCLOSURE OF PARTICULARS REGARDING CONSERVATION OF
ENERGY AND TECHNOLOGY ABSORPTION.**

A. Conservation of Energy

- a) Energy conservation measures taken :

The Company continues to conserve energy by

- 1) Use of Solar Energy
- 2) Improving system power factor
- 3) Reduction of maximum demand and restricting the maximum demand to billing demand.
- 4) Monitoring of energy consumption and further requisite follow-up

- b) Impact of the measures at (a) above for reduction of energy consumption and consequent impact on the cost of production of goods.

The measures taken by the Company have resulted in optimum usage of energy in terms of units, reducing costs.

- c) Total energy consumption and energy consumption per unit of production

- Not Applicable

B. Technology Absorption

1. Research and Development

Research and Development is undertaken for extending the range of the existing products, lowering costs and process improvements. Indigenisation or alternate sourcing of materials, development of energy efficient motors/generators with added features.

2. Benefits derived as a result of the above R & D efforts.

- a. Process improvement resulting in higher production.
- b. Quality improvement.
- c. Development of in-house skills for manufacture of high precision products.
- d. Enhanced design and product capability to achieve customer satisfaction.
- e. Cost reduction.
- f. Product range extension to reach newer markets.

3. **Future plan of action :**

To enhance product performance and for better customer satisfaction, the Company will continue in :-

- a. Upgradation of existing technology.
- b. Applied research and value engineering.
- c. Extension of range of inverters.
- d. Development of new processes.

4. **Expenditure on R & D**

(Rs. in 000's)

Capital	Nil
Recurring	5849
	<hr/>
Total	5849
	=====
Total R & D Expenditure	5849
as a % of total turnover	0.07

5. Technology Absorption, Adaptation and Innovation

a. Efforts made in brief for technology absorption, adaptation and innovation.

- Training of personnel in-house.
- Indigenisation of Materials, components and processes.
- Modification of imported technology to suit the prevailing Indian Market.

b. Benefits derived as a result of the above efforts

- Enhanced Product Range
- Import substitution
- Quality improvement
- Development of new Products

c. Future Plan of Action

- upgradation of existing technology
- Development of new processes

d. Technology imported during the last 5 years.

A. Technology Imported - Nil

B. Has the technology been fully absorbed ? If not fully absorbed, areas where this has not taken place, reasons therefor and future plan of action.

- NA -

C. Foreign Exchange Earnings and Outgo

1. The details of foreign exchange earnings and outgo are given below,

(Rs. in 000's)

(i) FOB value of goods exported (net)	720703
inclusive of sales within India eligible for export incentives.	
(ii) Dividend on shares (net of tax)	297
(iii) Repatriation of Profit	Nil
(iv) Others	17750

2. Value of imports calculated on the CIF basis.

(i) Raw materials & Components and spare parts.	580413
(ii) Capital Goods	9930

For and on behalf of the Board of Directors,

Bangalore
Date : 31st July, 2009

Vijay R Kirloskar
Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT**Report on Corporate Governance****Company's Philosophy**

The Company firmly believes in good Corporate Governance. It has been the policy of the Company to be fully open and transparent in the matter of management of the Company and reporting to shareholders and all others concerned.

Board of Directors

The Company is presently having eleven Directors out of which two are Executive Directors, eight Non - Executive – Independent Directors and one Director is Non Executive - Non Independent Director. The percentage of Non-Executive Independent Directors to the total number of Directors is 72%.

The Company did not have any pecuniary relationships in transactions with the Non-Executive Directors during the period under review except payment of sitting fees and reimbursement of expenses incurred for attending the meetings.

During the financial year, six Board Meetings were held. The meetings were held on 27.6.2008, 30.7.2008, 20.08.2008, 17.9.2008, 31.10.2008 and 27.02.2009.

The composition of Board of Directors and Directors' attendance at the Board Meetings during the year under report and the number of other directorships and Committee Memberships held by them as of 31st March, 2009 are given below.

Sl No.	Name of Director	Category of Directorship	No. of Board Meetings Attended	Attendance at last AGM	No. of other Directorships @ 31/3/2009	No. of other committee Memberships As on 31/3/2009
1	Mr. Vijay R Kirloskar	Executive Chairman & Managing Director Promoter	5	Yes	5	Nil
2	Mr. A.S. Lakshmanan	Non Executive - Independent Director	6	Yes	3	Member-2
3	Mr. S.N.Agarwal	Non Executive - Independent Director	5	Yes	5	Member-2
4	Mr. Anil Kumar Bhandari	Non Executive - Independent Director	6	Yes	2	Nil
5	Mr. Sarosh J Ghandy	Non Executive - Independent Director	6	No	5	Chairman-1 Member-1
6	Mr. V.P. Mahendra	Non Executive - Independent Director	4	Yes	5	Chairman-1 Member-1
7	Mr. Kamlesh Gandhi	Non Executive - Independent Director	4	Yes	6	Member-2
8	Mrs. Mythili Balasubramanian*	Non Executive - Independent Director Nominee – IDBI	3	No	1	Nil
9	Mr. Ramesh D Damle**	Non Executive - Independent Director Nominee – LIC	3	No	Nil	Nil
10	Mr. P.S. Malik	Executive - Whole-time Director	5	Yes	2	Nil
11	Mr. Berthold Groeneveld***	Non Executive - Independent Director	2	NA	Nil	Nil
12	Mr. D.Devender Singh****	Non Executive - Independent Director Nominee – LIC	1	NA	Nil	Nil

@ Directorships held in other Public Limited Companies only .

* Ceased to be Director w.e.f.11.2.2009

** Ceased to be Director w.e.f. 3.11.2008.

*** Co-opted as Director w.e.f 31.10.2008

**** Co-opted as Director w.e.f.27.2.2009

KIRLOSKAR ELECTRIC COMPANY LTD.

Necessary information as mentioned in Annexure 1A to Clause 49 of the Listing Agreement has been placed before the Board for their consideration.

Audit Committee

The Audit Committee consisted of five independent Non-Executive Directors (Position as on 31/3/2009)

The terms of reference to the Audit Committee cover the areas mentioned under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, besides some other functions as referred to it by the Board of Directors.

During the financial year, the Committee met on 27.6.2008, 30.7.2008, 28.8.2008, 31.10.2008, 28.1.2009 and 27.2.2009. The particulars of meetings attended by the members are as follows :-

Name of Director	No. of Meetings Attended	
Mr. S.N.Agarwal	5	Chairman
Mr. A.S.Lakshmanan	6	Member
Mr. Anil Kumar Bhandari	6	Member
Mr. Sarosh J Ghandy	6	Member
Mr. V.P.Mahendra	4	Member

Shareholders/Investors Grievances Committee :

The Shareholders/Investors Grievances Committee consisted of three Directors (Position as on 31/3/2009). The terms of reference of Shareholders/Investors Grievances Committee include, inter alia, to look into the shareholders and investors complaints regarding transfer of shares, non receipt of balance sheet, non receipt of dividends etc. and to redress the same. During the year under review, the Committee met on 27.2.2009 and reviewed the status of shareholders' grievances, approved share transfers, etc.

The particulars of the meeting attended by the members are as follows :-

Name of Director	No. of Meetings Attended	
Mr. Anil Kumar Bhandari	1	Chairman
Mr.Vijay R Kirloskar	1	Member
Mr. P.S.Malik	1	Member

To expedite the process of share transfers, the Board has delegated the power to approve share transfers upto a limit, to the Company Secretary who attends to the share transfer work periodically, approximately once in fortnight. Mr. P.Y.Mahajan, AVP & Company Secretary, is the Compliance Officer.

Remuneration Committee

The Remuneration Committee consisted of following Directors (Position as on 31/3/2009) :-

Mr. S.N. Agarwal - Chairman

Mr. A.S. Lakshmanan - Member

Mr. Anil Kumar Bhandari - Member

Mr. Sarosh J Ghandy - Member

During the year under review, the Committee met on 27.6.2008 and 17.9.2008.

The particulars of meetings attended by the members are as follows :-

Name of Director	No. of Meetings Attended	
Mr. S.N.Agarwal	2	Chairman
Mr. A.S.Lakshmanan	2	Member
Mr. Anil Kumar Bhandari	2	Member
Mr. Sarosh J Ghandy	2	Member
Mr.Ramesh D Damle*	1	Member

* Mr. Ramesh Damle ceased to be a Director w.e.f. 3.11.2008

SIXTY SECOND ANNUAL REPORT 2008-09

Committee formed to consider and approve the financial results

The Committee consisted of following Directors (Position as on 31/3/2009) :-

Mr. A.S. Lakshmanan	- Chairman
Mr. Vijay R Kirloskar	- Member
Mr. P.S. Malik	- Member
Mr. V.P. Mahendra	- Member

During the year under review, the Committee met on 28.1.2009.

The particulars of the meeting attended by the members are as follows :-

Name of Director	No. of Meetings Attended	
Mr. A.S.Lakshmanan	1	Chairman
Mr. Vijay R Kirloskar	1	Member
Mr. P.S. Malik	1	Member
Mr.V.P. Mahendra	1	Member

Remuneration Policy

The objective of the remuneration policy is to motivate employees to excel in performance, recognition of contribution and retention.

The components of the total remuneration vary for different levels and are governed by industry pattern, qualification and experience of employees and responsibilities.

Remuneration of employees largely consists of basic remuneration, perquisites and performance incentives.

The number of employees working in the organisation as on 31.3.2009 was 1961.

Details of remuneration paid to the Directors during the year under review :

Payments made to Directors during the year ended 31/3/2009

A) Executive Directors:

Name	Salary	Contribution to PF and other Funds	Total Amount
Mr. Vijay R Kirloskar Chairman & Managing Director	38.37	9.07	47.44
Mr. P.S.Malik * Joint Managing Director	19.80	5.78	25.58

* No remuneration was paid to Mr. Malik from the Company till 16.10.2008 and he was being paid by Kaytee Switchgear Limited (Subsidiary Company) till that date and the Company started paying him from 17.10.2008 subsequent to the merger of Kaytee Switchgear Limited with the Company.

The Managing Director has been appointed for a period of 5 years w.e.f. 17th August, 2005. In case his tenure is determined by the Company prematurely, the Managing Director shall be entitled to compensation as provided under section 318 of the Companies Act, 1956.

Mr. P.S.Malik has been appointed for a period of three years with effect from 10.10.2006 and the appointment is terminable by either party by giving three months notice to the other. Severance compensation of three months salary is payable to Mr. Malik, if his office is terminated before the contractual period.

B.) Non Executive Directors

Name of the Director	Fees paid for attending Board/Committee Meetings Rs.
Mr. A.S. Lakshmanan	60000
Mr. S.N.Agarwal	49000
Mr. Anil Kumar Bhandari	60000
Mr. Sarosh J Ghandy	51000
Mrs. Mythili Balasubramanian*	15000
Mr. Ramesh D Damle	18000
Mr. V.P. Mahendra	35000
Mr. Kamlesh Gandhi	20000
Mr. Berthold Groeneveld	10000
Mr. D. Devender Singh**	5000

* Fees paid to IDBI

** Fees paid to Life Insurance Corporation of India

KIRLOSKAR ELECTRIC COMPANY LTD.

Share holdings of Non Executive of Director on as 31.3.2009

Non Executive Director	Shareholding No. of Shares
Mr. A.S. Lakshmanan	19934
Mr. S.N. Agarwal	500
Mr. Anil Kumar Bhandari	500
Mr. Sarosh J Ghandy	615
Mr. V.P. Mahendra	2533
Mr. Kamlesh Gandhi	500
Mr. Berthold Groeneveld	500
Mr. D. Devender Singh	500

None of the non-executive Directors owns any shares on beneficial basis.

Code of Conduct

The Board has laid down a Code of Conduct for Board of Directors and Senior Managers and the Code is posted on the website of the Company.

Declaration pertaining to compliance with the Code of Conduct of the Company

This is to confirm that all the Board Members and Senior Managers have affirmed compliance with the Code of Conduct of the Company, for 2008-09.

Bangalore

June 24 , 2009

sd/-

Vijay R Kirloskar

Chairman & Managing Director

General Body Meetings

The details about the last three Annual General Meetings are given below :

AGM	YEAR	VENUE	DATE	TIME
59 TH	Apr 2005-Mar 2006	Chowdaiah Memorial Hall Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003.	28.9.2006	10.00 A M
60 TH	Apr 2006-Mar 2007	Chowdaiah Memorial Hall Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003.	30.08.2007	10.00 A M
61 ST	Apr 2007-Mar 2008	Chowdaiah Memorial Hall Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003.	17.09.2008	10.00 A.M

Special Resolutions passed in the previous three Annual General meetings :

Year	Special Resolution
2005-06	1. Re-appointment of Mr.P.S.Malik as a wholetime Director for a period of three years w.e.f.10.10.2006 2. Approval for payment of remuneration to Mr.P.S.Malik, Dy.Managing Director of the Company from Kaytee Switchgear Limited, a subsidiary company.
2006-07	1. Appointment of Mr. P.S.Malik as Joint Managing Director from 25 th June,2007 till 9 th October, 2009. 2. Approval for payment of remuneration to Mr.P.S.Malik, Joint Managing Director of the Company from Kaytee Switchgear Limited, a subsidiary company.
2007-08	1. Revision of remuneration of Mr.Vijay R Kirloskar w.e.f.27.6.2008 for the remaining period of his appointment i.e. upto 16.8.2010. 2. Approval for the continuing services of Ms. Janaki Kirloskar and increase in her remuneration 3. Appointment of Ms.Rukmini Kirloskar, Daughter of Mr.Vijay R Kirloskar to hold an office or place of profit under the Company.

No Special Resolution through postal ballot is proposed in the ensuing Annual General Meeting.

Disclosures

Related party transactions

There have been no materially significant related party transactions that would have potential conflict with the interests of the Company at large. Audit Committee reviews periodically related party transactions i.e. transaction of the Company, which are of material nature with related parties and material individual transactions with related parties or others, that may have potential conflict with the interests of the Company at large. Details of related party transactions are provided in Note 18 of the Notes forming part of the Abridged Accounts in accordance with provisions of Accounting Standard 18. There were no material individual transactions with related parties which are not in the normal course of business and there were no material individual transactions with related parties or others, which are not on an arm's length basis.

Accounting Treatment

The Company's financial statements are prepared as per the guidelines of Accounting Standards under Indian GAAP.

Risk Management

The Company has laid down procedures to inform Board Members about the risk assessment and minimisation procedures. These are periodically reviewed and to ensure that executive management controls risk through means of a properly defined framework.

Utilisation of Public Issue Proceeds during the period under Report

The Company has not raised any money through any issue.

Details of non-compliance

During the previous three years, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any statutory authority for non-compliance of any matter related to the capital markets.

Compliance with non-mandatory requirements of clause 49 of the Listing Agreement

Compliance with Clause 49

All mandatory requirements of Clause 49 of the Listing Agreement have been complied with by the Company and non mandatory requirement have been followed to the following extent :-

Remuneration Committee

A Remuneration Committee has been constituted, the details whereof have been provided earlier in the Report.

Some of the non mandatory requirements are not being followed for the reasons given against the requirements as follows :-

Chairman's Office

As the Chairman of the Company is an Executive Chairman, the provision is not applicable.

Shareholders' Rights

The quarterly/ half yearly financial results are published in English in a newspaper having wide circulation all over India and also in a vernacular newspaper and are also displayed on the Company's website and are, therefore, not sent separately to the shareholders.

Training of Board Members

The Board of Directors comprises of well-experienced versatile members and their formal training is considered not necessary.

Whistle Blower Policy

The Company does not have any formal Whistle Blower Policy. But any employee of the Company can approach the Audit Committee if he/she so desires.

Means of Communication

The quarterly/half yearly results are published as per the listing requirements. They are published in English and in Kannada in well known newspapers.

The Company's results are sent to the Stock Exchanges by Email, Fax and Courier. The Company has not given any official news release and has not made any presentation on financial results to institutional investors.

Information about the Company in general and its financial results can be accessed at the Company's website www.kirloskar-electric.com.

Management Discussion and Analysis Report forms part of the Annual Report.

Shareholders' Information

Annual General Meeting

Date : 24th September, 2009

Time : 10.00 A.M.

Venue : Chowdiah Memorial Hall
Gayathri Devi Park Extension
Vyalikaval, Bangalore 560 003

Financial Calendar for the period till 31.3.2010 is as given below :

Financial Year 1st April, 2008 to 31st March, 2009

Un-audited Results for the quarter ended	Approved on	Published in
30.06.2008	30.07.2008	Business Standard and Samyuktha Karnataka
30.09.2008	31.10.2008	Business Standard and Samyuktha Karnataka
31.12.2008	28.01.2009	Business Standard and Samyuktha Karnataka
31.03.2009*	24.06.2009	Business Standard and Samyuktha Karnataka

*** Audited Results**

Un-audited results for the quarter ending June, 2009 : Last week of July, 2009

Un-audited results for the quarter ending September, 2009 : Last week of October, 2009.

Un-audited results for the quarter ending December, 2009 : Last week of January, 2010.

Un-audited results for the quarter ending March, 2010 : Last week of April , 2010, unless the Company decides to publish audited results directly as per Listing Agreements.

Date of Book Closure : Thursday, 17th September, 2009 to Thursday, 24th September, 2009.

Dividend Payment Date : The Company has not declared any Equity dividend for the financial year 2008-09.

Listing on Stock Exchanges : Bangalore Stock Exchange Ltd.
Madras Stock Exchange Ltd.

The shares of the Company are also traded on the IndoNext Platform of Bombay Stock Exchange Ltd.

Stock Code : Bangalore Stock Exchange Ltd. – KIRELECTRI
Madras Stock Exchange Ltd. –KRL
Bombay Stock Exchange Ltd. - 590052

ISIN Number : INE 134B01017

The listing fees for 2009-2010 have been paid to both the Stock Exchanges where the shares are listed.

Market Price Data

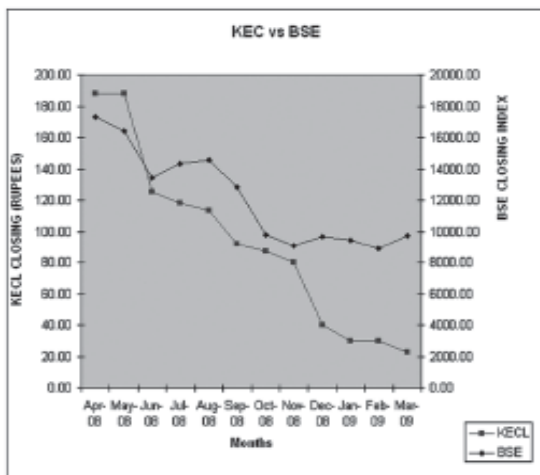
During the year under review there was no trading in the shares of the Company on Bangalore Stock Exchange Limited and Madras Stock Exchange Limited where the shares are listed.

The shares are being traded on Bombay Stock Exchange Limited (BSE) on the IndoNext Platform under "S" group. The prices thereat were as follows :-

Month	Monthly High (Rs.)	Monthly Low (Rs.)	Monthly Volume(Nos.)
April, 2008	212.10	160.00	577503
May, 2008	212.00	179.50	178483
June, 2008	188.00	119.00	63535
July, 2008	132.95	105.00	57458
August, 2008	143.90	110.10	362755
September, 2008	117.40	79.15	733915
October, 2008	96.80	66.20	94555
November, 2008	101.20	74.00	50112
December, 2008	83.00	37.10	2881553
January, 2009	44.75	27.00	429440
February, 2009	34.70	26.70	347662
March, 2009	30.90	19.00	2317341

Share Price Movements :

Share Price Movements for the period 1st April, 2008 to 31st March, 2009 of Kirloskar Electric Company Limited (KECL) vs BSE Sensex

**Registrar and Share Transfer Agents**

M/s. Kirloskar Computer Services Limited, are the Registrar and Share Transfer Agents of the Company for both the physical and the dematerialised shares. Their address is :

Kirloskar Computer Services Limited
 412 and 415 on 10th Cross, 5th Main Road
 RMV II Stage
 Bangalore 560 094
 Telephone No : 23519311, 23519384
 Fax No. 23519294
 Website : www.kcsl.com

The Company is in the new process of changing its Registrar and Share Transfer Agents (R & T Agents). The new R & T Agents are :-

KIRLOSKAR ELECTRIC COMPANY LTD.

M/s Alpha Systems Pvt. Ltd
No. 30, Ramana Residency
4th Cross, Sampige Road
Malleswaram,
Bangalore 560 003
Phone No. 23460815-818
Fax No. 23460819

The Company will intimate about the date of change through the Stock Exchanges in due course.

All applications for transfer/demataterialisation may be forwarded to the Registrars at their above address or to the Company at its Registered Office.

The Company's shares are in compulsory demat mode. Investors/Members are requested to note that physical documents, viz. Demat Request Forms (DRF), Share Certificates, etc. should be sent by their DPs' directly to the Transfer Agents of the Company. Investors/Members who purchase/acquire shares of the Company in the physical form should similarly send the physical documents, viz Transfer Deeds, Share Certificates etc. to the Transfer Agents of the Company. In case of transfer of shares in the physical form, option is given to acquirers to dematerialise their shares as per SEBI guidelines. If the option is not exercised, physical share certificates duly endorsed for transfer are despatched.

The shareholders' complaints received during the year have been resolved with due despatch and no complaints were pending as on 31.3.2009. The number of physical transfers pending as on 31.3.2009 was 6 transfer applications for 255 shares and the number of dematerialisation requests pending was 12 for 11408 shares. The transfers have been duly dealt with thereafter. The Company has not rematerialised any shares during the year.

Distribution of Shareholding as on 31.3.2009

Shareholding % of Range	No. of share holders in Demat Form	No. of Shares	No. of share holders in physical Form	No. of Shares	Total No. of Share holders	%	No. of shares	% of Share holding
1-500	12098	1274230	24390	913683	36488	94.75	2187913	4.33
501-1000	644	517901	331	341849	975	2.53	859750	1.70
1001-2000	341	512382	139	235183	480	1.25	747565	1.48
2001-3000	116	292817	57	140710	173	0.45	433527	0.86
3001-4000	48	172067	27	93168	75	0.19	265235	0.52
4001-5000	64	297990	19	83580	83	0.22	381570	0.76
5001-10000	97	704365	22	152109	119	0.31	856474	1.70
10001 & above	102	36142551	16	8646782	118	0.30	44789333	88.65
TOTAL	13510	39914303	25001	10607064	38511	100.00	50521367	100.00

Pattern of Equity Shareholding as on 31.3.2009 :

Category	No. of Shares held	Percentage of Shareholding
Promoters	25003593	49.49
Banks, Financial Institutions	5030665	9.96
Foreign Investment Institutions	850	0.00
Private Corporate Bodies	5909615	11.70
Indian Public	12594224	24.93
NRI/OCBs	1982420	3.92
Total	50521367	100.00

Dematerialisation of Shares

The paid up equity capital of the Company as on 31.3.2009 was Rs. 50,52,13,670 (50521367 shares of Rs.10/- each). Out of the total Equity paid up share capital of Rs. 50,52,13,670, 3,99,14,303 equity shares representing 79% of the Equity Capital were held in dematerialised form as on 31.3.2009.

Shareholders complaints received during the period 1.4.2008 to 31.3.2009.

Type of Complaint	Number of Complaints Received	Number of Complaints redressed	Redressal under process
Letters of complaints regarding Dividend (Non -receipt of Dividend Correction in Bank details etc.)	2	2	-
Letters of Non receipt of Annual Reports	3	3	-
Change of Address and Bank Details	14	14	-
Letters or Complaints regarding shares (Non-receipt of shares after transfer /transmission, deletion of names consolidation/sub-division of shares and general transfer correspondence)	25	25	-
Complaints regarding Dematerialisation /Re-materialisation /Rejection	8	8	-
Miscellaneous Letters or complaints received other than above categories.	56	56	-

Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity

The Company has no GDR/ADR/Warrants or any convertible instruments.

Insider Trading

The code of internal procedure of conduct and code of corporate disclosure practices as suggested under the SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended by the Notification of 20th February, 2002 has been approved on 24th September, 2002 and is made effective with effect from 1.10.2002 and further amendments have also been incorporated subsequently

Plant Locations

Govenahalli	Hubli	Mysore	Tumkur	Kondhapuri	Nagar Road
Survey No.16 Govenahalli Thyamagondalu Hobli Nelamangala Taluk Bangalore Rural District 562 123	Gokul Road, Hubli- 580 030	Belvadi Industrial Area, Mysore 570 018	Hirehalli Industrial Area Hirehalli Tumkur 572 168	GAT No.309,315,317 and 318 Opp Govt Milk Dairy Kondhapuri Dt. Pune 412 209	5/4 Nagar Road Pune 411 014

Kachenahalli	Tumkur Road	Gurgaon	Dhulagarh
Survey No. 81/3, Kachenahalli (Budihal) Nelamangala Taluk Bangalore Rural	JD Royalite Building Tumkur Road Bangalore 560 022	42D, Type, HSIDC, Sheds Sector-37 Udyog Vihar Phase VI, Gurgoan 122001 Haryana	East Wing - 14, Jala Dhulagori Andul Mauri Sankrail, Howrah, West Bengal

Address for Correspondences :

Kirloskar Electric Company Limited

Post Box No. 5555,

Malleswaram West, Bangaore 560 055

Telephone : 23374865, 23378735 Fax- 23377706

Web Site Address – www.kirloskar-electric.com

Directors' Responsibility Statement

The Directors' Responsibility Statement in conformity with the requirement of the Companies Act, 1956 has been included in the Directors' Report to the Shareholders. A Management Discussion and Analysis Report in terms of item IV (F) of Clause 49 of the Listing Agreement has been annexed to the Directors' Report.

The financial accounts are in full conformity with the requirements of the Companies Act, 1956. These accounts reflect the form and substance of transactions and present a true and fair view of the Company's financial condition and the results of operations.

The Company has a system of internal control which is reviewed, evaluated and updated on ongoing basis. The Internal Audit Department has conducted periodic audit of systems and procedures to provide reasonable assurance that the activities are conducted in a manner not prejudicial to the interests of the Company.

The financial statements have been audited by M/s B.K.Ramadhyani & Co., Chartered Accountants and have been reviewed by and discussed in the Audit Committee.

Information pursuant to Clause 49 IV (G) (i) (c) of the Listing Agreement

The details required under Clause 49 IV (G) (i) (c) of the Listing Agreement are given in the notice convening the meeting.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

India's growth story is expected to be resumed again though this year the GDP growth may be around 7%. There was some slow down in the later part of 2008-09 but the demand is expected to pick up again on account of various measures being taken by the Government/RBI. The strong brand image of the Company's products on account of our stress on quality puts us in an advantageous position. It may be noted that the Company has no control over the external factors as a result of which the actual performance may vary from the expected.

Performance Overview

During the year the Company has achieved a turnover of Rs. 8.66 billion as against Rs. 8.21 billion in the previous year. The profit before tax for the year is Rs.3.48 million as against a profit of Rs. 6.94 million in the previous year.

Segmentwise or productwise performance

The Company has identified the reportable segments as Rotating Machines Group, Power Distribution and Others, taking into account the nature of products and services, the different risks and returns and the internal reporting systems.

The segmentwise turnover of the Company is as follows: -

(Rs. in 000's)

Products	2008-09	2007-08
Rotating Machines Group	4186099	4485969
Power Distribution	4933071	4374105
Others	510131	601978
Total	9629301	9462052

Future Outlook

As has been mentioned earlier in the Report, there was slow down in the later part of 2008-09. It appears that the economy will revive and will have GDP growth above 7%. The various industries to which the Company caters are expected to fare better again and demand from them will pick up again. The overall long term view is positive.

Risks & Concerns

On account of the sudden slowdown seen in the later part of 2008-09 the Industry in general has turned cautious and further investments may be deferred/curtailed. A lot will depend on Monsoon and movement of raw-material prices.

Internal Control System

The Company has in place an adequate system of internal controls commensurate with the size of the Company and the nature of its business. This ensures efficacy of operations and safeguarding of assets against loss and compliance with applicable legislation. The system involves appropriate and timely recording of all transactions and financial tracking. There exists an adequate management reporting system comprising managerial reporting and analysis on various performance indicators, for corrective action as necessary. The Company has regular review systems to monitor the performance against agreed financial parameters to assess the strengths and areas of improvement at all the Units.

Human Resources

Industrial relations during the year were generally cordial and the Company continued to have good support of all its employees at all levels except for some go-slow in one of the units for few days.

For and on behalf of the Board

Bagalore

Date : 31st July, 2009

Vijay R Kirloskar

Chairman & Managing Director

CEO & CFO CERTIFICATION

We have reviewed financial statements and the cash flow statement for the year ended 31st March, 2009 and certify, to the best of our knowledge and belief, that:

- i. these statements present a true and fair view of the Company's affairs, and are in compliance with existing accounting standards, applicable laws and regulations;
- ii. these statements do not contain any materially untrue statement, or omit any material fact, or contain statements that might be misleading;
- iii. no transactions entered into by the Company during the year were fraudulent, illegal or violative of the Company's code of conduct ;
- iv. we have accepted the responsibility for establishing & maintaining internal control for financial reporting;
- v. we have evaluated the effectiveness of the internal control systems of the company, and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, of which we are aware and have taken steps to rectify the same, wherever found;
- vi. significant changes in internal control over financial reporting, as well as changes in accounting policies, have been intimated to the Auditors and the Audit Committee, and have been disclosed in the notes to the financial statements; There were no instances of fraud of which we have become aware.

Place : Bangalore

Date : 24.6.2009

Vijay R Kirloskar

Chairman & Managing Director

Rakesh Kumar Gupta

VP & CFO

AUDITORS' REPORT

TO THE MEMBERS OF KIRLOSKAR ELECTRIC COMPANY LIMITED, BANGALORE

We have audited the attached Balance Sheet of Kirloskar Electric Company Limited, Bangalore as at March 31, 2009, the Profit and Loss Account and also the Cash Flow statement for the year ended on that date annexed thereto.

- 1 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 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 issued by the Company Law Board, in terms of subsection 4A of section 227 of the Companies Act, 1956('Order'), we enclose in the annexure a statement on matters specified in paragraphs 4 and 5 of the Order.

Further to our comments in the annexure referred to above, we report that:

- 4 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.
- 5 In our opinion, *subject to paragraph 8 of the annexure*, the Company has kept proper books of account as required by law, so far as it appears from our examination of such books.
- 6 The report on the accounts of the Kuala Lumpur office in Malaysia not visited by us but audited by M/s Sundar & Associates, Chartered Accountants has been forwarded to us and has been dealt with in the manner considered appropriate by us while preparing our report.
- 7 The Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Account and the audited returns received from the Kuala Lumpur office of the Company.
- 8 In our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report comply in all material respects with the mandatory accounting standards (AS) referred to in subsection (3C) of section 211 of the Companies Act, 1956 as applicable, subject to *note 25 (b) of Schedule 'N' (valuation of Inventories)* and note 26 of schedule 'N' (non disclosure of prior period income/expenditure as required by AS 5)
- 9 On the basis of written representations received from directors as on March 31, 2009 and taken on record by the Board of Directors, we report that none of the directors of the Company are disqualified as on that date from being appointed as a director under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- 10 Without qualifying our opinion, we draw attention to note 18 of schedule 'N' regarding purchase and sales (during the year and previous year) amounting to Rs.34.873 million and 5.310 million respectively from a company in which certain directors are interested. The earlier approval of the Central Government has been expired under section 297 of the Companies Act, 1956.
- 11 Attention of the members is invited to:
 - i) *Note 24 of schedule 'N' regarding certain debtors, creditors, loans and advances, reconciliation of balances between the Company, erstwhile subsidiary KSL and operating business of KPEL being under review/reconciliation. We have relied on the representations of the management that the effect of the same on the revenue of the year is not material.*
 - ii) *Note 25 (a) of schedule 'N' regarding accounts of one of the units of the Company whose accounts have been maintained on SAP R/3 systems. Effect on revenue, not ascertainable.*
 - iii) *Note 25 (b) of schedule "N" regarding valuation of inventories of certain units not being in line with Accounting Standard 2. Effect on revenue, if any is not ascertainable and*

- iv) *Note 27 of schedule 'N' regarding amounts due from certain companies of Rs.42.310 million, which have incurred losses and whose net worth have been partially or wholly eroded. We have relied on the representations of the management that the said debts/advances are good of recovery. We do not express any independent opinion in this matter.*
- 12 In our opinion and to the best of our knowledge and according to the information and explanations given to us, the said accounts subject to note 22, schedule 'N' and read with the other notes and schedules give the information as required by the Companies Act, 1956 in the manner so required and subject to *paragraphs 8, 10 above and paragraph 2 of the annexure to this report* 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 March 31, 2009
- B In the case of the profit and loss account, of the profits of the Company for the year ended on that date and
- C In the case of cash flow statement, of the cash flows of the Company for the year ended on that date.

For B.K. RAMADHYANI & CO.
Chartered Accountants

CA SHYAM RAMADHYANI
Partner

Membership number 200/19522

Bangalore
Date: June 24, 2009

ANNEXURE TO AUDITORS' REPORT
(AS REFERRED TO IN PARA 3 OF OUR REPORT TO THE MEMBERS OF
KIRLOSKAR ELECTRIC COMPANY LIMITED)

1.
 - a. The fixed asset records maintained by the Company need to be updated by interalia incorporating comprehensive description of fixed assets and changes in location in order to show full particulars.
 - b. The management during the year has physically verified a portion of fixed assets in respect of certain units. We have been informed by the management that no material discrepancies were observed. However, a comprehensive physical verification needs to be carried out. Fixed assets lying with third parties are subject to confirmation.
 - c. During the year, the Company has not disposed off a substantial part of its fixed assets and as such the provisions of clause 4(i) (c) of the Order are not applicable to the Company.
 2.
 - a. Inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable. *Certain stocks lying with third parties and at port are subject to confirmation.*
 - b. 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 is maintaining proper records of inventory in terms of quantities *except in respect of inventories of certain units and work-in-progress, where records are under updation.* The discrepancies noticed on verification between the physical stocks and the book records wherever maintained were not material.
 - d. We have relied on the representation of the management that the consumption of materials and components is in line with production/ industry norms.
 3. The Company has neither taken nor granted any loans from/to companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) of the Order are not applicable to the Company. For this purpose, we have relied on the representations of the management that monies due from parties referred to in note 21 & 27(a) of schedule 'N' are advances and not in the nature of loans.
 4. Having regard to the explanations given to us that some of the bought out items/assets are proprietary and/or special and/or are customised to the requirements of the Company and as such comparative quotations are not available and subject to *notes 24 and 25 (a) Schedule 'N'* there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and for the sale of goods. We have not observed during the course of our audit any continuing failure to correct major weaknesses in internal controls, subject to *note 25 (a) of Schedule 'N'*.
 5.
 - a. According to the information and explanations given to us and subject to para 10 (a) of the audit report, we are of the opinion that transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered. Reference is invited to note 18 of Schedule 'N'.
 - b. No comments can be made on the reasonability of the rates in respect of the transactions so made and exceeding Rs. 500,000 in respect of any one party since there are no similar transactions with third parties at the relevant time.
 6. The Company has complied with the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to deposits accepted from the public. The Company Law Board has not passed an order.
 7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
 8. We have broadly reviewed the Cost Records maintained by the Company as prescribed by the Central Government under clause (d) of sub section (1) of 209 of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained, *subject to inventory records of certain units being under updation.* We have not made a detailed examination to ensure their accuracy or completeness.
-

9. a. The Company has been regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, customs duty, excise duty, cess and other statutory dues with the appropriate authorities barring delays in certain months.
- b. We have been informed by the management that the customs duty payable of Rs. 4,119,078 referred to in our report dated June 25, 2007 to the members of the Company is old, not subsisting and not payable. According to the information and explanations given to us, there are no other undisputed statutory dues as at March 31, 2009 outstanding for a period of more than six months from the date they became payable.
- c. According to the information and explanations given to us, the following dues of sales tax, income tax, customs tax, excise duty, service tax and cess had not been deposited as at March 31, 2009 with the relevant authorities on account of disputes.

Name of the statute	Nature of the dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Central Sales Tax	Demands at Various Branches of the Company	781,446	1985 to 2001	Sales Tax Appellate Tribunal
Local Sales Tax at Various Branches	Demands at Various Branches of the Company	3,872,324	1985 to 2001	Sales Tax Appellate Tribunal
Local Sales Tax at Various Branches	Demands at Various Branches of the Company	2,459,790	1999 to 2000	Joint Commissioner of Sales tax
Central Sales Tax	Demands at Various Branches of the Company	1,241,688	1999 to 2000	Joint Commissioner of Sales tax
Central Sales Tax	Sales tax demand.	39,376,905	1999-2000	Commissioner of Sales Tax (Appeals)
Bombay Sales Tax Act	Sales tax demand	1,478,929	1999-2000	Commissioner of Sales Tax (Appeals)
The Customs Act, 1962.	Customs demand	5,049,397	1994 to 1999	Asst. Commissioner of Customs
The Central Excise and Salt Act, 1944	Excise Duty Demand	133,370	2007-08	Assistant Commissioner of Central Excise
Service Tax Act	Service Tax Demand	550,949	2004-05	Joint Commissioner of Central Excise (Service Tax)
Service Tax Act	Service Tax Demand	209,750	2003 – 04	Central Excise and Service Tax Appellate Tribunal (Mumbai)
The Central Excise and Salt Act, 1944	Excise demand	30,112	April 1993	High Court of Karnataka
The Central Excise and Salt Act, 1944	Excise demand	129,023	March 2006	Central Excise and Service Tax Appellate Tribunal

10. In our opinion, the accumulated losses of the Company are not more than fifty percent of its net worth. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has defaulted in repayment of dues to banks & financial institutions amounting to Rs.58.932 million and Interest of Rs.4.975 million. Further there are delays during the year in repayments of instalments and interest in certain months.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and as such the provisions of clause 4(xii) of the Order are not applicable to the Company.
13. 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 Order are not applicable to the Company.

14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
15. In our opinion, the terms and conditions on which the Company has given guarantees for loans taken by its wholly owned subsidiary from a bank is not prima facie prejudicial to the interest of the company.
16. In our opinion, the Company has used the terms loans for the purpose for which it has been taken.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that Rs.103.49 million funds raised on short- term basis have been used for long-term investment.
18. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties covered in the register maintained under section 301 of the Act.
19. According to the information and explanations given to us, the Company has issued debentures to the Industrial Development Bank of India to an extent of Rs.49.4 million in terms of the scheme of arrangement approved by the honourable High Court of Karnataka under sections 391 to 394 of the Companies Act, 1956. The Company has created securities in respect of the said debentures.
20. The Company has not raised any monies by public issue during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable to the Company.
21. According to the information and explanations given to us, no material frauds on or by the Company that causes material misstatement to the financial statement have been noticed or reported during the year.

For B. K. RAMADHYANI & CO.,
Chartered Accountants

CA. SHYAM RAMADHYANI
Partner
Membership No. 200/19522

B. K. Ramadhyani & Co.,
4B, Chitrapur Bhavan
8th main, 15th cross, Malleswaram,
Bangalore - 560 055

Date: June 24, 2009

SIXTY SECOND ANNUAL REPORT 2008-09

BALANCE SHEET AS AT 31ST MARCH 2009

(Rs in 000's)

	Schedule	As at 31st March 2009	As at 31st March 2008
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
a) Capital	A	742,888	452,688
b) Shares to be allotted pursuant to Scheme		-	290,200
c) Reserves & Surplus	B	916,901	647,130
		<u>1,659,789</u>	<u>1,390,018</u>
LOAN FUNDS			
a) Secured Loans	C	1,173,368	1,142,748
b) Unsecured Loans	D	294,638	170,350
		<u>1,468,006</u>	<u>1,313,098</u>
TOTAL		<u>3,127,795</u>	<u>2,703,116</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
a) Gross Block	E	2,579,379	2,314,580
b) Less : Depreciation		<u>975,130</u>	<u>845,644</u>
c) Net Block		1,604,249	1,468,936
d) Capital Work in progress	F	93,176	151,518
		<u>1,697,425</u>	<u>1,620,454</u>
INVESTMENTS	G	650,885	5,552
CURRENT ASSETS, LOANS & ADVANCES	H		
a) Inventories		736,238	942,867
b) Sundry Debtors		1,895,783	1,874,767
c) Cash & Bank Balances		484,230	648,511
d) Loans & Advances		<u>772,122</u>	<u>603,822</u>
		<u>3,888,373</u>	<u>4,069,967</u>
Less : CURRENT LIABILITIES & PROVISIONS	I		
a) Current Liabilities		2,585,228	2,621,388
b) Provisions		<u>523,660</u>	<u>371,469</u>
		<u>3,108,888</u>	<u>2,992,857</u>
NET CURRENT ASSETS		779,485	1,077,110
TOTAL		<u>3,127,795</u>	<u>2,703,116</u>
NOTES ON ACCOUNTS	N	-	-

FOOT NOTE : Schedules referred to above and the Notes attached form an integral part of the Balance Sheet

As per our report of even date

For **B.K. RAMADHYANI & CO.**

Chartered Accountants

CA SHYAM RAMADHYANI

Partner

Bangalore

Date : June 24, 2009

VIJAY R KIRLOSKAR

Chairman & Managing Director

P Y MAHAJAN

Associate Vice President & Company Secretary

P S MALIK

Joint Managing Director

CA R.K. GUPTA

Vice President & Chief Financial Officer

KIRLOSKAR ELECTRIC COMPANY LTD.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

(Rs in 000's)

	Schedule	Current Year	Previous Year
INCOME			
Sales		9,629,301	9,462,052
Less: excise duty		969,650	8,659,651
Other Income	J	91,043	1,254,287
Profit on sale of fixed assets (net)		48	101,467
TOTAL		8,750,742	8,309,525
EXPENDITURE			
Consumption of Raw Materials, Stores, Spares parts & Components and purchasing for Trading	K	6,674,953	6,068,006
Operating and Other Expenses	L	1,339,206	1,264,500
Interest and Finance Charges			
On Fixed Loans		138,489	118,236
On Other Accounts		86,777	31,983
		225,266	150,219
Loss on sale of fixed assets		3,794	-
Depreciation, Amortisations and Provisions	M	165,087	134,138
		8,408,306	7,616,863
Less: Expenses Capitalised		6,083	1,427
TOTAL		8,402,223	7,615,436
PROFIT BEFORE EXTRAORDINARY ITEMS		348,519	694,089
Add: Extraordinary income - remission of liability		-	1,811
PROFIT BEFORE TAX EXPENSE		348,519	695,900
Less : Provision for current tax (net)		39,399	68,365
Deferred tax credit withdrawn		-	(3,006)
Provision for Fringe Benefit Tax		7,000	10,400
		46,399	75,759
PROFIT AFTER TAX EXPENSE		302,120	620,141
Add: Profit/ (Loss) brought forward from Previous Year		505,149	(149,444)
Loss of Kaytee Switchgear Limited brought forward from previous year		-	(511,580)
		505,149	(661,024)
Less: Adjusted against Securitiess Premium account as per Scheme		-	634,004
		505,149	(27,020)
Less: Expenditure on employee benefits upto 31st March 2007 in terms of transitional provisions of AS 15 (revised)		-	71,505
		505,149	(98,525)
		807,269	521,616
Less:			
Transfer to Debenture Redemption Reserve		16,467	16,467
Transfer to Capital redmption Reserve		40,000	-
Provision for Preference Dividend		27,650	-
Provision for Dividend Tax		4,699	-
		88,816	16,467
BALANCE OF PROFIT CARRIED TO BALANCE SHEET		718,453	505,149
Earning per Share (Face Value Rs 10 per share)			
Before considering extraordinary items			
Basic		5.59	11.97
Diluted		5.59	11.97
After considering extraordinary items			
Basic		5.59	12.00
Diluted		5.59	12.00
NOTES ON ACCOUNTS	N		

FOOT NOTE : Schedules referred to above and the Notes attached form an integral part of the Profit & Loss Account

As per our report of even date

For **B.K. RAMADHYANI & CO.**

Chartered Accountants

CA SHYAM RAMADHYANI

Partner

Bangalore

Date : June 24, 2009

VIJAY R KIRLOSKAR

Chairman & Managing Director

P Y MAHAJAN

Associate Vice President & Company Secretary

P S MALIK

Joint Managing Director

CA R.K. GUPTA

Vice President & Chief Financial Officer

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

(Rs in 000's)

	Current Year	Previous Year
A CASH FLOW FROM OPERATION ACTIVITIES		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	348,519	694,089
DEPRECIATION (INCLUDING GOODWILL)	132,571	110,532
AMORTISATION & PROVISIONS	73,670	100,852
PROVISION FOR LEAVE ENCASHMENT PERTAINING TO PREVIOUS YEAR	-	(71,505)
(PROFIT)/ LOSS FROM SALE OF FIXED ASSETS (NET)	3,746	(293)
EXTRA ORDINARY INCOME	-	1,811
INTEREST EXPENSES (NET OF INTEREST INCOME AND DIVIDEND INCOME)	195,760	121,699
	<u>405,747</u>	<u>263,096</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	754,266	957,185
ADJUSTMENT FOR		
TRADE & OTHER RECEIVABLES	(173,977)	529,690
INVENTORIES	206,629	(339,599)
TRADE & OTHER PAYABLES	(36,160)	(494,236)
	<u>(3,508)</u>	<u>(304,145)</u>
	750,758	653,040
CASH GENERATED FROM OPERATIONS		
INTERST PAID	(225,266)	(150,219)
DIRECT TAXES PAID	(15,566)	(110,362)
	<u>(240,832)</u>	<u>(260,581)</u>
NET CASH FROM OPERATING ACTIVITIES	509,926	392,459
B CASH FLOW FROM INVESTING ACTIVITIES		
PURCHASE/ TRANSFER OF FIXED ASSETS (INCLUDING CWIP)	(214,553)	(248,529)
PURCHASE OF INVESTMENTS	(645,339)	-
SALE OF FIXED ASSETS	1,265	402
SALE OF INVESTMENTS	6	-
INTEREST RECEIVED	29,197	26,367
DIVIDEND RECEIVED	309	2,153
NET CASH USED IN INVESTING ACTIVITIES	<u>(829,115)</u>	<u>(219,607)</u>
C CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM TERM BORROWING	514,426	229,048
REPAYMENT OF TERM BORROWINGS	(359,271)	(270,814)
PROCEEDS FROM FIXED DEPOSITS FROM PUBLIC	300	110
REPAYMENT OF FIXED DEPOSITS FROM PUBLIC	(547)	(167)
NET CASH USED IN FINANCING ACTIVITIES	<u>154,908</u>	<u>(41,823)</u>
D NET INCREASE IN CASH	(164,281)	131,029
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	648,511	413,668
CASH & CASH EQUIVALENTS ACQUIRED PURSUANT TO SCHEME		103,814
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	<u>484,230</u>	<u>648,511</u>
	(164,281)	131,029

As per our report of even date

For and on behalf of Board of Directors

For **B.K. RAMADHYANI & CO.**

Chartered Accountants

CA SHYAM RAMADHYANI

Partner

Bangalore

Date : June 24, 2009

VIJAY R KIRLOSKAR

Chairman & Managing Director

P Y MAHAJAN

Associate Vice President & Company Secretary

P S MALIK

Joint Managing Director

CA R.K. GUPTA

Vice President & Chief Financial Officer

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2009

(Rs in 000's)

		As at 31st March, 2009	As at 31st March, 2008
SCHEDULE "A"			
Authorised :			
3,000,000	(3,000,000) Preference Shares of Rs. 100/- each	300,000	300,000
60,000,000	(60,000,000) Equity Shares of Rs. 10/- each	600,000	600,000
TOTAL		900,000	900,000
Issued, Subscribed and Paid-up :			
2,376,746	(1,200,000) Preference Shares of Rs. 100/- each	237,674	120,000
50,521,367	(33,268,817) Equity Shares of Rs. 10/- each	505,214	332,688
		742,888	452,688

NOTES :

- 1) Equity Shares include:
 - a 10,000 Shares of face value of Rs. 0.100 million allotted as fully paid up pursuant to a contract without payment being received in cash;
 - b 6,679,572 Shares of face value of Rs. 66.796 million allotted as fully paid up by way of bonus shares by capitalisation of Capital Reserve, Capital Redemption Reserve, General Reserve and Share Premium.
 - c 6,000,000 shares were allotted during the year 2003 - 04 to IDBI on conversion of Preference Share Capital at face value as per the scheme of arrangement approved by honourable High Court of Karnataka.
 - d 2,000,000 equity shares of Rs.10/- each aggregating to Rs.20 million at a premium of Rs.20/- each have been allotted during the year 2007-08 to the promoters group in terms of order June 29, 2007 of the Honourable High Court of Karnataka read with scheme of arrangement dated February 13, 2003 under sections 391 to 394 of the Companies Act, 1956.
 - e 6,752,550 shares issued to share holders of Kaytee Switchgear Limited and 10,500,000 shares issued to the shareholders of Kirloskar Power Equipment Limited, as fully paid up pursuant to the Scheme of arrangement approved by the Honourable High Court of Karnataka under sec 391 - 394 of the Companies Act, 1956 without payment received in cash. Equity shares so allotted includes 5,154,878 equity shares allotted to KECL Investment Trust, the sole beneficiary of which is the Company.
- 2) 1,176,746 preference shares of Rs.100/- each issued to preference shareholders of Kaytee Switchgear Limited as fully paid up pursuant to the Scheme of arrangement approved by the Honourable High Court of Karnataka under sec 391 -394 of the Companies Act, 1956 without payment received in cash and redeemable in 3 equal annual installments commencing from 2009 -2010
- 3) 1,200,000 preference shares carry a cumulative dividend of 7% per annum w.e.f 01.10.2001 payable cumulatively out of the profits of the company. The rate of dividend can be increased to 9% per annum by way of payment of redemption premium subject to profitability and cash flows. 800,000 preference shares shall be redeemed on 30.09.2009 and 400,000 preference shares on 30.09.2010.

SCHEDULE "B"

RESERVES AND SURPLUS

Capital Reserve

As per last Balance Sheet	1,806	1,806
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Revaluation Reserve

As per last Balance Sheet	48,041	48,041
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Capital Redemption Reserve

As per last Balance Sheet	2,500	2,500
Add: Transferred from Profit and loss account	40,000	-
	42,500	2,500

Debenture Redemption Reserve

As per last Balance Sheet	16,467	-
Add: Transferred from Profit and loss account	16,467	16,467
	32,934	16,467

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SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2009

(Rs in 000's)

	As at 31st March, 2009	As at 31st March, 2008
Share Premium Account		
As per last Balance Sheet	-	614,194
Add: Received during the year	-	40,000
	-	654,194
Less: Miscellaneous Expenditure of the Company and the operating business of KPEL to the extent not written off set off as per Scheme	-	20,190
	-	634,004
Less: Debit balance in Profit & Loss account of the Company and KSL adjusted as per Scheme	-	634,004
Reconstruction Reserve Account		
As per last Balance Sheet	64,167	64,167
Profit & Loss Account	718,453	505,149
Reserve for Doubtful Debts		
As per last Balance Sheet	9,000	9,000
TOTAL	916,901	647,130

SCHEDULE "C"

SECURED LOANS

a) From Banks	1,061,416	1,010,404
b) Finance Lease obligations	79,019	82,944
c) Zero coupon debentures	32,933	49,400
TOTAL	1,173,368	1,142,748

SCHEDULE "D"

UNSECURED LOANS

a) Fixed Deposit	914	1,151
b) Interest accrued and due - FDs	12	41
c) SICOM Sales Tax loan	1,119	1,119
d) From banks	252,835	-
e) From companies	39,758	168,039
TOTAL	294,638	170,350

NOTE :

Fixed Deposits include unclaimed deposits of Rs.0.264 million (Previous year Rs. 0.367 million)

Amount falling due for payment within one year is Rs.294.198 million (Previous year Rs.160.974 million).

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2009

SCHEDULE "E"

FIXED ASSETS

(Rs in 000's)

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 1st April 2008	Additions during the year @	Deductions during the year	As at 31st March 2009	As at 31st March 2008	For the year	Deductions	As at 31st March 2009	As at 31st March 2009	As at 31st March 2008
Tangible Assets										
Own assets										
Land (*)	117,059	5,329	-	122,388	-	-	-	-	122,388	117,059
Buildings	435,827	47,360	-	483,187	76,223	10,810	-	87,033	396,154	359,604
Plant & Machinery	1,543,576	122,821	7,152	1,659,245	653,924	106,989	2,530	758,383	900,862	889,652
Furniture & Equipment	103,486	14,789	204	118,071	52,088	4,969	201	56,856	61,215	51,398
Vehicles and Aircraft	33,247	485	740	32,992	13,426	2,365	354	15,437	17,555	19,821
Leased Assets										
Land (#)	6,627	331	-	6,958	-	-	-	-	6,958	6,627
Plant & Machinery	17,681	44,862	-	62,543	1,326	1,359	-	2,685	59,858	16,355
Leasehold Improvements to buildings	-	29,377	-	29,377	-	1,507	-	1,507	27,870	-
Intangible assets										
Goodwill	42,346	-	-	42,346	42,346	-	-	42,346	-	-
Product development	-	3,731	-	3,731	-	622	-	622	3,109	-
Technical knowhow	11,063	-	-	11,063	5,985	2,048	-	8,033	3,030	5,078
Software	3,668	3,810	-	7,478	326	1,902	-	2,228	5,250	3,342
TOTAL	2,314,580	272,895	8,096	2,579,379	845,644	132,571	3,085	975,130	1,604,249	1,468,936
Previous Year	2,131,739	184,708	1,867	2,314,580	736,870	110,532	1,758	845,644		

- (*) Includes Rs. 3.337 million being the cost of ownership premises taken in possession for which Society is to be formed. Certain land at Bangalore was revalued in the year 1999-2000 on the basis of Chartered Engineers certificate. Incremental amount on revaluation was credited to Revaluation Reserve Rs.48,041 (in 000's).
- (#) Leasehold land represents land taken on lease from KIADB. On expiry of lease period, payment of balance consideration if any, and execution of sale deed, the title will pass to the Company.
- (@) Additions include Rs.65 million provision towards stamp duty pursuant to Scheme apportioned over the net value of assets subject to final assessment of stamp duty

SCHEDULE "F"

(Rs in 000's)

	As at 31st March 2009	As at 31st March 2008
CAPITAL WORK IN PROGRESS		
1 Plant & Machinery taken on finance lease	36,575	62,028
2 Improvements to leasehold premises	-	23,929
3 Plant & Machinery	109,437	107,386
4 Buildings	3,139	14,150
	<u>149,151</u>	<u>207,493</u>
Less:		
Provision for uninstalled machinery	55,975	55,975
TOTAL:	<u>93,176</u>	<u>151,518</u>

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SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2009

SCHEDULE "G"

(Rs in 000's)

Details of Investment	Name of the Company	Nos	Face Value	As at 31st March 2009	As at 31st March 2008
INVESTMENTS (AT COST)					
{LONG TERM}					
A TRADE :					
(a) Quoted :					
(i) Equity Shares - Fully Paid-up					
	ICICI Ltd., (on merger of Sangli Bank Limited)	1,081	10	100	100
	Kirloskar Computer Services Ltd.,	200,000	10	2,380	2,380
	The Mysore Kirloskar Ltd.,	770,750	10	21,260	21,260
(ii) Debentures - Fully Paid-up					
	The Mysore Kirloskar Ltd., @	30,000	44	1320	1,320
(b) Unquoted :					
(i) Equity Shares - Fully Paid-up					
In Subsidiary Companies :					
	Kirsons BV #	834	€ 100	645,339	-
	KEC North America Inc	210	-	12,936	12,936
In Other Companies :					
	Kirloskar Proprietary Ltd., (acquired 25 shares on rights issue)	26	100	128	128
	Best Trading & Agencies Ltd.,	584	10	-	6
	Kirloskar (Malaysia) Sdn. Bhd, Kuala Lumpur, Malaysia	2,00,000	MR 1	529	529
	Kirloskar Kenya Limited, Nairobi, Kenya	1,272	K. Sh 1000	852	852
	Kirsons Trading Pte. Ltd	56,250	S \$ 1	1,120	1,120
	Kirloskar Power Equipment Ltd.,	340,000	10	2,817	2,817
	KEASI Robicon Industrial Systems Private Limited	500,000	10	5,000	5,000
				693,781	48,448
Less:					
	Provision for diminution in value of Investments			42,896	42,896
TOTAL:				650,885	5,552

@ Matured and due for payment.

Pledged to Morgan Walker Solicitors LLP, London, security trustees of ICICI Bank.

NOTES :

Rs in 000's (Rs in 000's)

1) Aggregate value of quoted investments		
Cost	25,060	25,060
Market Value	Not Available	Not Available
2) Aggregate value of unquoted investments		
Cost	668,721	23,388

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2009

SCHEDULE "H"

(Rs in 000's)

	As at 31st March 2009	As at 31st March 2008
CURRENT ASSETS, AND LOANS & ADVANCES		
A. Current Assets		
1. Inventories - as certified by the Managing Director		
i. Raw Materials, stores, spares parts, components etc.,	139,909	179,771
ii. Stock in trade		
Finished goods (including trading stocks)	165,778	265,010
Process stock	414,455	516,113
iii. Others-Including material at port and scrap	25,204	21,508
	<u>745,346</u>	<u>982,402</u>
Less: Provision for non-moving stocks	9,108	39,535
	<u>736,238</u>	<u>942,867</u>
2. Sundry Debtors		
(Unsecured, considered good except doubtful debts of Rs.143.159 million, previous year Rs.145.053 million)		
i. Debts outstanding for a period exceeding six months	395,973	395,973
ii. Other debts	1,642,969	1,623,847
	<u>2,038,942</u>	<u>2,019,820</u>
Less : Provision for doubtful debts	143,159	145,053
	<u>1,895,783</u>	<u>1,874,767</u>
3. Cash and Bank Balances		
a. Cash on hand	280	499
b. Amount in transit	9,496	10,841
c. Balances with scheduled banks		
- On current account	179,633	291,804
- On short term deposit accounts	294,766	345,367
	<u>484,230</u>	<u>648,511</u>
B. Loans and Advances		
(Unsecured, considered good except doubtful advances of Rs. 134.671 million, previous year Rs.123.799 million)		
Advances recoverable in cash or in kind or for value to be received		
Sundry Advances	602,270	457,507
Less : Provision for doubtful advances	134,671	123,799
	<u>467,599</u>	<u>333,708</u>
Central excise deposits	93,770	92,500
Share application money paid to subsidiary	17,800	-
Advance payment of tax (including FBT)	192,953	177,614
	<u>772,122</u>	<u>603,822</u>
TOTAL:	<u><u>3,888,373</u></u>	<u><u>4,069,967</u></u>

SIXTY SECOND ANNUAL REPORT 2008-09

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2009

SCHEDULE "I"

(Rs in 000's)

	As at 31st March 2009	As at 31st March 2008
CURRENT LIABILITIES & PROVISIONS		
A.Current Liabilities		
Sundry Creditors	1,770,648	1,936,936
Acceptances	217,559	154,497
Trade Advances	544,190	371,948
Other liabilities (@)	52,831	158,007
	2,585,228	2,621,388
B.Provisions		
For Taxation (including FBT)	231,077	184,905
For Earned Leave	38,747	37,672
For Preference Dividend (including dividend tax)	32,349	-
For Stamp duty pursuant to Scheme	65,000	-
For Gratuity	110,484	104,533
For Warranty claim	46,003	44,359
	523,660	371,469
TOTAL:	3,108,888	2,992,857

(@) Includes Rs.0.309 million due to Directors (Previous year Rs.0.309 million).

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

SCHEDULE "J"

(Rs in 000's)

	Current Year	Previous Year
OTHER INCOME		
Interest :		
On Fixed Deposits	28,669	19,749
Others	528	6,618
(Tax deducted at source Rs.5.7 million, previous year Rs.3.24 million)	29,197	26,367
Dividend from long term		
Investments : Trade	309	2,153
Rent received	5,054	4,854
(Tax deducted at source Rs.0.54 million, previous year Rs.0.54 million)		
Miscellaneous*	56,483	68,093
TOTAL:	91,043	101,467

* Includes provision no longer required Rs.47.19 million (Rs.62.13 million)

SCHEDULE "K"

CONSUMPTION OF RAW MATERIALS, STORES, SPARE

PARTS & COMPONENTS AND PURCHASES FOR TRADING

Raw material, stores and Components (refer to below)	6,325,671	6,294,564	
Purchases for Trading	148,197	88,596	
	6,473,868		6,383,160
Deduct : Increase in stocks			
Stocks at Close			
Process stocks	414,455	516,113	
Trading and finished goods	165,778	265,010	
Scrap	954	1,149	
	581,187	782,272	
Less : Stocks at commencement			
Process stocks	516,113	104,718	
Trading and finished goods	265,010	85,156	
Scrap	1,149	-	
Taken over from Kaytee Switchgear Limited			
Process stocks	-	156,433	
Trading and finished goods	-	54,179	
Scrap	-	4,377	
Taken over from Kirloskar Power Equipment Limited			
Process stocks	-	28,253	
Trading and finished goods	-	34,002	
	782,272	467,118	
	201,085		(315,154)
Inventories written off	3,296	21,629	
Less: Provision withdrawn	3,296	21,629	
	-	-	
	6,674,953	6,068,006	

Note:

- Net of Rs.27.131 million withdrawn from provision for non moving inventories
- Value of stores and spares not separately ascertained

SIXTY SECOND ANNUAL REPORT 2008-09

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

SCHEDULE "L"

(Rs in 000's)

	Current Year	Previous Year
OPERATING & OTHER EXPENSES		
Power & Fuel	82,796	84,736
Expenses relating to Employees :		
Salaries, Wages & Bonus	550,452	548,304
Contribution to Employees PF, Family Pension Scheme and Superannuation Fund	45,107	41,316
Gratuity as per actuarial valuation	40,799	29,807
Workmen and Staff Welfare Expenses (includes contribution to employees' State insurance & PF Administration Charges	81,400	68,347
	717,758	687,774
Rent	56,786	34,214
Repairs		
Buildings	10,581	13,780
Machinery	32,192	19,198
Others	39,374	40,992
	82,147	73,970
Selling Expenses	106,092	108,921
Commission	11,524	9,184
Cash Discount	5,970	4,294
Additional Sales Tax	15	1,070
Maintenance of Vehicles	4,439	1,778
Insurance	2,583	5,555
Rates and Taxes	8,555	18,724
Advertisement	4,138	9,231
Printing & Stationery	10,780	9,615
Travelling Expenses	71,493	81,715
Postage, Telegrams and Telephones	17,420	18,509
Auditors Remuneration	4,284	4,029
Tech. Consultancy & Professional Charges	56,913	49,427
Accounting machinery	648	265
Bank Charges (Net off exchange fluctuation difference of Rs.1.34 million Cr. previous year Rs.2.645 million Dr.)	57,247	39,484
Subscription to technical associations,		
Journals and Magazines	2,066	894
Manufacturing expenses and sundries	12,622	14,217
Bad debts & disallowance written off	29,107	45,298
Less : Provision for doubtful debts withdrawn	21,894	43,649
	7,213	1,649
Donations	8,000	-
Directors' sitting fees	415	-
Remuneration to whole-time directors	7,302	4,744
Capital work in progress written off	-	7,881
Less : Provision for uninstalled machinery withdrawn	-	7,881
	-	-
	<u>1,339,206</u>	<u>1,264,500</u>

SCHEDULE "M"

DEPRECIATION, AMORTISATION AND PROVISIONS

1 Depreciation	132,571	110,532
2 Doubtful debts	20,000	15,000
3 Doubtful advances	10,872	-
4 Warranty claim	1,644	8,606
	<u>165,087</u>	<u>134,138</u>

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**SCHEDULE "N"****NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT****1. SIGNIFICANT ACCOUNTING POLICIES:****1.1 ACCRUAL SYSTEM OF ACCOUNTING:**

The Company follows the accrual system of accounting in respect of all items of expenditure and income.

1.2 FIXED ASSETS:**(i) Tangible Assets**

Fixed Assets (other than land which were revalued) are stated at cost of acquisition inclusive of freight, duties, taxes and incidental expenses relating to the acquisition, installation, erection and commissioning less depreciation. A portion of the land owned by the Company has been revalued. Internally manufactured assets are valued at works cost.

(ii) Intangible Assets

Intangible assets are accounted at cost of acquisition.

1.3 INVESTMENTS:

Investments unless otherwise stated are considered as long term in nature and are valued at acquisition cost less provision for diminution, if any.

1.4 INVENTORIES:

Raw materials, stores, spare parts and components are valued on first in first out basis/ weighted average at net landed cost except for stocks purchased in prior years at switchgear division, which are valued at estimated cost due to non-availability of adequate data or net realizable value whichever is lower. Work in progress is valued at works cost or net realizable value whichever is lower. Finished goods are valued at works cost or net realizable value whichever is lower.

1.5 DEPRECIATION:

- a) Depreciation is charged on the written down value of assets at the rates specified in schedule XIV to the Companies Act, 1956 or Income Tax Act, 1961, whichever is higher on assets as on 31st March 1994.
- b) In respect of other additions after 1st April 1994, depreciation on straight-line basis at the rates specified in schedule XIV to the Companies Act 1956 has been charged, except otherwise stated.
- c) Depreciation on furniture and fixtures above Rs. 5,000/- provided at the residences of the employees has been charged at the rate of 33.33% on the straight-line method irrespective of the quarter of addition. Furniture and fixtures whose cost is Rs.5,000/- or below are fully depreciated in the year of addition.
- d) Depreciation on assets taken on finance lease is charged over the primary lease period.
- e) Depreciation on software is provided at 33.33% per annum.
- f) Depreciation on Technical Know-how fees and product development are written over a period of six years.
- g) Depreciation on assets (other than Furniture and Fixtures provided to employees and assets taken on finance lease) bought / sold during the year is charged at the applicable rates on a quarterly basis, depending upon the quarter of the financial year in which the assets are installed / sold. Assets whose individual value less than Rs.5,000/- is depreciated fully.

1.6 AMORTISATION OF EXPENDITURE ON VOLUNTARY RETIREMENT SCHEME:

- a) Expenditure incurred under the voluntary retirement scheme, providing for lump sum benefits at the time of retirement is amortized over a period of 4 / 5 years.
- b) Liability in respect of other voluntary retirement schemes providing for payment of benefits in installments over specified periods is amortized over 5 years.

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

1.7 RESEARCH AND DEVELOPMENT EXPENDITURE:

Revenue expenditure in carrying out research and development activity is charged to the Profit and Loss Account of the year in which it is incurred. Capital expenditure in respect of research and development activity is capitalized as fixed assets and depreciation provided as detailed above.

1.8 REVENUE RECOGNITION:

Sale of goods is recognized on shipment to customers and excludes recovery towards sales tax.

1.9 EMPLOYEE BENEFITS:

(i) Short Term Employee Benefits:

Employee benefits payable wholly within twelve months of rendering the service are classified as short term. Benefits such as salaries, bonus, leave travel allowance etc. are recognised in the period in which the employee renders the related service.

(ii) Post Employment Benefits:

a) Defined Contribution Plans:

The Company has contributed to provident, pension & superannuation funds which are defined contribution plans. The contributions paid/ payable under the scheme is recognised during the year in which employee renders the related service.

b) Defined Benefit Plans:

Employees' gratuity and leave encashment are defined benefit plans. The present value of the obligation under such plan is determined based on actuarial valuation using the Projected Unit Credit Method which considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gain and losses are recognized immediately in the statement of profit and loss account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the balance sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation. Gratuity to employees is covered under Group Gratuity Life Assurance Scheme of the Life Insurance Corporation of India.

1.10 FOREIGN CURRENCY TRANSLATION ON OVERSEAS BRANCH ETC:

The financial statements of foreign branches have been translated in accordance with Accounting Standard 11.

1.11 TAXES ON INCOME:

Provision for current tax for the year is after taking cognizance of excess / short provision in prior years. Deferred tax assets/liability is recognized, subject to consideration of prudence, on timing differences.

1.12 BORROWING COSTS:

Interest and other borrowing costs on specific borrowings relating to qualifying assets are capitalized up to the date such assets are ready for use / intended to use. Other interest and borrowing costs are charged to Profit & Loss Account.

1.13 CONTINGENT LIABILITIES:

Financial effect of contingent liabilities is disclosed based on information available upto the date on which financial statements are approved. However, where a reasonable estimate of financial effect cannot be made, suitable disclosures are made with regard to this fact and the existence and nature of the contingent liability.

1.14 USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

		(Rs. In '000's)	
2(a)	CONTINGENT LIABILITIES ETC	As at 31.03.2009	As at 31.03.2008
i)	Letter of Credit, Guarantees, Corporate and Counter guarantees given on Import and Sale contracts etc.	965,553	921,935
ii)	Bills discounted with bank	188,037	174,558
iii)	Central excise and customs authorities have issued notices and raised certain demands, which are pending in appeal before various authorities, not acknowledged as debt by the Company	6,103	6,834
iv)	Sales tax demanded under appeal	55,167	19,104
v)	Claims against the Company not acknowledged as debt. The Company has made counter claim against one of the parties amounting to Rs. 12.944 million (Previous year Rs. 12.944 million)	251,246	251,046
vi)	The Company has furnished guarantees for the credit facilities of Rs.Nil (Previous year: Rs.128.50 million) interest and other costs to Kirloskar Batteries Limited (KBTL) and redemption of Preference shares issued by Kirloskar Investment and Finance Ltd. (KIFL) Rs. 20 million (Previous year Rs. 20 million) and has obtained counter guarantees from the said Companies. The preference shareholder of KIFL has claimed an amount of Rs.20 million along with dividends in arrears of Rs.20.56 million and interest from the Company, before the Debt Recovery Tribunal. The Company does not acknowledge this liability.		
vii)	Sales tax liabilities in respect of pending assessments, C forms have not been received from several customers. Continuing efforts are being made to obtain them.	Not Ascertainable	Not Ascertainable
viii)	Income tax demand under appeal, either by the company or revenue department.	Nil	139,038
ix)	Interest and penalty if any, on account of delays/default in payment of statutory/ suppliers dues not ascertainable. The Company has made waiver petition where ever such interest / penalty has been levied.	Not Ascertainable	Not Ascertainable
x)	Sales tax on equipment procured on hire/ lease and on computer software charges is contested by the suppliers – amount not ascertainable and will be charged to revenue in the year of final claim.	Not Ascertainable	Not Ascertainable
xi)	Certain industrial disputes are pending before various judicial authorities – not acknowledged by the Company	Amount not ascertainable	-
xii)	Arrears of dividend on cumulative preference shares for the period from April 1, 2004 to March 31, 2009 (as at March 31, 2008 for the period from October 1, 2001 to March 31, 2008) (including tax thereon).	79,527	92,079

In terms of the scheme of arrangement approved by the honorable High Court of Karnataka, dividend on the said preference shares with effect from October 1st, 2001 are payable cumulatively out of the profits of the company and the said dividend for the period from October 1st, 2001 to September 30th, 2003 are to be funded and converted to Zero Coupon Debentures (ZCDs). The Board of Directors vide their meeting held on September 26th, 2003 allotted ZCD's to an extent of Rs. 2.345 crores representing dividends on the said preference shares from October 1st, 2001 to September 30th, 2003. However, on subsequent reexamination of the matter, the Board of Directors held that the said allotment was contrary to the scheme since in terms of the same, dividends with effect from October 1st, 2001 were payable only out of profits and in as much as there were no profits, the allotment would be violative of section 205 of the Companies Act, 1956. Accordingly your Board of Directors vide their meeting held on January 17th, 2004 proceeded to annul the said allotment. The preference shareholder has requested the Company to evolve an alternate mechanism to compensate them. Pending finalization of the matter, no provision has been made in the books of account for the same.

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SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

		(Rs. In '000's)	
2(a)	CONTINGENT LIABILITIES ETC	As at 31.03.2009	As at 31.03.2008
xiii)	The Company had imported certain capital equipments without payment of customs duty under the Export Promotion Capital Goods Scheme subject to exporting Rs.3,887.63 million within 8 years starting from the financial year 1996-97. Estimated amount of customs duty payable on capital goods imported (excluding interest and penalty) The Company had requested the Director General of Foreign Trade to refix the export obligation in terms of current norms. Department during the year has considered and refixed the export obligation which need to be fulfilled by 2008-09. Based on the revised approval the Company has fulfilled the obligation during the year and is awaiting the final order from the Department in respect of the earlier obligation. Consequently and according to the Company there will be no contingent liability as on 31.03.2009.	Nil	198,331
xvi)	Penal damages levied by the Regional Provident Fund commissioner and subject to writ before the High Court of Karnataka, Bangalore. An amount of Rs.4.618 million paid has been included in loans and advances	9,154	9,154
xvii)	Guarantee given to ICICI Bank in consideration of the stand by letter of credit (SBLC) opened by them in favor of ICICI Bank, Canada as security for loan granted by them to Kirsons BV. The SBLC is secured by mortgage of certain immovable properties of the Company and shares of Kirsons BV.	1,171,465	Nil
xviii)	Wage settlement of certain units has expired. The Company is under negotiation with the workers for postponing the effective date of new settlement, due to economic slow down. In respect of items above, future cash outflows in respect of contingent liabilities is determinable only on receipt of judgments pending at various forums/ settlement of matter. The management believes that, based on legal advice or internal assessment, the outcome of these contingencies will be favorable and that loss is not probable. Accordingly, no provisions have been made for the same.	Not ascertained	Not ascertained
(b)	Estimated amount of contracts remaining to be executed on capital account and not provided for.	44,943	66,771

3. SECURED LOANS

A Loans and Advances from banks & financial institutions :

i)	Secured against letter of credits issued by other banks	Nil	80,946
ii)	Working capital term loan & funded interest term loans from consortium banks are secured by first pari passu charge on certain fixed assets along with the holders of zero coupon debentures and second pari passu charge on current assets and the said credit facilities have been guaranteed by the Chairman & Managing Director.	208,990	421,890
iii)	Other working capital facilities - First pari passu charge on all current assets and second pari passu charge on certain fixed assets along with the holders of zero coupon debentures and the said credit facilities have been guaranteed by the Chairman & Managing Director of the Company.	770,766	495,228
iv)	Against pledge of fixed deposits	80,926	11,454
v)	Against security of Motor Cars	734	886
vi)	Against assets purchased on finance lease	79,019	82,944
B)	Loans and Advances from Financial Institutions:	32,933	49,400
	Zero Coupon Debentures (IDBI) – First pari passu charge on fixed assets pari passu along with banks referred to in para A (ii) & (iii) above.		

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

4. Balances with Foreign banks :

(Rs. In '000's)

	Current Year	Previous Year
i) With Bank of Commerce (M) Bhd., Kuala Lumpur :		
On Short term deposits	11,339	5,607
	RM 861	RM 541
Maximum Balance at any time during the year	11,339	9,412
	RM 861	RM 840
ii) With Bank of Commerce (M) Bhd., Kuala Lumpur:		
On Current Accounts	198	2,041
	RM 15	RM 197
Maximum Balance at any time during the year	2,041	2,041
	RM 197	RM 197
iii) With HSBC Bank, Dubai		
On Current Accounts	352	42
	AED 26	AED 4
Maximum balance at any time during the year	352	109
	AED 26	AED 9
iv) With HSBC Bank, Dubai		
On Current Account	850	488
	\$ 17	\$ 12
Maximum balance at any time during the year	850	11,598
	\$ 17	\$ 271

5. Non resident shareholding

Number of non-resident shareholders	358	364
Number of Equity Shareholdings	77,869	4,148,498

6. Earning in Foreign Exchange

i) F.O.B. value of exports (Net)		
(inclusive of sales within India eligible for export incentives)	720,703	352,878
ii) Remittances from overseas offices (Net)	17,750	15,797
iii) Dividends received	297	102

7. Value of Imports calculated on CIF basis:

i) Raw materials	507,538	302,202
ii) Components and spare parts	72,875	68,748
iii) Capital items	9,930	25,222

8. Expenditure in foreign currency during the financial year :

a) Professional & Consultancy fee	11,071	773
b) Travel	21,722	14,534
c) Motor Car	Nil	2,635
d) Investments in wholly owned subsidiary (including share application money pending allotment)	614,269	Nil

9. Expenditure on Research and Development during the year:

Revenue	5,849	4,253
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10. Remuneration to Auditors:

a) IN INDIA *		
i) for Audit	1,500	1,300
ii) for Taxation matters / tax audit (including VAT audit)	1,325	1,270
iii) for Certification work etc.	775	775
iv) for Management Services	525	525
v) Cost audit fees	150	150
b) IN MALAYSIA		
i) for Audit	6	6
ii) for Taxation matters	3	3
Total	4,284	4,029

Excludes out of pocket expenses of Rs. 0.40 million (Previous year Rs. 0.315 million) for audit and Rs.0.20 million (Previous year Rs. Nil) for other services.

* includes amount paid to the auditor appointed by KPEL in an earlier year.

SIXTY SECOND ANNUAL REPORT 2008-09

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

11. Value of imported and indigenous raw materials, stores, spare parts and components consumed and percentage of each to the total consumption: (Rs. In '000's)

	Current Year		Previous Year	
Value of imported raw materials, stores, spare parts & components consumed	10.36%	655,358	6.84%	430,560
Value of indigenous raw materials, stores, spare parts & components consumed	89.64%	5,670,313	93.16%	5,864,004
	100.00%	6,325,671	100.00%	6,294,564

12. Consumption of major raw materials and components during the year: (Rs. In '000's)

	Unit	Quantity	Value	Quantity	Value
1. Copper (wires, strips, rods, sheets, etc) #	MT	3,647	1,145,982	4,314	1,689,160
2. Iron and steel (pig iron, rounds, plates, sheets, etc.) Stampings and Laminations	MT	9,896	1,324,822	10,456	1,258,622
3. Others		(*)	3,854,867	(*)	3,346,782
Total			6,325,671		6,294,564

Notes: 1. In the presentation of data, necessary adjustments have been made for normal shortages and excesses in stock including process losses during conversion of raw material.

2. (*) Only value furnished as the items are numerous and it is not possible to furnish quantitative particulars thereof.

3. Above data is as certified by the management

13. Capacities and Production:

Item No.	Class of Goods	Capacities			
			Licensed	Installed @	Production
1.	Motors/ Alternators/ Generators	MW	2,806*	2,806*	1,983 (1,705)
2.	FHP Motors #	Nos.	Not ascertained	Not ascertained	37,578 (11,330)
3.	Engines	Nos.	Not ascertained	Not ascertained	1,994 (1,517)
4.	Transformers	Kva	2,060,000	2,060,000	4,317,233 (4,596,825)
5.	Arc Welding & Resistance Welding Equipments with Welding Aids and Accessories	Nos	1,800+	1800+	Nil
6.	Controls for Alternators/ Generating sets, Variable Speed Drive Controls, Static Exciters and Inverters, Electronic Controls for Machine Tools, HV testers, Coolers, stud Welders, Thermister Protection units and RF Induction Generators	Units	3,000*	3,000*	1,948 (1,890)
7.	Induction Heating Equipment such as Induction Heaters and Welders, Die Electric Heaters & Plastic Welders with associated handling equipment	Nos	150*	50*	Nil
8.	Vertical Mechanical Comparator, Sigma size Electronic Gauging Indicator, Sigma flash electronic column gauges, Sigmaster fixturing systems.	Nos.	1,400	200	Nil
9.	Micro and Mini Computers	Rs. In million	100*	80	Nil
10.	Industrial Electronic Voltage Regulators	Nos.	20,000	8,000	939 (1,910)
11.	Uninterruptible Power Systems	Nos.	5,000*	500	838 (512)
12.	Metal Cutting including Grinding Machines (**)	Nos.	300*	150	Nil (Nil)
13.	Machine tool accessories including digital readouts (**)	Nos.	550*	550	2 (18)
14.	Printed Circuit Boards (**)	Sq. Mtrs	2,500*	2,500*	Nil

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

Item No.	Class of Goods		Capacities		
			Licensed	Installed @	Production
15.	Alternators	Nos.	191,500	78,000	Nil
16.	D.G. Sets	Nos.			2,892 (750)
17.	Circuit Breakers/ Starters/ Contactors/ Switchboard*	Nos	\$		801 (831)
18.	Electricity generated using wind energy	Units			595,200 (619,640)

Notes:

- (**) Registered with DGTD (*) on maximum utilization (+) On single shift.
- There is no change in installed capacity as compared to the previous year.
- (@) As certified by the Managing Director.
- \$ Standing in the name of Kirloskar Systems Ltd., whose switchgear business was taken over by the Company in a prior year.
- * as per letter no.3/24/2000-PAB-IL from Department of Industrial Policy & Promotion, New Delhi dt.01/12/2004

14. Opening and closing Stocks of finished & Trading goods :

(Rs. In '000's)

Item No.	Class of Goods	Opening Stocks		Closing Stocks	
		Qty. Nos.	Value Rs. In 000s	Qty. Nos.	Value Rs. In 000s
1.	Motors/ Alternators/ Generators	2,567 (389)	151,081 (19,372)	1,438 (2,567)	68,550 (151,080)
2.	Transformers	60 (12)	88,780 (35,779)	29 (60)	74,174 (88,780)
3.	Controls for Alternators/ Generating sets, Variable Speed Drive Controls, Static Exciters and Inverters, Electronic Controls for Machine Tools, HV testers, Coolers, stud Welders, Thermister Protection units and RF Induction Generators	35 (18)	3,554 (1562)	3 (35)	189 (3554)
4.	Uninterruptible Power Systems	34 (69)	530 (1,251)	26 (34)	688 (530)
5.	Switchgears	17 (2)	4,073 (2,656)	- (17)	- (4,073)
6.	D G Sets	4 (1)	1,252 (582)	5 (4)	1,970 (1,252)
7.	Others		15,740 (23,954)		20,206 (15,740)
	Stock taken over from KSL & KPTEL pursuant to Scheme				
8.	Motors/ Alternators Generators (including FHP Motors)	(1,487)	47,731		
	Transformers	(31)	(34,002)		
	Others		(6,448)		
	TOTAL		265,010 (173,337)		165,778 (265,010)

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SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

15. Details of Sale of Manufactured / Trading goods during the year:

Item No.	Class of Goods	Turnover of Finished Goods			
		Current Year		Previous Year	
		Qty. Nos.	Value Rs. In 000's	Qty. Nos.	Value Rs. In 000's
1.	Motors/ Alternators/ Generators	106,748	4,139,813	117,147	4,269,684
2.	Transformers	2,028	3,588,157	2,443	3,205,100
3.	Controls for Alternators/ Generating sets, Variable Speed Drive Controls, Static Exciters and Inverters, Electronic Controls for Machine Tools, HV testers, Coolers, stud Welders, Thermister Protection units and RF Induction Generators	1,980	114,430	1,873	162,217
4.	Uninterruptible Power Systems	846	55,932	547	44,887
5.	Metal Cutting including Grinding Machines	Nil	Nil	Nil	Nil
6.	Machine tool accessories including digital readouts	2	20	18	11,502
7.	Industrial Electronic Voltage Regulators	939	Nil	1,910	Nil
8.	Circuit Breakers/ Starters/ Contactors/ Switchboard	818	347,207	816	455,858
9.	D G Sets	2,887	943,725	746	501,428
10.	Electricity (in Units)	512,500	3,178	619,640	3,093
11.	Engines	1,994	Nil	1,517	214,457
12.	Others		436,839		593,826
	TOTAL		9,629,301		9,462,052

16. Details of Purchases of Trading goods during the year:

Item No	Class of Goods	Current Year		Previous Year	
		Qty. Nos.	Value Rs. In 000's	Qty. Nos.	Value Rs. In 000's
1.	Motors/ Alternators	-	-	-	-
2.	Others		148,197		88,596
	TOTAL		148,197		88,596

NOTE: Quantity in numbers includes transfers to divisions for further manufacture of and free replacements.

17. a. The order of the Honorable High court of Karnataka according approval for the scheme of arrangement and amalgamation under section 391 to 394 of the Companies Act, 1956 ("Scheme") was received in September 2008 with April 1, 2007 as the appointed date. This scheme of arrangement and amalgamation interalia involved transfer of operating business of Kirloskar Power Equipment Limited ("KPEL") and amalgamation of Kaytee Switchgear Limited ("KSL") with the Company. The Scheme was registered with the Registrar of Companies on October 17, 2008.
- b. In terms of the said Scheme, all the profits of KSL and KPEL with effect from the appointed date shall be treated as profits of the Company. Accordingly, financial statements of the Company for year 2007 – 08 approved by the board of directors on 27th June 2008 have been revised to give effect to the Scheme. The revised figures have been reported as previous year amounts in these financial statements.
- c. Decree in Form 42 of the Companies (Court) Rules, 1949 is yet to be passed by the Honorable High Court of Karnataka pending assessment and payment of stamp duty. The Company has provisionally accounted for stamp duty liability estimated at Rs.65 million pending finalization of the matter. Further adjustments to the accounts will be made as and when correct assessment of stamp duty is made and settled.

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

- d. The assets & liabilities so transferred to the Company are continuing in the name of the respective companies. Necessary action is being taken by the company to obtain the consent/ approvals of the various regulatory authorities.
 18. The Company has purchased and sold goods amounting to Rs.34.873 million and Rs.5.310 million respectively during the year from a company in which certain directors of the Company are interested. The earlier approval of the Central Government under section 297 (1) of the Companies Act, 1956 has expired.
 19. The Company has received approval under section 314 (2) of the Companies Act, 1956 from the Central Government with effect from 17th September 2008 in respect of remuneration to a relative of a director. However, the earlier approval expired on 15th July 2008. The Company, subsequent to the balance sheet date, has applied for restoring the effective date of the approval to 16th July 2008. Remuneration paid for such period on the basis of the earlier order is Rs.0.17 million.
 20. The Company has preferred a suit for various claims against Deutsche Bank, one of the members of the consortium of bankers for breach of trust for withholding of monies belonging to the company and freezing sanctioned working capital limits.
 21. Current assets, loans and advances include
 - a. Rs.29.468 million (Previous year Rs.Nil million) due from a private limited company in which a director is interested.
 - b. Rs.5.063 million (Previous year Rs.Nil) due from a wholly owned subsidiary of the Company.
 22. The Company has initiated the process of obtaining confirmation from suppliers regarding the registration under the Micro Small and Medium Enterprises Development Act 2006. The suppliers are not registered wherever confirmations are received and in other cases, the Company is not aware of their registration status and hence information relating to outstanding balance or interest due is not disclosed as it is not determinable.
 24.
 - a. Confirmation of balances from certain sundry debtors, 'deposit accounts, loans and advances, creditors etc are awaited. Accounts of certain sundry debtors, loans and advances, deposits/ margin money with banks, certain inter unit accounts, collector of customs and creditors, are under review and reconciliation. Adjustments, if any will be made on completion of review/ reconciliation. Effect on revenue is not expected to be material.
 - b. The Company is in process of reconciling the balances of the Company, its erstwhile subsidiary KSL and the operating business of KPEL. The net difference to the extent identified amounting to Rs.31.733 million has been included in Loans & Advances. Necessary rectification entries will be accounted after completion of the reconciliation. However, according to the management this difference is not likely to materially affect the operating results of the Company.
 25.
 - a. The accounts of the one of the units of the Company have been maintained in SAP R3 system, which envisages an integrated system of materials, production, sales and financial accounting. Various errors and inconsistencies mainly in the areas of production and material accounting, valuation of inventories, creation of masters etc have crept in. These are interalia on account of inaccurate definition of master information as well as change in material codes. The closing stocks of all inventories have been adopted as per physical inventory taken by the management at the end of the year, pending identification of mistakes, differences, reconciliation and consequential corrections. Consequently, the impact of these differences is not quantifiable.
 - b. The Company has initiated steps to bring the valuation of work in progress and finished goods at all units in line with Accounting Standard – 2. However, the process followed in determination of cost and net realizable value need to be further refined/ improved to bring it in line with the requirements of the Company.
 26. Prior period income / expenditure has not been separately ascertained and disclosed in terms of Accounting Standard - 5 but have been added/ netted off under their natural heads. This has no effect on the working results of the Company.
-

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SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

27. a) Current Assets, Loans & Advances include Rs. 42.310 million (previous year Rs.134.409 million) being rescheduled advances from certain other Companies.
b) All the above companies have incurred losses and their net worth is substantially eroded. Having regard to the long term association with these companies and their revival plans as communicated to the Company and other factors, these debts are considered good of recovery.
28. During the year the Company has incorporated a wholly owned subsidiary at Netherlands, under the name of Kirsons BV. This company has in turn acquired 94.89489% interest in a Limited Liability Partnership (LLP) known as Lloyd Dynamowerke GmbH & Co. and 100% interest in unlimited liability company known as Lloyd Beteiligungs GmbH, both based in Germany. The Cost of Investments in Kirsons BV vide Schedule 'G' to the balance sheet includes cost attributable to said acquisition amounting to Rs.88.249 million. The total cost of acquisition by Kirsons BV of the said LLP/ Company in Germany is Rs.1,518.29 million.
29. Remuneration to Managing Director & other whole time directors:

(Rs. In 000's)

Particulars	Current Year	Previous Year
a) Managing Director		
Salary	3,837	3,837
Contribution to Provident & Other Funds	907	907
TOTAL	4,744	4,744
b) Whole Time Director-Joint Managing Director (w.e.f 17 th October 2008)*		
Salary	1,980	Nil
Contribution to Provident & Other Funds	578	Nil
TOTAL	2,558	Nil
Grand Total	7,302	4,744

Liability in respect of accrued gratuity is not ascertainable separately.* Doesn't include amount paid Rs. 5,204 in capacity as president and CEO of Kaytee Switchgear Limited.

In the absence of adequate profits in terms of section 349 of the Companies Act, 1956, minimum remuneration as stated above has been paid/ provided to the Managing & Joint Managing director of the Company.

The Shareholders in their meeting have approved higher remuneration payable to the Managing Director & Joint Managing Director of the Company. The Company has applied for approval from Central Government in respect of the same. Pending receipt of approval no provision has been made in the accounts for the amount payable Rs.7,765 (in 000's) based on the shareholders approval in the general meeting on 17th September 2008.

30. Disclosures as per Accounting Standard 15 "Employee Benefits":

Defined Contribution Plan:

Contribution to Defined Contribution, recognised as expense for the year are as under:

(Rs. In 000's)

	Current Year	Previous Year
Employer's Contribution to Provident Fund & Pension Scheme	37,053	31,451
Employer's Contribution to Superannuation Fund	8,054	9,865

Defined Benefit Plan:

The employees' gratuity fund scheme managed by a trust is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the projected unit credit method.

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

Rs. in 000s				
	Current Year		Previous Year	
	Gratuity (Funded)	Leave (UnFunded)	Gratuity (Funded)	Leave (UnFunded)
1. Reconciliation of opening and closing balances of defined benefit obligation:				
Defined Benefit obligation at beginning of the year	180,712	37,672	159,825*	30,381*
Current Service Cost	1,871	2,586	8,522	6,421
Interest Cost	2,474	766	12,711	3,000
Acquisition adjustment	(1,521)			
Actuarial (gain)/ loss	43,162	711	13,670	1,353
Benefits Paid	(16,508)	(2,988)	14,016	3,483
Defined Benefit obligation at end of the year	210,190	38,747	180,712	37,672
2. Reconciliation of opening and closing balance of fair value of plan assets:				
Fair value of plan assets at beginning of the year *	76,179		50,150*	
Acquisition adjustment	512			
Expected return on plan assets	4,135		5,097	
Employer Contribution	32,815		34,948	
Benefits paid	(16,508)		14,016	
Actuarial gain/(loss)	2,573		-	
Fair value of plan assets at year end	99,706		76,179	
3. Reconciliation of fair value of assets and obligations:				
Fair value of plan assets	99,706	-	76,179	-
Present value of obligation	210,190	38,747	180,712	37,672
Amount recognised in Balance Sheet	110,484	38,747	104,533	37,672
4. Expense recognised during the year: (under "Schedule – M" Operating & Other expenses of the Profit and Loss account)				
Current Service Cost	1,871	2,586	8,522	7,139
Interest Cost	2,474	766	12,711	2,282
Expected return on plan assets	(4,135)		5,096	-
Actuarial (gain)/ loss	40,589	711	13,670	1,354
Net Cost	40,799	4,063	29,807	10,775
5 Actuarial assumptions:				
Mortality Table (LIC)	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)
Discount rate (per annum)	7.30% to 7.50%	7.30% to 7.50%	8%	8.20%
Expected rate of return on plan assets (per annum)	9.30%	Nil	9.25%	Nil
Rate of escalation in salary (per annum)	7%	7%	7%	7%

* Includes amounts taken over from KSL & KPEL.

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

31. Segment Reporting:

The Company has not furnished segment report since same has been furnished in the Consolidated financial statements, as referred in para 4 of accounting standard 17 issued by Central Government.

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SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

32. Related Parties Disclosure:

Sl. No	Name of the related party	Relationship
1	Kirsons BV (w.e.f. 01.09.2008)	Subsidiary (Wholly owned)
2	Lloyd Dynamowerke GmbH & Co. KG (LDW) Lloyd Beteiligungs GmbH	Step down Subsidiary
3	Mr. Vijay R Kirloskar Mr. P S Malik Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar	Key management personnel and their Relatives.
4	KEASI Robican Industrial Systems Limited Kirloskar (Malaysia) Sdn. Bhd Electrical Machines Industries (Bahrain) W.L.L	Associates and joint ventures
5	Kirloskar Computer Services Limited Kirloskar Batteries Private Limited Kirloskar Power Equipment Limited Ravindu Motors Private Limited Vijay Farms Pvt. Ltd. Sri Vijayadurga Investments & Agencies Pvt. Ltd. Vijayjyothi Investments & Agencies Pvt. Ltd. Abhiman Trading Co. P. Ltd. Vijayakirti Investments & Agencies Pvt.Ltd. Vimraj Investments & Agencies Pvt. Ltd. Kirloskar Software Services	Enterprises over which key management personnel and their relatives are able to exercise significant influence

DETAILS OF TRANSACTIONS:

Rs. in 000's

Nature of transactions	Subsidiary	Step down subsidiaries (LDW)	Key management personnel and their Relatives	Associates and joint ventures	Enterprises over which key management personnel and their relatives are able to exercise significant influence
Purchases of goods/services	Nil (Nil)	1,655 (Nil)	Nil (Nil)	Nil (Nil)	74,004 * (87,351)
Sale of goods/fixed assets/ services	3,690 (Nil)	Nil (Nil)	Nil (Nil)	34,467# (30,355)	14,709 ^ (18,184)
Purchase of Fixed Assets from Ravindu Toyota Pvt Ltd	Nil	Nil	Nil	Nil	Nil (5,135)
Rent received from Ravindu Toyota Pvt Ltd	Nil	Nil	Nil	Nil	2,568 (2,528)
Dividend received	Nil	Nil	Nil	297# (102)	Nil ^^ (2,040)
Rent paid	Nil	Nil	5,280 ** (5,100)	Nil	25,500 ## (10,750)
Investments as on 31.03.2009	645,339 \$\$\$ (Nil)	Nil	Nil	5,529 + (5,529)	5,197 ++ (5,197)
Share application money pending allotment	17,800 (Nil)	Nil	Nil	Nil	Nil
Provision for diminution in value of investments as on 31.03.2009	Nil	Nil	Nil	5,000 @ (5,000)	2,380 @ (2,380)
Provision for doubtful advances as on 31.03.2009	Nil	Nil	Nil	Nil	32,246 \$ (25,847)
Amount due to Company as at 31.3.2009	5,063 (Nil)	Nil	2,700 ! (2,700)	7,210# (22,979)	269,593 !! (152,466)
Amount due from Company as at 31.03.2009	Nil	1,655 (Nil)	Nil (3,133)	Nil	967\$\$ (23,753)
Remuneration paid	Nil	Nil	14,030 ^^^ (11,621)	Nil	Nil

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

Nature of transactions	Subsidiary	Step down subsidiaries (LDW)	Key management personnel and their Relatives	Associates and joint ventures	Enterprises over which key management personnel and their are able to exercise significant influence
Shares allotted during the year (face value & premium)	Nil	Nil	Nil	Nil	Nil !!! (60,000)
Shares allotted pursuant to Scheme (at face value)	Nil	Nil	34,315 ∞ (Nil)	Nil	59,541 £ (Nil)
Guarantees given by the Company and outstanding at the end of the year.	1,171,465 (Nil)	Nil	Nil	Nil	Nil *** (128,500)

KEC North America Inc has been dissolved. The investments in and dues from the said company have not been written off, pending receipt of approvals from Reserve Bank of India. However, full provision has been made for the same. Since the said company has been dissolved, the same has not been considered for related party disclosures.

*Includes Purchases of goods/ services from Kirloskar Batteries Private Limited Rs.52,090 (previous year Rs.69,415), Vijay Farms Limited Rs.5,834 (Previous year Rs.5,174), Sri Vijaydurga Investments and Agencies Private Limited Rs.8,377 (Previous year Rs.6,719), Vijay Jyothi Investments and Agencies Private Limited Rs.1,983 (Previous year Rs.Nil) and Abhiman Trading Company Limited Rs.5,720 (Previous year Rs.6,043).

Represents transaction with Kirloskar (Malaysia) Sdn Bhd.^ Includes sales to Kirloskar Batteries Private Limited Rs.14,709 (Previous year Rs.17,995) and Ravindu Toyota Private Limited Rs. Nil (Previous year Rs.189).

^^ Represents dividend from Kirloskar Power Equipment Limited

** Includes rent paid to Vijay R Kirloskar Rs.3,780 (Previous year Rs.3,600) and Meena Kirloskar Rs.1,500 (Previous year Rs.1,500).

Includes rent paid to Kirloskar Power Equipments Limited Rs.9,900 (Previous year Rs.Nil) and Vijay Jyothi Investment and Agencies Pvt Ltd Rs.15,600 (Previous year Rs.10,750).

+ Includes investments in Kirloskar (Malaysia) Sdn Bhd. Rs.529 (Previous year Rs.529) and KEASI Robican Industrial Systems Limited Rs.5,000 (Previous year Rs.5,000).

++ Includes investments in Kirloskar Power Equipments Limited Rs.2,817 (Previous year Rs.2,817) and Kirloskar Computer Services Limited Rs.2,380 (Previous year Rs.2,380).

@ Represents KEASI Robican Industrial Systems Limited Rs.5,000 (Previous year Rs.5,000) and Kirloskar Computer Services Limited Rs.2,380 (Previous year Rs.2,380).

\$ Represents Kirloskar Computer Services Limited.

! Represents due from Meena Kirloskar

!! Includes due from Kirloskar Power Equipment Limited Rs.42,774 (previous year Rs.31,702), Kirloskar Computer Services Limited Rs.32,246 (Previous year Rs.22,165), Vijay Farms Limited Rs.18,183 (Previous year Rs.18,660), Kirloskar Batteries Private Limited Rs.29,468 (Previous year Rs.Nil), Vijay Jyothi Investments and Agencies Private Limited Rs.141,688 (Previous year Rs.69,114), Abhiman Trading Company Limited Rs.4,048 (Previous year Rs.7,372), Vijay Keerthi Investment and Agencies Private Limited Rs.60 (Previous year Rs.60), Vijaydurga Investments and Agencies Pvt Ltd Rs.1,064 (Previous year Rs.3,393) and Ravindu Motors Private Limited Rs.62 (Previous year Nil). ∞ Includes Shares allotted to Vijay R Kirloskar Rs.34,303 (Previous year Rs. Nil) and P S Malik Rs.12 (Previous year Rs. Nil)

\$\$\$ Includes expenses incurred in connection of acquisition of subsidiary Rs.88,249 million vide note 28 above.

\$\$ Includes due to Kirloskar Batteries Limited Rs.821 (Previous year Rs.13,087), Ravindu Motors Private Limited Rs.146 (Previous year Rs.146), Vijay Farms Private Limited Rs.Nil (Previous year Rs.117), Sri Vijaydurga Investments and Agencies Pvt Ltd Rs.Nil (Previous year Rs.1,900), Vijay Jyothi Investment and Agencies Pvt Ltd Rs.Nil (Previous year Rs.5,037) and Abhiman Trading Company Limited Rs.Nil (Previous year Rs.3,466).

^^^ Includes paid to Vijay R Kirloskar Rs.4,744 (Previous year Rs.4,744), P S Malik Rs.7,762 (Previous year Rs.5,689), Janki Kirloskar Rs.1,167 (Previous year Rs.1,188) and Rukmini Kirloskar Rs.357 (Previous year Rs.Nil).

!!! Includes shares allotted to Kirloskar Power Equipment Limited Rs.Nil (Previous year Rs.33,990) and Abhiman Trading Company Limited Rs.Nil (Previous year Rs.26,010).

£ Includes Shares allotted to Vijay Farms Pvt Ltd Rs.14,639 (Previous year Rs. Nil), Vijay Jyothi Investments & Agencies Pvt Ltd Rs.12,000 (Previous year Rs.Nil), Abhiman Trading Co Pvt Ltd Rs.20,902 (Previous year Rs. Nil) and Vijay Kirthi Investments & Agencies Pvt Ltd Rs.12,000 (Previous year Rs.Nil).

*** Represents given to Kirloskar Batteries Pvt Ltd.

33. Finance Leases:

Finance lease arrangements relate to Plant & Machinery. The lease period is for five years with interest rates ranging from 13% to 14% per annum. The Company pays fixed lease rentals over the period of the lease whereby the net present value of the minimum lease payments amount substantially to the cost of the assets.

SIXTY SECOND ANNUAL REPORT 2008-09

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

Rs in 000's

Particulars	Total minimum lease payments outstanding as at 31.03.2009	Future interest on outstanding Lease Payments	Present value of minimum lease payments as at 31.03.2009
Within One year	23,721 (20,066)	8,520 (8,511)	15,201 (11,555)
Later than one year but not later than five years	73,869 (86,389)	10,051 (18,498)	63,818 (67,891)
Later than five years	Nil (441)	Nil (73)	Nil (368)
Amount disbursed for which installment schedule yet to be finalized	-		Nil (3,130)
Total	97,590 (106,896)	18,571 (27,082)	79,019 (82,944)

34. The Company has various operating leases for office facilities, guesthouse and residential premises of employees that are renewable on a periodic basis, and cancelable at its option. Rental expenses for operating leases included in the financial statements for the year are Rs.56,786 (Rs.34,214).

35. Earnings per share:

Rs. in 000's

PARTICULARS	31.03.2009	31.03.2008
BASIC :		
After extraordinary items		
Profit for the year after tax expense	302,119	620,141
Less:		
Preference Dividend including dividend tax	19,796	19,796 @
	282,323	600,345
Weighted No. of Equity Shares for Basic EPS	50,521,367	50,021,367 *
Basic EPS (Rs.)	5.59	11.97
Before extraordinary items		
Profit for the year after tax expense	302,119	620,141
Less: extraordinary item (net of tax)	Nil	1,606
	302,119	618,535
Less:		
Preference Dividend including dividend tax	19,796	19,796 @
	282,323	598,739
Weighted No. of Equity Shares for Basic EPS	50,521,367	50,021,367 *
Basic EPS (Rs.)	5.59	11.97
DILUTED :		
After extraordinary items		
Profit for the year after tax expense	302,119	620,141
Less:		
Preference Dividend including dividend tax	19,796	19,796 @
	282,323	600,345
No. of Equity Shares for Diluted EPS	50,521,367	50,021,367 *
Diluted EPS (Rs.)	5.59	12.00
Before extraordinary items		
Profit for the year after tax expense	302,119	620,141
Less: extraordinary item (net of tax)	Nil	1,606

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

Rs in 000's

PARTICULARS	31.03.2009 Rs. (000's)	31.03.2009 Rs. (000's)
Less:	302,119	618,535
Preference Dividend including dividend tax	19,796	19,796 @
	282,323	598,739
Weighted No. of Equity Shares for Basic EPS	50,521,367	50,021,367 *
Basic EPS (Rs.)	5.59	11.97

@ Taking into account dividend relating to KSL

* Taking into account shares to be allotted to the shareholders of KSL & KPCL pursuant to Scheme.

36. DETAILS OF DEFERRED TAX LIABILITY:

Rs in 000's

	As at 31.03.2009	As at 31.03.2008
Liability relating to value of fixed assets	234,343	282,913
Asset relating to Disallowance and Unabsorbed loss & depreciation under the Income Tax Act, 1961 (recognized only to the extent of net liability)	234,343	282,913
Net amount	Nil	Nil

37. During the year the Company has made provisions towards warranty claims from the customers towards sales, leave to employees and stamp duty payable pursuant to Scheme the details of the same are as under:

Rs in 000's

Particulars	Stamp Duty	Leave Claims	Warranty
Balance outstanding at the beginning of the year	Nil	37,672	44,359
Provision for the year (net)	65,000	4,063	1,644
Amount paid	-	2,988	-
Balance outstanding at the end of the year	65,000	38,747	46,003

38. There were no derivative instruments outstanding as at March 31, 2009. Foreign currency exposures which have not been hedged by any derivative instruments or otherwise as at March 31, 2009 is as follows:

Rs in 000's

Particulars	As at 31.03.2009	As at 31.03.2008
Assets (Receivables)	46,450	66,974
Liabilities (Payables)	19,321	7,741

39. Figures have been rounded off to the nearest "000's" as permitted by Government of India Notification No.GSR: 14(E) dated 23.12.1978.

40. Previous year figures have been regrouped wherever required in conformity with presentation this year.

As per our report of even date

For and on behalf of Board of Directors

For B.K. RAMADHYANI & CO.
Chartered Accountants

VIJAY R KIRLOSKAR
Chairman & Managing Director

P S MALIK
Joint Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Associate Vice President & Company Secretary

CA R.K. GUPTA
Vice President & Chief Financial Officer

Bangalore

Date : June 24, 2009

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:**I. REGISTRATION DETAILS**

Registration No

C	4	1	5	/	4	6	-	4	7
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 State Code

0	8
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Balance Sheet Date

3	1	-	0	3	-	2	0	0	9
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II. CAPITAL RAISED DURING THE YEAR (Rupees in Thousands)

Public Issue

N	i	l
---	---	---

 Rights Issue

N	i	l
---	---	---

Bonus Issue

N	i	l
---	---	---

 Private Placement (Including premium)

N	i	l
---	---	---

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Rupees in Thousands)

Total Liabilities

			3	1	2	7	7	9	5
--	--	--	---	---	---	---	---	---	---

 Total Assets

			3	1	2	7	7	9	5
--	--	--	---	---	---	---	---	---	---

Sources of Funds

Paid up Capital

			7	4	2	8	8	8
--	--	--	---	---	---	---	---	---

 Reserves & Surplus

			9	1	6	9	0	1
--	--	--	---	---	---	---	---	---

Secured Loans

			1	1	7	3	3	6	8
--	--	--	---	---	---	---	---	---	---

 Unsecured Loans

			2	9	4	6	3	8
--	--	--	---	---	---	---	---	---

Application of Funds

Net Fixed Assets

			1	6	0	4	2	4	9
--	--	--	---	---	---	---	---	---	---

 Capital Work In Progress

			9	3	1	7	6
--	--	--	---	---	---	---	---

Investments

			6	5	0	8	8	5
--	--	--	---	---	---	---	---	---

 Net Current Assets

			7	7	9	4	8	5
--	--	--	---	---	---	---	---	---

IV. PERFORMANCE OF COMPANY (Rupees in Thousands)

Turnover (including other Income)

8	7	5	0	7	4	2
---	---	---	---	---	---	---

 Total Expenditure

8	4	0	2	2	2	3
---	---	---	---	---	---	---

Profit before Tax

	3	4	8	5	1	9
--	---	---	---	---	---	---

 Profit after Tax

	3	0	2	1	2	0
--	---	---	---	---	---	---

Earning per share in Rs. (After Tax)

		5	.	5	9
--	--	---	---	---	---

 Dividend rate %

N	i	l
---	---	---

V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICE OF COMPANY

Item Code No. (ITC Code)

8	5	.	0	1											
---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--

Product Description

E	L	E	C	T	R	I	C		M	O	T	O	R	S
---	---	---	---	---	---	---	---	--	---	---	---	---	---	---

Item Code No. (ITC Code)

8	5	.	0	1											
---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--

Product Description

A	C		M	A	C	H	I	N	E	S					
---	---	--	---	---	---	---	---	---	---	---	--	--	--	--	--

Item Code No. (ITC Code)

8	5	.	0	1											
---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--

Product Description

D	C		M	A	C	H	I	N	E	S					
---	---	--	---	---	---	---	---	---	---	---	--	--	--	--	--

Bangalore
Date : 24th June, 2009

VIJAY R KIRLOSKAR
Chairman & Managing Director

P Y MAHAJAN
Associate Vice President & Company Secretary

P S MALIK
Joint Managing Director

CA R.K. GUPTA
Vice President & Chief Financial Officer

**Consolidated
Financial Statements 2008-09**

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS TO THE MEMBERS OF KIRLOSKAR ELECTRIC COMPANY LIMITED

1. We have audited the attached consolidated Balance Sheet of Kirloskar Electric Company Limited ("the Company") and its subsidiaries (collectively referred as "Group") as at March 31, 2009, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the group'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 generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are prepared, in all material respects, in accordance with the identified financial reporting framework and are free from material misstatements. 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 the management, as well as evaluating the overall financial statements. We believe our audit provides a reasonable basis for our opinion.
3.
 - a. We have not audited the financial statements of the Subsidiaries, whose financial statements reflect total assets of Rs.2,588.311 million and total revenues of Rs.2,294.636 million for the period from September 1, 2008 to March 31, 2009. These financial statements have been audited by other auditors, whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors. The accounting policies used by them have not been harmonised with that used by the Company.
 - b. We have not audited the financial statements of Electrical Machine Industries (Baharin) WLL (EMIB) and Kirloskar (Malaysia) Sdn. Bhd. for the year ended March 31, 2009. Consequently, the Company's share in the profits/losses of an associate as shown separately in the Profit and Loss Account and the value of investments in the consolidated balance sheet are based on audited statements of EMIB and unaudited financial statements of Kirloskar (Malaysia) Sdn. Bhd. for the said year as received from the said associates. The accounting policies used by them have not been compared and harmonized with that used by the Company. The proportion of items in the consolidated financial statements to which different accounting policies have been applied are not ascertained. Details of accounting policies, contingent liabilities as at March 31, 2009, notes forming part of the financial statements of the said associate have not been furnished
 - c. *Intra group balances have not been comprehensively identified and reconciled and balances to the extent identified and reconciled have been eliminated, while preparing these consolidated financial statements. In the absence of necessary information, unrealised profits and losses from intragroup transactions, either relating to the year or previous years have not been eliminated Effect on revenue not ascertainable*
4. *Subject to our comments in paragraph 3 above*, we report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21-Consolidated Financial statements, AS 23 - Accounting for Investments in Associates and AS 27 Accounting for Joint Ventures in Consolidated Financial Statements on the basis of the separate audited financial statements of the Company & its subsidiaries, audited/ unaudited financial statements of the associates and audited financial statements of a jointly controlled entity.
5. *Attention is invited to the following: -*
 - a) Note 12 of schedule 'N' regarding certain debtors, creditors, loans & advances, reconciliation of balances between the Company, its erstwhile subsidiary KSL and operating business of KPEL being under review/reconciliation. We have relied on the representations of the management that the effect of the same on the revenue of the year is not material.
 - b) Note 13(a) of schedule 'N' regarding accounts of one of the units of the Company, whose accounts have been maintained on SAP R/3 systems. Effect on revenue, if any is not ascertainable

- c) *Note 13(b) of schedule N regarding valuation of inventories of certain units not being in line with Accounting Standard 2. Effect on revenue, if any is not ascertainable and*
 - d) *Notes 15 of Schedule 'N' regarding amounts due from certain companies of Rs.42.310 million. We have relied on the representations of the management that these advances are good of recovery. We do not express any independent opinion in this matter.*
6. In our opinion and to the best of our knowledge and according to the information and explanations given to us, *the said accounts subject to our comments in paragraphs 3 and 5 above* and read with the other notes and schedules give a true and fair view in conformity with accounting principles generally accepted in India:
- a. In the case of the balance sheet, of the consolidated state of affairs of the group as at March 31, 2009
 - b. In the case of the profit and loss account, of the profits of the group for the year ended on that date and
 - c. In case of the cash flow statement, of the cash flows of the group for the year ended on that date.

Date: June 24, 2009

B. K. Ramadhyani & Co.,
4B, Chitrapur Bhavan
8th main, 15th cross, Malleswaram,
Bangalore - 560 055

For B. K. Ramadhyani & Co.,
Chartered Accountants

CA Shyam Ramadhyani
Partner
Membership No. 200/19522

CONSOLIDATED FINANCIAL STATEMENTS 2008-09

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2009

(Rs in 000's)

	Schedule	As at 31st March 2009	As at 31st March 2008
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
a) Capital	A	742,888	452,688
b) Shares to be allotted pursuant to Scheme		-	290,200
c) Reserves & Surplus	B	1,061,755	653,290
		1,804,643	1,396,178
LOAN FUNDS			
a) Secured Loans	C	3,037,847	1,142,748
b) Unsecured Loans	D	294,674	170,350
		3,332,521	1,313,098
MINORITY INTEREST		7,154	
TOTAL		5,144,318	2,709,276
APPLICATION OF FUNDS			
FIXED ASSETS			
a) Gross Block	E	3,231,106	2,315,604
b) Less : Depreciation		1,294,486	846,668
c) Net Block		1,936,620	1,468,936
d) Capital Work in progress	F	108,212	151,518
		2,044,832	1,620,454
INVESTMENTS	G	22,778	11,578
CURRENT ASSETS, LOANS & ADVANCES	H		
a) Inventories		1,705,002	942,867
b) Sundry Debtors		2,464,358	1,874,767
c) Cash & Bank Balances		678,688	648,511
d) Loans & Advances		875,339	603,959
		5,723,387	4,070,104
Less : CURRENT LIABILITIES & PROVISIONS	I		
a) Current Liabilities		3,588,596	2,621,391
b) Provisions		561,469	371,469
		4,150,065	2,992,860
NET CURRENT ASSETS		1,573,322	1,077,244
GOODWILL ON CONSOLIDATION (NET)		1,443,052	-
FOREIGN CURRENCY MONETARY ITEM TRANSLATION			
DIFFERENCE ACCOUNT (NET OF AMORTISATION)		60,334	-
TOTAL		5,144,318	2,709,276
NOTES ON ACCOUNTS	N		

FOOT NOTE : Schedules referred to above and the Notes attached form an integral part of the Balance Sheet

As per our report of even date

For B.K. RAMADHYANI & CO.

Chartered Accountants

CA SHYAM RAMADHYANI

Partner

Bangalore

Date : June 24, 2009

VIJAY R KIRLOSKAR

Chairman & Managing Director

P Y MAHAJAN

Associate Vice President & Company Secretary

P S MALIK

Joint Managing Director

CA R.K. GUPTA

Vice President & Chief Financial Officer

KIRLOSKAR ELECTRIC COMPANY LTD.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

(Rs in 000's)

	Schedule	Current Year	Previous Year
INCOME			
Sales		11,880,048	9,462,052
Less: excise duty		969,650	1,254,287
Other Income	J	130,576	101,485
Profit on sale of fixed assets (net)		48	293
TOTAL		11,041,022	8,309,543
EXPENDITURE			
Consumption of Raw Materials, Stores, Spares parts & Components and purchasing for Trading	K	7,985,849	6,068,006
Operating and Other Expenses	L	2,185,499	1,264,518
Interest and Finance Charges			
On Fixed Loans		210,328	118,236
On Other Accounts		86,778	31,983
		297,106	150,219
Loss on sale of fixed assets		3,619	-
Depreciation, Amortisations and Provisions	M	222,307	134,138
		10,694,380	7,616,881
Less: Expenses Capitalised		31,773	1,427
TOTAL		10,662,607	7,615,454
PROFIT BEFORE EXTRAORDINARY ITEMS		378,415	694,089
Add: Extraordinary income - remission of liability		-	1,811
PROFIT BEFORE TAX EXPENSE		378,415	695,900
Less Minority interest		3,712	-
Less share of loss from an associate		339	-
Add: Share in the profit of an associate		1,972	552
PROFIT BEFORE TAX EXPENSE		376,336	696,452
Less : Provision for current tax (net)		37,255	68,365
Deferred tax credit withdrawn		-	(3,006)
Provision for Fringe Benefit Tax		7,000	10,400
PROFIT AFTER TAX EXPENSE		332,081	620,693
Add: Profit/ (Loss) brought forward from Previous Year		505,830	(515,114)
Add: Provision for preference dividend - withdrawn		-	10,395
Deficit on amalgamation of KSL written off		-	(156,176)
		505,830	(660,895)
Less: Adjusted against Securities Premium account as per Scheme		-	634,004
		-	(26,891)
Add: Expenditure on employee benefits upto 31st March 2007 in terms of transitional provisions of AS 15 (revised)		-	71,505
		505,830	(98,396)
Less:		-	
Transfer to Debenture Redemption Reserve		16,467	16,467
Transfer to Capital redemption Reserve		40,000	-
Provision for Preference Dividend		27,650	-
Provision for Dividend Tax		4,699	-
		88,816	16,467
Balance of Profit Carried to Balance Sheet		749,095	505,830
Earning per Share (Face Value Rs 10 per share)			
Before considering extraordinary items			
Basic		6.18	11.98
Diluted		6.18	11.98
After considering extraordinary items			
Basic		6.18	12.01
Diluted		6.18	12.01

NOTES ON ACCOUNTS

N

FOOT NOTE : Schedules referred to above and the Notes attached form an integral part of the Profit & Loss Account

As per our report of even date

For **B.K. RAMADHYANI & CO.**

Chartered Accountants

CA SHYAM RAMADHYANI

Partner

Bangalore

Date : June 24, 2009

VIJAY R KIRLOSKAR

Chairman & Managing Director

P Y MAHAJAN

Associate Vice President & Company Secretary

P S MALIK

Joint Managing Director

CA R.K. GUPTA

Vice President & Chief Financial Officer

CONSOLIDATED FINANCIAL STATEMENTS 2008-09

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

(Rs in 000's)

	Current Year	Previous Year
A CASH FLOW FROM OPERATION ACTIVITIES		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	376,336	696,452
DEPRECIATION	158,300	110,532
AMORTISATION & PROVISIONS	(13,856)	130,085
PROVISION FOR EMPLOYEE BENEFITS IN TERMS OF TRANSITIONAL PROVISIONS OF AS 15 (REVISED)	-	(71,505)
(PROFIT)/LOSS FROM SALE OF FIXED ASSETS (NET)	3,571	(293)
PROFIT ON SALE OF INVESTMENTS	-	-
EXTRA ORDINARY INCOME	-	(1,811)
INTEREST AND DIVIDEND (NET)	264,250	121,801
	412,265	288,809
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	788,601	985,261
ADJUSTMENT FOR TRADE & OTHER RECEIVABLES	(845,631)	(368,223)
INVENTORIES	(762,135)	(339,600)
TRADE & OTHER PAYABLES	967,205	454,733
	(640,561)	(253,090)
	148,040	732,171
CASH GENERATED FROM OPERATIONS		
INTEREST PAID	(297,106)	(150,219)
DIRECT TAXES PAID	(13,421)	(110,362)
	(310,527)	(260,581)
NET CASH FROM OPERATING ACTIVITIES	(162,487)	471,590
B CASH FLOW FROM INVESTING ACTIVITIES		
PURCHASE OF FIXED ASSETS	(523,962)	(282,499)
INCREASE IN VALUE OF INVESTMENTS	(11,206)	(450)
PURCHASE OF BUSINESS	(1,448,531)	-
SALE OF FIXED ASSETS	2,712	402
SALE OF INVESTMENTS	6	-
INCREASE/ (DECREASE) IN VALUE OF MINORITY INTEREST	7,154	(46,968)
INCREASE IN FOREIGN CURRENCY TRANSLATION RESERVE	114,212	-
INTEREST RECEIVED	32,844	26,367
DIVIDEND RECEIVED	12	2,051
NET CASH USED IN INVESTING ACTIVITIES	(1,826,758)	(301,097)
C CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM TERM BORROWING	2,378,941	229,048
REPAYMENT OF TERM BORROWINGS	(359,271)	(270,814)
PROCEEDS FROM FIXED DEPOSITS FROM PUBLIC	300	110
PROCEEDS FROM ISSUE OF SHARE CAPITAL	(547)	(167)
REMISSION IN LIABILITY	-	1,811
NET CASH USED IN FINANCING ACTIVITIES	2,019,423	(40,012)
D NET INCREASE IN CASH	30,177	130,481
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	648,511	449,392
CASH & CASH EQUIVALENTS ACQUIRED PURSUANT TO SCHEME	-	68,638
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	678,688	648,511
	30,177	130,481

As per our report of even date

For and on behalf of Board of Directors

For B.K. RAMADHYANI & CO.

Chartered Accountants

CA SHYAM RAMADHYANI

Partner

Bangalore

Date : June 24, 2009

VIJAY R KIRLOSKAR

Chairman & Managing Director

P Y MAHAJAN

Associate Vice President & Company Secretary

P S MALIK

Joint Managing Director

CA R.K. GUPTA

Vice President & Chief Financial Officer

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2009

(Rs in 000's)

		As at 31st March, 2009	As at 31st March, 2008
SCHEDULE "A"			
Authorised :			
3,000,000	(3,000,000) Preference Shares of Rs. 100/- each	300,000	300,000
60,000,000	(60,000,000) Equity Shares of Rs. 10/- each	600,000	600,000
TOTAL		900,000	900,000
Issued, Subscribed and Paid-up :			
2,376,746	(1,200,000) Preference Shares of Rs. 100/- each	237,674	120,000
50,521,367	(33,268,817) Equity Shares of Rs. 10/- each	505,214	332,688
		742,888	452,688

NOTES :

- 1) Equity Shares include:
 - a 10,000 Shares of face value of Rs. 0.100 million allotted as fully paid up pursuant to a contract without payment being received in cash;
 - b 6,679,572 Shares of face value of Rs. 66.796 million allotted as fully paid up by way of bonus shares by capitalisation of Capital Reserve, Capital Redemption Reserve, General Reserve and Share Premium.
 - c 6,000,000 shares were allotted during the year 2003 - 04 to IDBI on conversion of Preference Share Capital at face value as per the scheme of arrangement approved by honourable High Court of Karnataka.
 - d 2,000,000 equity shares of Rs.10/- each aggregating to Rs.20 million at a premium of Rs.20/- each have been allotted during the year 2007-08 to the promoters group in terms of order June 29, 2007 of the Honourable High Court of Karnataka read with scheme of arrangement dated February 13, 2003 under sections 391 to 394 of the Companies Act, 1956.
 - e 6,752,550 shares issued to share holders of Kaytee Switchgear Limited and 10,500,000 shares issued to the shareholders of Kirloskar Power Equipment Limited, as fully paid up pursuant to the Scheme of arrangement approved by the Honourable High Court of Karnataka under sec 391 - 394 of the Companies Act, 1956 without payment received in cash. Equity shares so allotted includes 5,154,878 equity shares allotted to KECL Investment Trust, the sole beneficiary of which is the Company.
- 2) 1,176,746 preference shares of Rs.100/- each issued to preference shareholders of Kaytee Switchgear Limited as fully paid up pursuant to the Scheme of arrangement approved by the Honourable High Court of Karnataka under sec 391 -394 of the Companies Act, 1956 without payment received in cash and redeemable in 3 equal annual installments commencing from 2009 -2010
- 3) 1,200,000 preference shares carry a cumulative dividend of 7% per annum w.e.f 01.10.2001 payable cumulatively out of the profits of the company. The rate of dividend can be increased to 9% per annum by way of payment of redemption premium subject to profitability and cash flows. 800,000 preference shares shall be redeemed on 30.09.2009 and 400,000 preference shares on 30.09.2010.

SCHEDULE "B"

RESERVES AND SURPLUS

Capital Reserve

As per last Balance Sheet	1,806	1,806
Capital Reserve on Consolidation	-	5,479

Revaluation Reserve

As per last Balance Sheet	48,041	48,041
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Capital Redemption Reserve

As per last Balance Sheet	2,500	2,500
Add: Transferred from Profit and loss account	40,000	-
	42,500	2,500

Debenture Redemption Reserve

As per last Balance Sheet	16,467	-
Add: Transferred from Profit and loss account	16,467	16,467
	32,934	16,467

CONSOLIDATED FINANCIAL STATEMENTS 2008-09

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2009

(Rs in 000's)

	As at 31st March, 2009	As at 31st March, 2008
Share Premium Account		
As per last Balance Sheet	-	614,194
Add: Received during the year	-	40,000
	-	654,194
Less: Miscellaneous Expenditure of the Company and the operating business of KPEL to the extent not written off set off as per Scheme	-	20,190
	-	634,004
Less: Debit balance in Profit & Loss account of the Company and KSL adjusted as per Scheme	-	634,004
Reconstruction Reserve Account		
As per last Balance Sheet	64,167	64,167
Profit & Loss Account	749,095	505,830
Foreign Currency translation Reserve	114,212	
Reserve for Doubtful Debts		
As per last Balance Sheet	9,000	9,000
TOTAL	1,061,755	653,290

SCHEDULE "C"

SECURED LOANS

a) From Banks	2,925,895	1,010,404
b) Finance Lease obligations	79,019	82,944
c) Zero coupon debentures	32,933	49,400
TOTAL	3,037,847	1,142,748

SCHEDULE "D"

UNSECURED LOANS

a) Fixed Deposit	914	1,151
b) Interest accrued and due - FDs	12	41
c) SICOM Sales Tax loan	1,119	1,119
d) From banks	252,835	-
e) From companies	39,758	168,039
f) Proportionate Share of Jointly Controlled Entity	36	-
TOTAL	294,674	170,350

NOTE :

Fixed Deposits include unclaimed deposits of Rs.0.264 million (Previous year Rs. 0.367 million)
Amount falling due for payment within one year is Rs.294.234 million (Previous year Rs.160.974 million).

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2009

SCHEDULE "E"

FIXED ASSETS

(Rs in 000's)

Particulars	GROSS BLOCK (AT COST)					DEPRECIATION					NET BLOCK	
	As at 1st April 2008	Acquired during the year on account of LDW	Additions for the year	Deductions during the year	As at 31st March 2009	As at 1st April 2008	Acquired during the year on account of LDW	For the year	Deductions	As at 31st March 2009	As at 31st March 2009	As at 31st March 2008
Tangible Assets												
Own assets												
Land (*)	117,059	-	5,329	-	122,388	-	-	-	-	-	122,388	117,059
Buildings	435,827	66,152	125,924	97	627,806	76,224	13,466	12,764	-	102,454	525,352	359,603
Plant & Machinery	1,543,576	326,750	150,630	7,940	2,013,016	653,925	196,199	122,970	2,529	970,565	1,042,451	889,651
Furniture & Equipment	103,486	65,719	32,085	470	200,820	52,086	42,773	10,270	205	104,925	95,896	51,400
Vehicles and Aircraft	33,247	-	485	741	32,991	13,426	-	2,365	354	15,437	17,554	19,821
Leased Assets												
Land (#)	6,627	-	331	-	6,958	-	-	-	-	-	6,958	6,627
Plant & Machinery	17,681	-	44,862	-	62,543	1,326	-	1,359	-	2,685	59,858	16,355
Leasehold Improvements	-	-	29,377	-	29,377	-	-	1,507	-	1,507	27,870	-
Intangible assets												
Goodwill	42,346	-	-	-	42,346	42,346	-	-	-	42,346	-	-
Product development	-	-	3,731	-	3,731	-	-	622	-	622	3,109	-
Technical knowhow	11,063	-	-	-	11,063	5,985	-	2,048	-	8,033	3,030	5,078
Software	3,668	68,639	8,843	4,107	77,043	326	44,151	4,395	3,984	44,888	32,155	3,342
Proportionate share in Jointly controlled entity	1,024	-	-	-	1,024	1,024	-	-	-	1,024	-	-
TOTAL	2,315,604	527,260	401,597	13,355	3,231,106	846,668	296,590	158,300	7,072	1,294,486	1,936,620	1,468,936
Previous Year	2,027,956	104,807	184,708	1,867	2,315,604	683,186	54,708	110,532	1,758	846,668	-	-

(*) Includes Rs. 3.337 million being the cost of ownership premises taken in possession for which Society is to be formed. Certain land at Bangalore was revalued in the year 1999-2000 on the basis of Chartered Engineers certificate. Incremental amount on revaluation was credited to Revaluation Reserve Rs.48,041 (in 000's).

(#) Leasehold land represents land taken on lease from KIADB. On expiry of lease period, payment of balance consideration if any, and execution of sale deed, the title will pass to the Company.

- Additions include Rs.65 million provision towards stamp duty pursuant to Scheme apportioned over the net value of assets subject to final assessment of stamp duty
- Deletions include Rs.1,270 (in 000's) pertaining to exchange difference on account of closing balance revaluation.

SCHEDULE "F"

(Rs in 000's)

	As at 31st March 2009	As at 31st March 2008
CAPITAL WORK IN PROGRESS		
1 Plant & Machinery taken on finance lease	36,575	62,028
2 Improvements to leasehold premises	-	23,929
3 Plant & Machinery	124,473	107,386
4 Buildings	3,139	14,150
	164,187	207,493
Less:		
Provision for uninstalled machinery	55,975	55,975
TOTAL:	108,212	151,518

CONSOLIDATED FINANCIAL STATEMENTS 2008-09

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2009

SCHEDULE "G"

(Rs in 000's)

Details of Investment	Name of the Company	Nos	Face Value Rs	As at 31st March 2009	As at 31st March 2008
INVESTMENTS (AT COST)					
{LONG TERM}					
TRADE :					
(a) Quoted :					
(i) Equity Shares - Fully Paid-up					
	ICICI Ltd., (on merger of Sangli Bank Limited)	1,081	10	100	100
	Kirloskar Computer Services Ltd.,	200,000	10	2,380	2,380
	The Mysore Kirloskar Ltd.,	770,750	10	21,260	21,260
(ii) Debentures - Fully Paid-up					
	The Mysore Kirloskar Ltd., @	30,000	44	1320	1,320
(b) Unquoted :					
(i) Equity Shares - Fully Paid-up					
	Best Trading & Agencies Ltd.,	584	10	-	6
	In Other Companies :				
	Kirloskar Proprietary Ltd., (acquired 25 shares on rights issue)	26	100	128	128
	Kirloskar (Malaysia) Sdn. Bhd, Kuala Lumpur, Malaysia	2,00,000	MR 1	5,137	3,463
	Kirloskar Kenya Limited, Nairobi, Kenya	1,272	K. Sh 1000	853	853
	Kirsons Trading Pte. Ltd	56,250	S \$ 1	1,120	1,120
	Kirloskar Power Equipment Ltd.,	340,000	10	5,909	5,909
	KEASI Robicon Industrial Systems Private Limited	500,000	10	-	-
	Electrical Machine Industries (Bahrain) W L L	180	BHD 100	9,531	-
				47,738	36,538
Less:					
Provision for diminution in value of Investments				24,960	24,960
TOTAL:				22,778	11,578

@ Matured and due for payment.

NOTES :

Rs in 000's Rs in 000's

1) Aggregate value of quoted investments		
Cost	25,060	25,060
Market Value	Not Available	Not Available
2) Aggregate value of unquoted investments		
Cost	22,678	11,478

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2009

SCHEDULE "H"

(Rs in 000's)

	As at 31st March 2009	As at 31st March 2008
CURRENT ASSETS, LOANS & ADVANCES		
A. Current Assets		
1. Inventories - as certified by the Managing Director		
i. Raw Materials, stores, spares parts, components etc.,	319,028	179,771
ii. Stock in trade		
Finished goods (including trading stocks)	165,778	265,010
Process stock	1,204,100	516,113
iii. Others-Including material at port and scrap	25,204	21,508
	<u>1,714,110</u>	<u>982,402</u>
Less: Provision for non-moving stocks	9,108	39,535
	<u>1,705,002</u>	<u>942,867</u>
2. Sundry Debtors		
(Unsecured, considered good except doubtful debts of Rs.159.314 million, previous year Rs.145.053 million)		
i. Debts outstanding for a period exceeding six months	395,973	395,973
ii. Other debts	2,227,699	1,623,847
	<u>2,623,672</u>	<u>2,019,820</u>
Less : Provision for doubtful debts	159,314	145,053
	<u>2,464,358</u>	<u>1,874,767</u>
3. Cash and Bank Balances		
a. Cash on hand	193,488	499
b. Cheques in hand	55	-
c. Amount in transit	9,496	10,841
d. Balances with scheduled banks		
- On current account	180,883	291,804
- On short term deposit accounts	294,766	345,367
	<u>678,688</u>	<u>648,511</u>
B. Loans and Advances		
(Unsecured, considered good except doubtful advances of Rs. 134.671 million, previous year Rs.123.799 million)		
Advances recoverable in cash or in kind or for value to be received		
Sundry Advances	723,287	457,507
Less : Provision for doubtful advances	134,671	123,799
	<u>588,616</u>	<u>333,708</u>
Proportionate share in Jointly controlled Entity	-	137
Central excise deposits	93,770	92,500
Advance payment of tax (including FBT)	192,953	177,614
	<u>875,339</u>	<u>603,959</u>
TOTAL:	<u>5,723,387</u>	<u>4,070,104</u>

CONSOLIDATED FINANCIAL STATEMENTS 2008-09

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2009

SCHEDULE "I"

(Rs in 000's)

	As at 31st March 2009	As at 31st March 2008
CURRENT LIABILITIES & PROVISIONS		
A.Current Liabilities		
Sundry Creditors	2,341,113	1,936,936
Acceptances	217,558	154,497
Trade Advances	979,388	371,948
Other liabilities (@)	50,537	158,007
Proportionate share in joint control entity	-	3
	<u>3,588,596</u>	<u>2,621,391</u>
B.Provisions		
For Taxation (including FBT)	231,078	184,905
For Earned Leave Encashment	61,051	37,672
For Preference Dividend (including dividend tax)	32,349	-
For Stamp duty pursuant to Scheme	65,000	-
For Gratuity	110,484	104,533
For Warranty claim	61,507	44,359
	<u>561,469</u>	<u>371,469</u>
TOTAL:	<u>4,150,065</u>	<u>2,992,860</u>

(@) Includes Rs.0.309 million due to Directors (Previous year Rs.0.309 million).

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

SCHEDULE "J"

(Rs in 000's)

	Current Year	Previous Year
OTHER INCOME		
Interest :		
On Fixed Deposits	32,316	19,749
Others	528	6,618
(Tax deducted at source Rs.5.7 million, previous year Rs.3.24 million)	32,844	26,367
Dividend from long term		
Investments : Trade	12	2,051
Commission on Sales	7,871	-
Rent received	6,779	4,854
(Tax deducted at source Rs.0.54 million, previous year Rs.0.54 million)		
Miscellaneous*	83,070	68,093
Proportionate share in jointly controlled entity		120
TOTAL:	130,576	101,485

* Includes provision no longer required Rs.63.34 million (Rs.62.13 million)

SCHEDULE "K"

CONSUMPTION OF RAW MATERIALS, STORES, SPARE

PARTS & COMPONENTS AND PURCHASES FOR TRADING

Raw material, stores and Components	7,596,912	6,294,564	
Purchases for Trading	148,197	88,596	
	7,745,109		6,383,160
Deduct : Increase in stocks			
Stocks at Close			
Process stocks	1,204,100	516,113	
Trading and finished goods	165,778	265,010	
Scrap	954	1,149	
	1,370,832	782,272	
Less : Stocks at commencement			
Process stocks	516,113	261,151	
Trading and finished goods	265,010	139,335	
Scrap	1,149	4,377	
Taken over from LDW/ KPEL			
Process stocks	829,300	28,253	
Trading and finished goods	-	34,002	
	1,611,572	467,118	
	240,740		(315,154)
Inventories written off	3,296	21,629	
Less: Provision withdrawn	3,296	21,629	
	-	-	
	7,985,849	6,068,006	

Note:

- Net of Rs.27.131 million withdrawn from provision for non moving inventories
- Value of stores and spares not separately ascertained

CONSOLIDATED FINANCIAL STATEMENTS 2008-09

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

SCHEDULE "L"

(Rs in 000's)

	Current Year	Previous Year
OPERATING & OTHER EXPENSES		
Power & Fuel	82,796	84,736
Expenses relating to Employees :		
Salaries, Wages & Bonus	1,039,907	548,304
Contribution to Employees PF, Family Pension Scheme and Superannuation Fund	134,786	41,316
Gratuity as per actuarial valuation	40,799	29,807
Workmen and Staff Welfare Expenses (includes contribution to employees' State insurance & PF Administration Charges	105,003	75,072
	1,320,495	694,499
Rent	65,578	34,214
Repairs		
Buildings	10,581	13,780
Machinery	32,192	19,198
Others	55,684	34,267
	98,457	67,245
Selling Expenses	139,359	108,921
Commission	35,551	9,184
Cash Discount	5,970	4,294
Additional Sales Tax	15	1,070
Maintenance of Vehicles	4,439	1,778
Insurance	22,423	5,555
Rates and Taxes	26,826	18,724
Advertisement	9,863	9,231
Printing & Stationery	10,780	9,615
Travelling Expenses	96,544	81,715
Postage, Telegrams and Telephones	19,601	18,509
Auditors Remuneration	4,624	4,029
Tech. Consultancy & Professional Charges	124,109	49,427
Accounting machinery	648	265
Bank Charges (Net off exchange fluctuation difference of Rs.1.98 million Cr. previous year Rs.2.645 million Dr.)	63,054	39,484
Subscription to technical associations,		
Journals and Magazines	3,598	894
Manufacturing expenses and sundries	27,609	14,217
Bad debts & disallowance written off	29,107	45,298
Less : Provision for doubtful debts withdrawn	21,894	43,649
	7,213	1,649
Donations	8,060	-
Directors' sitting fees	415	-
Remuneration to whole-time directors	7,302	4,744
Capital work in progress written off	-	7,881
Less : Provision for uninstalled machinery withdrawn	-	7,881
	-	-
Proportionate share of expenses of jointly controlled entity	170	18
	2,185,499	1,264,518

SCHEDULE "M"

DEPRECIATION, AMORTISATION AND PROVISIONS

1 Depreciation	158,300	110,532
2 Doubtful debts	20,154	15,000
3 Doubtful advances	10,872	-
4 Warranty claim	17,898	8,606
5 Amortisation of Foreign Exchange Loss on Monetary Item translation difference account	15,083	-
	222,307	134,138

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**SCHEDULE "N"**

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

1. SIGNIFICANT ACCOUNTING POLICIES**BASIS OF CONSOLIDATION**

The financial statements of subsidiary companies and associates used in the preparation of this consolidated financial statements have been drawn up to the same reporting date as that of the parent company i.e. year ended March 31, 2009. The financial statement of Kirloskar (Malaysia) Sdn. Bhd., used are as received from it and is unaudited.

Basis of presentation of Financial Statements

The financial statements of the Company and its subsidiaries have been prepared under historical cost convention, in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in the countries in which they operate and in the case of the parent company, the provisions of the Companies Act, 1956. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. Accounting policies of the consolidating entities have not been synchronized.

The direct subsidiary of the Company, namely Kirsons BV has been classified as an 'Integral Foreign Operation'. Revenue items denominated in foreign currency have been converted at the average rate prevailing during the year. Non monetary foreign currency assets and liabilities have been accounted at the rate of exchange prevailing on the transaction date. Monetary foreign currency assets and liabilities (other than long term foreign currency monetary items) have been converted at the rates prevailing at the end of the year. Resultant difference has been adjusted in the Profit and Loss Account. In terms of the option provided by notification dated March 31, 2009 issued by the Ministry of Corporate Affairs, Government of India, exchange differences arising on reporting of long term foreign currency monetary items at rates different from those at which they were initially recorded, in so far as they relate to acquisition of non depreciable capital asset have been accumulated in a 'Foreign currency monetary item translation difference account' and amortized over the balance period of such long term asset/liability but not beyond March 31, 2011.

The step down subsidiaries of the Company referred to in note 2 below have been classified as 'Non Integral Foreign Operations'. Revenue items have been consolidated at the average rate prevailing during the year and all assets and liabilities have been converted at the rates prevailing at the end of the year. Resulting exchange differences have been accumulated in a 'Foreign Currency Translation Reserve' vide Schedule B.

The difference between the parent Company's portion of equity in the subsidiaries as at the date of its investment and the cost of their respective investments has been treated as capital reserve/goodwill on consolidation.

PRINCIPLES OF CONSOLIDATION

- a) The financial statements of the parent company and its subsidiaries have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenditures after eliminating intra group balances and transactions to the extent identified and reconciled.
- b) The Company's interest in KEASI Robicon Systems Ltd, a jointly controlled entity has been accounted as per the proportionate consolidation method envisaged in Accounting Standard 27. In terms of this method, the venture's share of assets, liabilities, income and expenses of a jointly controlled entity is reported as separate line items in the consolidated financial statements.
- c) Investment in an associate has been accounted under the equity method as per Accounting Standard 23. Under the equity method of accounting, the investment is initially recorded at cost, identifying any goodwill / capital reserve arising at the time of acquisition. The carrying amount of investment is adjusted thereafter for post acquisition changes in the investor's share of net assets of the investee. The consolidated statement of profit and loss reflects the investor's share of the results of operations of the investee. Calculation of goodwill/ capital reserve as well as post acquisition changes has been made based on available information. Comprehensive information was not available.

CONSOLIDATED FINANCIAL STATEMENTS 2008-09

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

1.1 ACCRUAL SYSTEM OF ACCOUNTING:

The Company follows the accrual system of accounting in respect of all items of expenditure and income.

1.2 FIXED ASSETS:

(i) Tangible Assets

Fixed Assets (other than land which were revalued) are stated at cost of acquisition inclusive of freight, duties, taxes and incidental expenses relating to the acquisition, installation, and erection and commissioning less depreciation. A portion of the land owned by the Company has been revalued. Internally manufactured assets are valued at works cost.

(ii) Intangible Assets

Intangible assets are accounted at cost of acquisition.

1.3 INVESTMENTS:

Investments unless otherwise stated are considered as long term in nature and are valued at acquisition cost less provision for diminution, if any.

1.4 INVENTORIES:

(Parent Company)

Raw materials, stores, spare parts and components are valued on first in first out basis/ weighted average basis at net landed cost except for stocks purchased in prior years at switchgear division, which are valued at estimated cost due to non-availability of adequate data or net realizable value whichever is lower. Work in progress is valued at works cost or net realizable value whichever is lower. Finished goods are valued at works cost or net realizable value whichever is lower.

Lloyd Dynamowerke GmbH & Co. KG (LDW)

Regarding inventories raw materials and finished goods are recorded at the lower of historical cost or replacement cost at balance sheet date. For slow moving inventories adequate write downs were applied. Valuation for finished goods and work in progress was carried out at the lower of cost of production or the lower attributable value. Cost of production includes all directly attributable cost. Overhead cost and cost of general administration are included according to commercial and fiscal acceptable values. Predictable losses are with the intention of a loss free valuation accounted for with revaluation adjustments or loss provisions.

1.5 DEPRECIATION:

Parent Company:

- a) Depreciation is charged on the written down value of assets at the rates specified in schedule XIV to the Companies Act, 1956 or Income Tax Act, 1961, whichever is higher on assets as on 31st March 1994.
- b) In respect of other additions after 1st April 1994, depreciation on straight-line basis at the rates specified in schedule XIV to the Companies Act 1956 has been charged, except otherwise stated.
- c) Depreciation on furniture and fixtures above Rs. 5,000/- provided at the residences of the employees has been charged at the rate of 33.33% on the straight-line method irrespective of the quarter of addition. Furniture and fixtures whose cost is Rs.5,000/- or below are fully depreciated in the year of addition.
- d) Depreciation on assets taken on finance lease is charged over the primary lease period.
- e) Depreciation on software is provided at 33.33% per annum.
- f) Depreciation on Technical Know-how fees and product development are written over a period of six years.
- g) Depreciation on assets (other than Furniture and Fixtures provided to employees and assets taken on finance lease) bought / sold during the year is charged at the applicable rates on a quarterly basis, depending upon the quarter of the financial year in which the assets are installed / sold. Assets whose individual value less than Rs. 5,000/- is depreciated fully.

LDW

- a) Intangible assets of fixed assets are recorded at historical cost less regular accumulated depreciation.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**SCHEDULE "N" (Contd.,)**

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

- b) Tangible assets are recorded at historical cost (acquisition cost or cost of production) less regular straight line accumulated depreciation. Real estate is depreciation over a period of 25 years. For movable property it is assumed useful lifetime between three and thirteen years. Additions to low value assets, which are starting with 2008, those with acquisition cost between EUR 150 and EUR 1000 are recorded in the year of addition and are depreciated straight line over a period of five years.

1.6 AMORTISATION OF EXPENDITURE ON VOLUNTARY RETIREMENT SCHEME:

- a) Expenditure incurred under the voluntary retirement scheme, providing for lump sum benefits at the time of retirement is amortized over a period of 4 / 5 years.
- b) Liability in respect of other voluntary retirement schemes providing for payment of benefits in installments over specified periods is amortized over 5 years.

1.7 RESEARCH AND DEVELOPMENT EXPENDITURE:

Revenue expenditure in carrying out research and development activity is charged to the Profit and Loss Account of the year in which it is incurred. Capital expenditure in respect of research and development activity is capitalized as fixed assets and depreciation provided as detailed above.

1.8 REVENUE RECOGNITION:

Sale of goods is recognized on shipment to customers and excludes recovery towards sales tax.

1.9 EMPLOYEE BENEFITS:

- (i) Short Term Employee Benefits:

Employee benefits payable wholly within twelve months of rendering the service are classified as short term. Benefits such as salaries, bonus, leave travel allowance etc. are recognised in the period in which the employee renders the related service.

- (ii) Post Employment Benefits:

- a) Defined Contribution Plans:

The Company has contributed to provident, pension & superannuation funds which are defined contribution plans. The contributions paid/ payable under the scheme is recognised during the year in which employee renders the related service.

- b) Defined Benefit Plans:

Employees' gratuity and leave encashment are defined benefit plans. The present value of the obligation under such plan is determined based on actuarial valuation using the Projected Unit Credit Method which considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gain and losses are recognized immediately in the statement of profit and loss account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the balance sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation. Gratuity to employees is covered under Group Gratuity Life Assurance Scheme of the Life Insurance Corporation of India.

There were no defined benefit plans at LDW.

1.10 FOREIGN CURRENCY TRANSLATION ON OVERSEAS BRANCH:

The financial statements of foreign branches have been translated in accordance with Accounting Standard 11.

1.11 TAXES ON INCOME:

Provision for current tax for the year is after taking cognizance of excess / short provision in prior years. Deferred tax assets/liability is recognized, subject to consideration of prudence, on timing differences.

1.12 BORROWING COSTS:

Interest and other borrowing costs on specific borrowings relating to qualifying assets are capitalized up to the date such assets are ready for use / intended to use. Other interest and borrowing costs are charged to Profit & Loss Account.

CONSOLIDATED FINANCIAL STATEMENTS 2008-09

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

1.13 CONTINGENT LIABILITIES:

Financial effect of contingent liabilities is disclosed based on information available upto the date on which financial statements are approved. However, where a reasonable estimate of financial effect cannot be made, suitable disclosures are made with regard to this fact and the existence and nature of the contingent liability.

1.14 USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. The consolidation of financial statement(CFS) present the consolidated accounts of Kirloskar Electric Company Limited with its following subsidiaries, Associate and Joint Venture:

Name of the company	Ownership Percentage	Country of Incorporation
Subsidiary (formed during the year)		
Kirsons BV	100%	The Netherlands
Step down Subsidiaries (acquired during the year)		
Lloyd Dynamowerke GmbH & Co.KG (LDW)	94.8949%	Germany
Lloyd Beteiligungs GmbH	100%	Germany
Associate		
Electrical Machine Industries (Bahrain) W.L.L. (Associate of LDW)	33.33%	Bahrain
Kirloskar (Malaysia) Sdn.Bhd	40.00%	Malaysia
Joint Venture		
KEASI Robicon Industrial System Pvt, Ltd	50%	India

(Rs. In '000's)

3(a)	CONTINGENT LIABILITIES OF THE COMPANY AND ITS SUBSIDIARIES:	As at 31.03.2009	As at 31.03.2008
i)	Letter of Credit, Guarantees, Corporate and Counter guarantees given on Import and Sale contracts etc.	1,991,550	912,935
ii)	Bills discounted with bank	188,037	174,558
iii)	Central excise and customs authorities have issued notices and raised certain demands, which are pending in appeal before various authorities, not acknowledged as debt by the Company	6,103	6,834
iv)	Sales tax demanded under appeal	55,167	19,104
v)	Claims against the Company not acknowledged as debt. The Company has made counter claim against one of the parties amounting to Rs.12.944 million (Previous year Rs. 12.944 million)	251,246	251,046
vi)	Sales tax liabilities in respect of pending assessments, C forms have not been received from several customers. Continuing efforts are being made to obtain them.	Not Ascertainable	Not Ascertainable
vii)	Income tax demand under appeal, either by the company or revenue department.	Nil	139,038
viii)	Interest and penalty if any, on account of delays/default in payment of statutory/ suppliers dues not ascertainable. The Company has made waiver petition where ever such interest / penalty has been levied.	Not Ascertainable	Not Ascertainable
ix)	The Company has furnished guarantees for the credit facilities of Rs.Nil million (Previous year: Rs.128.50 million) interest and other costs to Kirloskar Batteries Limited (KBTL) and redemption of Preference shares issued by Kirloskar Investment and Finance Ltd. (KIFL) Rs. 20 million (Previous year Rs. 20 million) and has obtained counter guarantees from the said Companies. The preference shareholder of KIFL has claimed an amount of Rs.20 million along with dividends in arrears of Rs.20.56 million and interest from the Company, before the Debt Recovery Tribunal. The Company does not acknowledge this liability.		

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

		(Rs. In '000's)
3(a)	CONTINGENT LIABILITIES ETC	
	As at 31.03.2009	As at 31.03.2008
x)	Sales tax on equipment procured on hire/ lease and on computer software charges is contested by the suppliers – amount not ascertainable and will be charged to revenue in the year of final claim.	Not Ascertainable
xi)	Certain industrial disputes are pending before various judicial authorities – not acknowledged by the Company	-
xii)	Penal damages levied by the Regional Provident Fund commissioner and subject to writ before the High Court of Karnataka, Bangalore. An amount of Rs.4.618 million paid has been included in loans and advances	9,154
xiii)	The Company had imported certain capital equipments without payment of customs duty under the Export Promotion Capital Goods Scheme subject to exporting Rs.3,887.63 million within 8 years starting from the financial year 1996-97. Estimated amount of customs duty payable on capital goods imported (excluding interest and penalty). The Company had requested the Director General of Foreign Trade to refix the export obligation in terms of current norms. Department during the year has considered and refixed the export obligation which need to be fulfilled by 2008-09. Based on the revised approval the Company has fulfilled the obligation during the year and is awaiting the final order from the Department in respect of the earlier obligation. Consequently and according to the Company there will be no contingent liability as on 31.03.2009.	198,331
xiv)	Wage settlement of certain units has expired. The Company is under negotiation with the workers for postponing the effective date of new settlement, due to economic slowdown.	Not ascertained
xv)	Arrears of dividend on cumulative preference shares for the period from April 1, 2004 to March 31, 2009 (as at March 31, 2008 for the period from October 1, 2001 to March 31, 2008) (including tax thereon). In terms of the scheme of arrangement approved by the honorable High Court of Karnataka, dividend on the said preference shares with effect from October 1 st , 2001 are payable cumulatively out of the profits of the company and the said dividend for the period from October 1 st , 2001 to September 30 th , 2003 are to be funded and converted to Zero Coupon Debentures (ZCDs). The Board of Directors vide their meeting held on September 26 th , 2003 allotted ZCD's to an extent of Rs. 2.345 crores representing dividends on the said preference shares from October 1 st , 2001 to September 30 th , 2003. However, on subsequent reexamination of the matter, the Board of Directors held that the said allotment was contrary to the scheme since in terms of the same, dividends with effect from October 1 st , 2001 were payable only out of profits and in as much as there were no profits, the allotment would be violative of section 205 of the Companies Act, 1956. Accordingly your Board of Directors vide their meeting held on January 17 th , 2004 proceeded to annul the said allotment. The preference shareholder has requested the Company to evolve an alternate mechanism to compensate them. Pending finalization of the matter, no provision has been made in the books of account for the same. In respect of items above, future cash outflows in respect of contingent liabilities is determinable only on receipt of judgments pending at various forums/ settlement of matter. The management believes that, based on legal advice or internal assessment, the outcome of these contingencies will be favorable and that loss is not probable. Accordingly, no provisions have been made for the same.	92,079
(b)	Estimated amount of contracts remaining to be executed on capital account and not provided for.	66,771

CONSOLIDATED FINANCIAL STATEMENTS 2008-09

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

4. SECURED LOANS OF THE COMPANY & SUBSIDIARIES:

(Rs. In '000's)

	As at 31.03.2009	As at 31.03.2008
A Loans and Advances from banks & financial institutions :		
i) Secured against letter of credits issued by other banks	Nil	80,946
ii) Working capital term loan & funded interest term loans from consortium banks are secured by first pari passu charge on certain fixed assets along with the holders of zero coupon debentures and second pari passu charge on current assets and the said credit facilities have been guaranteed by the Chairman & Managing Director.	208,990	421,890
iii) Other working capital facilities - First pari passu charge on all current assets and second pari passu charge on certain fixed assets along with the holders of zero coupon debentures and the said credit facilities have been guaranteed by the Chairman & Managing Director of the Company.	770,766	495,228
iv) Against pledge of fixed deposits	80,926	11,454
v) Against security of Motor Cars	734	886
vi) Working capital facilities at LDW is secured by current assets and certain fixed assets of that company under pool treaty agreement entered with the consortium of lenders of the Company	559,605	Nil
vii) Term loan at LDW is secured by fixed assets	133,409	Nil
viii) Term loan at Kirsons BV is secured by pledge of shares of subsidiary and guarantee given to ICICI Bank in consideration of the stand by letter of credit (SBLC) opened in favor of ICICI Bank, Canada as security for loan given. The SBLC is secured by mortgage of certain immovable properties of the Company.	1,171,465	Nil
B) Against assets purchased on finance lease	79,019	82,944
C) Loans and Advances from Financial Institutions:		
Zero Coupon Debentures (IDBI) – First pari passu charge on fixed assets pari passu along with banks referred to in para A (ii) & (iii) above.	32,933	49,400

5. a. The order of the Honorable High court of Karnataka according approval for the scheme of arrangement and amalgamation under section 391 to 394 of the Companies Act, 1956 ("Scheme") was received in September 2008 with April 1, 2007 as the appointed date. This scheme of arrangement and amalgamation interalia involved transfer of operating business of Kirloskar Power Equipment Limited ("KPEL") and amalgamation of Kaytee Switchgear Limited ("KSL") with the Company. The Scheme was registered with the Registrar of Companies on October 17, 2008.
- b. In terms of the said Scheme, all the profits of KSL and KPEL with effect from the appointed date shall be treated as profits of the Company. Accordingly, financial statements of the Company for year 2007 – 08 approved by the board of directors on 27th June 2008 have been revised to give effect to the Scheme. The revised figures have been reported as previous year amounts in these financial statements.
- c. Decree in Form 42 of the Companies (Court) Rules, 1949 is yet to be passed by the Honorable High Court of Karnataka pending assessment and payment of stamp duty. The Company has provisionally accounted for stamp duty liability estimated at Rs.65 million pending finalization of the matter. Further adjustments to the accounts will be made as and when correct assessment of stamp duty is made and settled.
- d. The assets & liabilities so transferred to the Company are continuing in the name of the respective companies. Necessary action is being taken by the company to obtain the consent/ approvals of the various regulatory authorities.
6. The Company has purchased and sold goods amounting to Rs.34.873 million and Rs.5.310 million respectively during the year from a company in which certain directors of the Company are interested. The earlier approval of the Central Government under section 297 (1) of the Companies Act, 1956 has expired.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**SCHEDULE "N" (Contd.,)**

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

7. The Company has received approval under section 314 (2) of the Companies Act, 1956 from the Central Government with effect from 17th September 2008 in respect of remuneration to a relative of a director. However, the earlier approval expired on 15th July 2008. The Company, subsequent to the balance sheet date, has applied for restoring the effective date of the approval to 16th July 2008. Remuneration paid for such period on the basis of the earlier order is Rs.0.17 million.
8. The Company has preferred a suit for various claims against Deutsche Bank, one of the members of the consortium of bankers for breach of trust for withholding of monies belonging to the company and freezing sanctioned working capital limits.
9. Current assets, loans and advances include Rs. 29.468 million (Previous year Rs.Nil) due from a private limited company in which a director is interested.
10. The Company has initiated the process of obtaining confirmation from suppliers regarding the registration under the Micro Small and Medium Enterprises Development Act 2006. The suppliers are not registered wherever confirmations are received and in other cases, the Company is not aware of their registration status and hence information relating to outstanding balance or interest due is not disclosed as it is not determinable.
12.
 - a. Confirmation of balances from certain sundry debtors, 'deposit accounts, loans and advances, creditors etc are awaited. Accounts of certain sundry debtors, loans and advances, deposits/ margin money with banks, certain inter unit accounts, collector of customs and creditors, are under review and reconciliation. Adjustments, if any will be made on completion of review/ reconciliation. Effect on revenue is not expected to be material.
 - b. The Company is in process of reconciling the balances of the Company, its erstwhile subsidiary KSL and the operating business of KPEL. The net difference to the extent identified amounting to Rs.31.733 million has been included in Loans & Advances. Necessary rectification entries will be accounted after completion of the reconciliation. However, according to the management this difference is not likely to materially affect the operating results of the Company.
13.
 - a. The accounts of the one of the units of the Company have been maintained in SAP R3 system, which envisages an integrated system of materials, production, sales and financial accounting. Various errors and inconsistencies mainly in the areas of production and material accounting, valuation of inventories, creation of masters etc have crept in. These are interalia on account of inaccurate definition of master information as well as change in material codes. The closing stocks of all inventories have been adopted as per physical inventory taken by the management at the end of the year, pending identification of mistakes, differences, reconciliation and consequential corrections. Consequently, the impact of these differences is not quantifiable.
 - b. The Company has initiated steps to bring the valuation of work in progress and finished goods at all units in line with Accounting Standard – 2. However, the process followed in determination of cost and net realizable value need to be further refined/ improved to bring it in line with the requirements of the Company.
14. Prior period income / expenditure has not been separately ascertained and disclosed in terms of Accounting Standard - 5 but have been added/ netted off under their natural heads. This has no effect on the working results of the Company.
15.
 - a) Current Assets, Loans & Advances include Rs. 42.310 million (previous year Rs.134.409 million) being rescheduled advances from certain companies.
 - b) All the above companies have incurred losses and their net worth is substantially eroded. Having regard to the long term association with these companies and their revival plans as communicated to the Company and other factors, these debts are considered good of recovery.

CONSOLIDATED FINANCIAL STATEMENTS 2008-09

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

16. Remuneration to Managing Director & other whole time directors: (Rs. 000's)

Particulars	Current Year	Previous Year
a) Managing Director		
Salary	3,837	3,837
Contribution to Provident & Other Funds	907	907
TOTAL	4,744	4,744
b) Whole Time Director-Joint Managing Director (w.e.f 17 th October 2008)*		
Salary	1,980	Nil
Contribution to Provident & Other Funds	578	Nil
TOTAL	2,558	Nil
Grand Total	7,302	4,744

Liability in respect of accrued gratuity is not ascertainable separately.* Doesn't include amount paid Rs. 5,204 in capacity as president and CEO of Kaytee Switchgear Limited.

In the absence of adequate profits in terms of section 349 of the Companies Act, 1956, minimum remuneration as stated above has been paid/ provided to the Managing & Joint Managing director of the Company.

The Shareholders in their meeting have approved higher remuneration payable to the Managing Director & Joint Managing Director of the Company. The Company has applied for approval from Central Government in respect of the same. Pending receipt of approval no provision has been made in the accounts for the amount payable Rs.7,765 (in 000's) based on the shareholders approval in the general meeting on 17th September 2008.

17. Disclosures as per Accounting Standard 15 "Employee Benefits":

Defined Contribution Plan:

Contribution to Defined Contribution, recognised as expense for the year are as under:

(Rs. 000's)

	Current Year	Previous Year
Employer's Contribution to Provident Fund & Pension Scheme	37,053	31,451
Employer's Contribution to Superannuation Fund	8,054	9,865
Employer's contribution to Social security (in case of LDW)	89,679	Nil

Defined Benefit Plan:

The employees' gratuity fund scheme managed by a trust is a defined benefit plan. The Present value of obligation is determined based on actuarial valuation using the projected unit credit method.

Rs. in 000s

	Current Year		Previous Year	
	Gratuity (Funded)	Leave (Unfunded)	Gratuity (Funded)	Leave (Unfunded)
1. Reconciliation of opening and closing balances of defined benefit obligation :				
Defined Benefit obligation at beginning of the year	180,712	37,672	159,825*	30,381*
Current Service Cost	1,871	24,891	8,522	6,421
Interest Cost	2,474	765	12,711	3,000
Acquisition adjustment	(1,521)			
Actuarial (gain)/ loss	43,162	711	13,670	1,353
Benefits Paid	(16,508)	(2,988)	(14,016)	(3,483)
Defined Benefit obligation at end of the year	210,190	61,051	180,712	37,672
2. Reconciliation of opening and closing balance of fair value of plan assets:				
Fair value of plan assets at beginning of the year *	76,179		50,150 *	

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

Rs. in 000s

	Current Year		Previous Year	
	Gratuity (Funded)	Leave (Unfunded)	Gratuity (Funded)	Leave (Unfunded)
Acquisition adjustment	512			
Expected return on plan assets	4,135		5,097	
Employer Contribution	32,815		34,948	
Benefits paid	(16,508)		14,016	
Actuarial gain/ (loss)	2,573		-	
Fair value of plan assets at year end	99,706		76,179	
3. Reconciliation of fair value of assets and obligations:				
Fair value of plan assets	99,706	-	76,179	-
Present value of obligation	210,190	61,050	180,712	37,672
Amount recognised in Balance Sheet	110,484	61,050	104,533	37,672
4. Expense recognised during the year: (under "Schedule - M" Operating & Other expenses of the Profit and Loss account)				
Current Service Cost	1,871	24,891	8,522	7,139
Interest Cost	2,474	765	12,711	2,282
Expected return on plan assets	(4,135)		5,096	-
Actuarial (gain)/ loss	40,589	711	13,670	1,354
Net Cost	40,799	26,367	29,807	10,775
5 Actuarial assumptions:				
Mortality Table (LIC)	1994 - 96 (Ultimate)	1994 - 96 (Ultimate)	1994 - 96 (Ultimate)	1994 - 96 (Ultimate)
Discount rate (per annum)	7.30% to 7.50%	7.30% to 7.50%	8%	8.20%
Expected rate of return on plan assets (per annum)	9.30%	Nil	9.25%	Nil
Rate of escalation in salary (per annum)	7%	7%	7%	7%

* Includes amounts taken over from KPEL.

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

There are no defined benefit plans at the foreign subsidiaries.

18. Segment Reporting:

- (i) The Company has identified the reportable segments as Power Distribution, Rotating machine group and others taking into account the nature of products and services, the different risks and returns and the internal reporting systems. The accounting policies for segment reporting are in line with the accounting policies followed by the Company

Rs. in 000s

	Particulars	Primary Segment		Others	Total
		Power Distribution	Rotating Machines Group		
1	Segment Revenues				
	External Revenues	4,933,071 (4,374,105)	6,436,846 (4,485,969)	510,131 (601,978)	11,880,048 (9,462,052)
	Intersegment revenues	148,332 (77,561)	228,249 (69,857)	15,969 (33,241)	392,550 (180,659)
	Total Revenues	5,081,403 (4,451,666)	6,665,095 (4,555,826)	526,100 (635,219)	12,272,598 (9,642,711)

CONSOLIDATED FINANCIAL STATEMENTS 2008-09

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

(Rs. 000's)

	Particulars	Primary Segment		Others	Total
		Power Distribution	Rotating Machines Group		
2	Segment Results: Profit Before Taxation and Interest	489,008 (399,931)	507,899 (560,910)	202,225 (186,311)	1,199,132 (1,147,152)
	Less: Interest				297,106 (150,219)
	Less: Depreciation & Amortizations				222,307 (134,138)
3	Unallocable Expenditure				431,652 (270,586)
4	Unallocable & Other Income (including Extraordinary items)				130,618 (103,589)
5.	Share of Profits in the Associates (Net)				1,633 (552)
6.	Share of Profit/ (loss) in a Jointly Controlled entity				(170) (102)
7.	Minority interest – Share of Profits				3,712 (Nil)
	Less: Tax (including FBT)				44,255 (75,759)
	Total Profit				332,080 (620,693)
8	Segment Assets	1,558,809 (1,581,680)	4,699,564 (2,572,100)	260,546 (303,211)	6,518,919 (4,456,991)
9	Unallocable Assets				2,715,130 (1,245,145)
10	Segment Liabilities	992,737 (1,218,532)	1,843,547 (1,382,039)	113,661 (153,783)	2,949,945 (2,754,354)
11	Unallocable Liabilities				4,539,795 (1,551,604)
12	Capital Expenditure	73,750 (111,974)	39,172 (49,975)	6,154 (-)	119,076 (161,949)

(ii) Geographical Segment:

(Rs. 000's)

Particulars	Segment revenue by geographical Market	
	Current year	Previous year
Sales of India	9,617,519	9,462,052
Sales of overseas subsidiaries	2,262,529	Nil
Total	11,880,048	9,462,052

Carrying amounts of geographical assets & additions to tangible & intangible fixed assets:

Rs. in 000's

	Carrying amounts of segment assets		Additions to fixed assets & Intangible assets *	
	Current year	Previous year	Current year	Previous year
Located in India	5,658,323	5,702,136	272,895	184,708
Located outside India	3,575,726	Nil	128,702	Nil
Total	9,234,049	5,702,136	401,597	184,708

- Excludes assets of LDW acquired during the year.

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

19. Related Parties disclosure.

Sl. No	Name of the related party	Relationship
1	Mr. Vijay R Kirloskar Mr. P S Malik Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar	Key management personnel and their Relatives.
2	Kirloskar Computer Services Limited Kirloskar Batteries Private Limited Kirloskar Power Equipments Limited Ravindu Motors Private Limited Vijay Farms Pvt. Ltd. Sri Vijayadurga Investments & Agencies Pvt. Ltd. Vijayiyothi Investments & Agencies Pvt. Ltd. Abhiman Trading Co. Pvt. Ltd. Vijayakirti Investments & Agencies Pvt.Ltd. Vimraj Investments & Agencies Pvt. Ltd. Kirloskar Software Services	Enterprises over which key management personnel and their relatives are able to exercise significant influence

DETAILS OF TRANSACTIONS:

(Rs In 000's)

Nature of transactions	Key management personnel and their Relatives	Enterprises over which key management personnel and their relatives are able to exercise significant influence
Purchases of goods/services	Nil (Nil)	74,004 * (87,351)
Sale of goods/fixed assets	Nil (Nil)	14,709 ^ (18,184)
Purchase of Fixed Assets from Ravindu Toyota Pvt Ltd	Nil	Nil (5,135)
Rent received from Ravindu Toyota Pvt Ltd	Nil	2,568 (2,528)
Dividend received	Nil	Nil ^^ (2,040)
Rent paid	5,280 ** (5,100)	25,500 ## (10,750)
Investments as on 31.03.2009	Nil	8,289 ++ (8,289)
Provision for diminution in value of investments as on 31.03.2009	Nil	2,380 @ (2,380)
Provision for doubtful advances as on 31.03.2009	Nil	32,246 \$ (25,847)
Amount due to Company as at 31.3.2009	2,700 ! (2,700)	269,593 !! (152,466)
Amount due from Company as at 31.03.2009	Nil (3,133)	967 \$\$ (23,753)
Remuneration paid	14,030 ^^^ (11,621)	Nil
Shares allotted during the year (Issue value)	Nil	Nil !!! (60,000)
Shares allotted pursuant to Scheme (at face value)	34,315 ^^ (Nil)	59,541 £ (Nil)
Guarantees given by the Company and outstanding at the end of the year.	Nil	Nil *** (128,500)

CONSOLIDATED FINANCIAL STATEMENTS 2008-09

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

KEC North America Inc has been dissolved. The investments in and dues from the said company have not been written off, pending receipt of approvals from Reserve Bank of India. However, full provision has been made for the same. Since the said company has been dissolved, the same has not been considered for related party disclosures.

*Includes Purchases of goods/ services from Kirloskar Batteries Private Limited Rs.52,090 (previous year Rs.69,415), Vijay Farms Limited Rs.5,834 (Previous year Rs.5,174), Sri Vijaydurga Investments and Agencies Private Limited Rs.8,377 (Previous year Rs.6,719), Vijay Jyothi Investments and Agencies Private Limited Rs.1,983 (Previous year Rs.Nil) and Abhiman Trading Company Limited Rs.5,720 (Previous year Rs.6,043).

^ Includes sales to Kirloskar Batteries Private Limited Rs.14,709 (Previous year Rs.17,995) and Ravindu Toyota Private Limited Rs. Nil (Previous year Rs.189).

^^ Represents dividend from Kirloskar Power Equipment Limited

** Includes rent paid to Vijay R Kirloskar Rs.3,780 (Previous year Rs.3,600) and Meena Kirloskar Rs.1,500 (Previous year Rs.1,500).

Includes rent paid to Kirloskar Power Equipment Limited Rs.9,900 (Previous year Rs.Nil) and Vijay Jyothi Investment and Agencies Pvt Ltd Rs.15,600 (Previous year Rs.10,750).

++ Includes investments in Kirloskar Power Equipments Limited Rs.5,909 (Previous year Rs.5,909) and Kirloskar Computer Services Limited Rs.2,380 (Previous year Rs.2,380).

@ Kirloskar Computer Services Limited Rs.2,380 (Previous year 2,380).

\$ Represents Kirloskar Computer Services Limited.! Represents due from Meena Kirloskar

\$\$ Includes due to Kirloskar Batteries Limited Rs.821 (Previous year Rs.13,087), Ravindu Motors Private Limited Rs.146 (Previous year Rs.146), Vijay Farms Private Limited Rs.Nil (Previous year Rs.117), Sri Vijayadurga Investments and Agencies Pvt Ltd Rs.Nil (Previous year Rs.1,900), Vijay Jyothi Investment and Agencies Pvt Ltd Rs.Nil (Previous year Rs.5,037) and Abhiman Trading Company Limited Rs.Nil (Previous year Rs3,466).

∞ Includes Shares allotted to Vijay R Kirloskar Rs.34,303 (Previous year Rs. Nil) and P S Malik Rs.12 (Previous year Rs. Nil)

^^^ Includes paid to Vijay R Kirloskar Rs.4,744 (Previous year Rs.4,744), P S Malik Rs.7,763 (Previous year Rs.5,689), Janki Kirloskar Rs.1,166 (Previous year Rs.1,188) and Rukmini Kirloskar Rs.357 (Previous year Rs.Nil).

!! Includes due from Kirloskar Power Equipment Limited Rs.42,774 (previous year Rs.31,702), Kirloskar Computer Services Limited Rs.32,246 (Previous year Rs.22,165), Vijay Farms Limited Rs.18,183 (Previous year Rs.18,660), Kirloskar Batteries Private Limited Rs.29,468 (Previous year Rs.Nil), Vijay Jyothi Investments and Agencies Private Limited Rs.141,688 (Previous year Rs.69,114), Abhiman Trading Company Limited Rs.4,048 (Previous year Rs.7,372), Vijay Keerthi Investment and Agencies Private Limited Rs.60 (Previous year Rs.60), Vijaydurga Investments and Agencies Pvt Ltd Rs.1,064 (Previous year Rs.3,393) and Ravindu Motors Private Limited Rs.62 (Previous year Nil).

!!! Includes shares allotted to Kirloskar Power Equipment Limited Rs.Nil (Previous year Rs.33,990) and Abhiman Trading Company Limited Rs. Nil (Previous year Rs.26,010).

£ Includes Shares allotted to Vijay Farms Pvt Ltd Rs.14,639 (Previous year Rs. Nil), Vijay Jyothi Investments & Agencies Pvt Ltd Rs.12,000 (Previous year Rs. Nil), Abhiman Trading Co Pvt Ltd Rs.20,902 (Previous year Rs. Nil) and Vijay Kirthi Investments & Agencies Pvt Ltd Rs.12,000 (Previous year Rs.Nil)

*** Represents given to Kirloskar Batteries Pvt Ltd.

20. Finance Leases:

Finance lease arrangements relate to Plant & Machinery. The lease period is for five years with interest rates ranging from 13% to 14% per annum. The Company pays fixed lease rentals over the period of the lease whereby the net present value of the minimum lease payments amount substantially to the cost of the assets.

Rs. in 000s

Particulars	Total minimum lease payments outstanding as at 31.03.2009	Future interest on outstanding Lease Payments	Present value of minimum lease payments as at 31.03.2009
Within One year	23,721 (20,066)	8,520 (8,511)	15,201 (11,555)
Later than one year but not later than five years	73,869 (86,389)	10,051 (18,498)	63,818 (67,891)
Later than five years	Nil (441)	Nil (73)	Nil (368)
Amount disbursed for which installment schedule yet to be finalized	-		Nil (3,130)
Total	97,590 (106,896)	18,571 (27,082)	79,019 (82,944)

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

21. The Company has various operating leases for office facilities, guesthouse and residential premises of employees that are renewable on a periodic basis, and cancelable at its option. Rental expenses for operating leases included in the financial statements for the year are Rs.65,577 (Rs.34,214).

22. Earnings per share:

Rs. in 000s

	As at 31.03.2009	As at 31.03.2008
BASIC :		
After extraordinary items		
Profit for the year after tax expense	332,080	620,693
Less:		
Preference Dividend including dividend tax	19,796	19,796 @
	312,284	600,897
Weighted No. of Equity Shares for Basic EPS	50,521,367	50,021,367*
Basic EPS (Rs.)	6.18	12.01
Before extraordinary items		
Profit for the year after tax expense	332,080	620,693
Less: extraordinary item (net of tax)	Nil	1,606
	332,080	619,087
Less:		
Preference Dividend including dividend tax	19,796	19,796 @
	312,284	599,291
Weighted No. of Equity Shares for Basic EPS	50,521,367	50,021,367*
Basic EPS (Rs.)	6.18	11.98
DILUTED :		
After extraordinary items		
Profit for the year after tax expense	332,080	620,693
Less:		
Preference Dividend including dividend tax	19,796	19,796 @
	312,284	600,897
No. of Equity Shares for Diluted EPS	50,521,367	50,021,367 *
Diluted EPS (Rs.)	6.18	12.01
Before extraordinary items		
Profit for the year after tax expense	332,080	620,693
Less: extraordinary item (net of tax)	Nil	1,606
	332,080	619,087
Less:		
Preference Dividend including dividend tax	19,796	19,796 @
	312,284	599,291
Weighted No. of Equity Shares for Basic EPS	50,521,367	50,021,367*
Basic EPS (Rs.)	6.18	11.98

@ Taking into account dividend relating to KSL

* Taking into account shares to be allotted to the shareholders of KSL & KPEL pursuant to Scheme.

CONSOLIDATED FINANCIAL STATEMENTS 2008-09

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

23. DETAILS OF DEFERRED TAX LIABILITY

Rs. In 000's

	As at 31.03.2009	As at 31.03.2008
Liability relating to value of fixed assets	234,343	282,913
Asset relating to Disallowance and Unabsorbed loss & depreciation under the Income Tax Act, 1961 (recognized only to the extent of net liability)	234,343	282,913
Net amount	Nil	Nil

24. During the year the Company has made provisions towards warranty claims from the customers towards sales, leave to employees and stamp duty payable pursuant to Scheme the details of the same are as under:

Rs in 000's

Particulars	Stamp Duty	Leave	Warranty Claims*
Balance outstanding at the beginning of the year	Nil	37,672	44,359
Provision for the year (net)	65,000	26,367	17,898
Amount paid	-	2,988	-
Exchange fluctuation difference	-	-	750
Balance outstanding at the end of the year	65,000	61,051	61,50

* includes provision held at LDW Rs.22,303

25. There were no derivative instruments outstanding as at March 31, 2009. Foreign currency exposures which have not been hedged by any derivative instruments or otherwise as at March 31, 2009 is as follows:

Rs. in 000's

	As at 31.03.2009	As at 31.03.2008
Assets (Receivables)	41,387	66,974
Liabilities (Payables)	17,665	7,741

26. Figures have been rounded off to the nearest "000's" as permitted by Government of India Notification No.GSR: 14(E) dated 23.12.1978.
27. Previous year figures have been regrouped wherever required in conformity with presentation this year. Figures in brackets represent previous year figures.

As per our report of even date

For and on behalf of Board of Directors

For B.K. RAMADHYANI & CO.
Chartered Accountants

VIJAY R KIRLOS KAR
Chairman & Managing Director

P S MALIK
Joint Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Associate Vice President & Company Secretary

CA R.K. GUPTA
Vice President & Chief Financial Officer

Bangalore

Date : June 24, 2009

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Company's interest in Subsidiary Companies

						The net aggregate amount of the subsidiary companies Profit/(loss) so far as it concerns the members of the Holding Company				
Sl No	Particulars	The financial year of the subsidiary companies ended on	Date from which they become subsidiary companies	Number and face value of shares held by the Company at the end of the financial year of the subsidiary companies	Extent of interest of Holding Company at the end of the financial year of the subsidiary companies	Not dealt with in the Holding Company's accounts			Dealt with in the Holding Company's accounts	
						For the financial year ended 31 st March, 2009	For the previous financial years of the subsidiary companies since they became the Holding Company's subsidiary	For the Financial year ended 31 st March, 2009	For the previous financial years of the subsidiary companies since they became the Holding Company's subsidiary	
1	Kirsons B.V.	31.3.2009	11.8.2008	834 shares of € 100 each	100%	€ (496245)	-	-	-	-
2	Lloyd Dynamowerke GmbH & Co. KG, Germany LLP *	31.3.2009	1.9.2008	€ 3160000 Capital	94.9%	€ 1107262	-	-	-	-
3	Lloyd Beteiligungs-GmbH, Germany *	31.3.2009	1.9.2008	€ 25000 Capital	100%	€ 63	-	-	-	-

* subsidiary of Kirsons B.V.

For and on behalf of Board of Directors

VIJAY R KIRLOSKAR

Chairman & Managing Director

P Y MAHAJAN

Associate Vice President & Company Secretary

P S MALIK

Joint Managing Director

CA R K GUPTA

Vice President & Chief Financial Officer

Bangalore

Date : June 24, 2009

Kirsons B.V.
Annual report for the year ended 31st March 2009

FINANCIAL STATEMENTS

1 BALANCE SHEET AS AT 31 MARCH 2009

(after appropriation of result)

	31 March 2009		11 August 2008	
	€	€	€	€
ASSETS				
Fixed assets				
Financial fixed assets (1)				
Participations in group companies		20,646,557		-
Current assets				
Receivables, prepayments and accrued income (2)				
Receivables from participants and other participations	5,575,647		-	
Taxes and social security charges	17,119		-	
Other receivables, prepayments and accrued income	99,480		-	
		5,692,246		-
Cash (3)		18,138		18,500
		<u>26,356,941</u>		<u>18,500</u>

EQUITY AND LIABILITIES

Shareholders' equity (4)				
Issued share capital	83,400		18,000	
Share premium	8,626,511		-	
Share Application Money Pending				
Allotment	265,000		500	
Other reserves	<u>-496,245</u>		<u>-</u>	
		8,478,666		18,500
Long-term liabilities (5)				
Bank loans		17,000,000		-
Current liabilities, accruals and deferred income (6)				
Accounts payable	86,547		-	
Amounts due to group companies	150,000		-	
Amounts due to participants and other participations	62,346		-	
Other liabilities, accruals and deferred income	<u>579,382</u>		<u>-</u>	
		878,275		
		<u>26,356,941</u>		<u>18,500</u>

2. PROFIT AND LOSS ACCOUNT 11 AUGUST 2008 UP TO AND INCLUDING 31 MARCH 2009

		11 August 2008 up to and including 31 March 2009	
		€	€
Net turnover	(7)		56,600
Operating expenses			
Other operating expenses	(8)		125,740
Operating result			-69,140
Financial income and expense	(9)		-427,105
Result before taxation			-496,245
Taxation on result			-
Result after taxation			-496,245

3 NOTES TO THE FINANCIAL STATEMENTS**3.1 GENERAL****Activities**

The activities of Kirsons B.V., having its legal seat at Amsterdam, primarily consist of:

- . the offering of services, performing activities and the trading in electric motors and other electric products
- . the incorporating, acquiring and alienating - with or without other - of participations or other interests in legal persons, companies and enterprises and also to cooperate therewith.

Participating interest

Based on the article 2:408 of the Netherlands Civil Code exemption the company does not prepare consolidated financial statements.

LIST OF PARTICIPATING INTERESTS

Kirsons B.V. in Amsterdam is the head of a group of legal entities. A summary of the information required by articles 2:379 and 2:414 of the Netherlands Civil Code is given below:

Name	Registered office	Share in issued share capital/result (%)
Lloyd Dynamowerke GmbH & Co KG	Bremen	94.9
Lloyd Beteiligung-GmbH	Bremen	100.0

Related parties

In addition to the companies as stated under the financial fixed assets, the following companies are related to the legal entity:

- . Kirloskar Electric Company Ltd
- . Kirloskar (Malaysia) SDN BHD.

3.2 GENERAL ACCOUNTING PRINCIPLES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared according with Title 9, Book 2 of the Netherlands Civil Code.

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are presented at face value.

Income and expenses are accounted for on accrual basis. Profit is only included when realized on the balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

Revenues from goods are recognised upon delivery. The cost price of these goods is allocated to the same period. Revenues from services are recognised in proportion to the services rendered. The cost price of these services is allocated to the same period.

3.3 PRINCIPLES OF VALUATION OF ASSETS AND LIABILITIES

Financial fixed assets

The participations in group companies are valued at cost in accordance with RJ 214,325 as the exemption of article 2:408 of the Netherlands Civil Code is applied.

Receivables

Receivables are included at face value, less any provision for doubtful accounts. These provisions are determined by individual assessment of the receivables.

3.4 PRINCIPLES FOR THE DETERMINATION OF THE RESULT

General

The result is determined based upon the difference between the net turnover and the costs and other expenses taken into account the accounting principles mentioned before.

Income and expenses are accounted for on accrual basis. Profit is only included when realized on the balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

Net turnover

Net turnover represents amounts invoiced for goods and services supplied during the financial year reported on, net of discounts and value added taxes.

Revenues from services are recognised in proportion to the services rendered. The cost price of these services is allocated to the same period.

Expenses

Expenses are assigned to the period to which they relate, if necessary by means of accruals.

Financial income and expense

Income and expenses relating to the financial year are accounted for under financial result, without taken into account receipt or payment.

Taxation on result

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the financial statements and profit calculated for taxation purposes.

When the corporate income tax concerns the valuation differences, the relating amount is added to or deducted from the deferred tax assets or the provision for deferred tax liabilities.

3.5 NOTES TO THE SPECIFIC ITEMS OF THE BALANCE SHEET

ASSETS

FIXED ASSETS

1. Financial fixed assets

	31-03-2009
	€
Participations in group companies	
Lloyd Dynamowerke GmbH & Co KG	20,612,620
Lloyd Beteiligung-GmbH	33,937
	<u>20,646,557</u>
	11-08-2008 up to and including 31-03-2009
	€
Lloyd Dynamowerke GmbH & Co KG	
Book value as at 11-08-2008	-
Purchases	20,612,620
Book value as at 31-03-2009	<u>20,612,620</u>
Lloyd Beteiligung-GmbH	
Book value as at 11-08-2008	-
Purchases	33,937
Book value as at 31-03-2009	<u>33,937</u>

CURRENT ASSETS

2. Receivables, prepayments and accrued income

	31-03-2009
	€
Receivables from participants and other participations	
Shareholders' loan to Lloyd Dynamowerke GmbH & Co KG	<u>5,575,647</u>
Taxes and social security charges	
Value added tax	9,816
Value added tax Germany	7,303
	<u>17,119</u>
Other receivables, prepayments and accrued income	
Prepayments and accrued income	<u>99,480</u>
Prepayments and accrued income	
Accrued income	56,600
Advance tax - Germany	42,880
	<u>99,480</u>
3. Cash	
ING Bank N.V.	<u>18,138</u>

FINANCIAL STATEMENTS

EQUITY AND LIABILITIES

4. Shareholders' equity

	31 -03-2009
	€
Issued share capital	
834 Ordinary shares with a nominal value of € 100.00	83,400
The registered share capital amounts to € 390,000.	
The shares are owned by Kirloskar Electric Company Limited.	
	Ordinary shares
	€
Book value as at 11-08-2008	18,000
Shares issued	65,400
Book value as at 31-03-2009	83,400
Authorized share capital	390,000
Number of issued shares	834
Nominal value	100.00
	11-08-2008 up to and including 31-03-2009
	€
Share premium	
Book value as at 11-08-2008	-
Share premium on capital contribution	8,626,511
Book value as at 31-03-2009	8,626,511
Share Application Money Pending Allotment	
	11-08-2008 up to and including 31-03-2009
	€
Share Application Money Pending Allotment	
Book value as at 11-08-2008	500
Additions to reserve	264,500
Book value as at 31-03-2009	265,000
This concerns paid-in amounts for shares to be issued and additional share premium.	
The issuance has not yet been formalized.	
Other reserves	
Book value as at 11-08-2008	-
Appropriation result financial year	-496,245
Book value as at 31-03-2009	-496,245

5. Long-term liabilities

	31-03-2009
	€
Loans	
ICICIBank	17,000,000
	<u>11-08-2008 up to and including 31-03-2009</u>
	€
<i>ICICI Bank</i>	
Book value as at 11 -08-2008	-
Loan granted	17,000,000
Long-term as at 31 -03-2009	<u>17,000,000</u>

The loan will be redeemed over a period of 5 years commencing from December 2009 in equal quarterly installments of • 850,000 Interest rate is 3 Month EURO LIBOR plus 2 percent.

The bank loan is secured by pledge of shares of the company and its subsidiaries.

6. Current liabilities, accruals and deferred income

	31-03-2009
	€
Accounts payable	
Accounts payable	86,547
Amounts due to group companies	
Kirloskar (Malaysia) SON BHD	150,000
Interest is calculated at 4.3%.	
Amounts due to participants and other participations	
Kirloskar Electric Company Limited	19,466
Lloyd Dynamowerke GmbH & Co KG	42,880
	<u>62,346</u>
	<u>31-03-2009</u>
	€
Other liabilities, accruals and deferred income	
Kirsons Trading PTE Ltd	150,000
Interest accrued on bank loan but not due	40,074
Other liabilities, accruals and deferred income	389,308
	<u>579,382</u>

Interest on loan Kirsons Trading PTE Ltd is calculated at 4.3%.

FINANCIAL STATEMENTS

3.6 NOTES TO THE SPECIFIC ITEMS OF THE PROFIT AND LOSS ACCOUNT

	11-08-2008 up to and including 31-03-2009
	€
7. Net turnover	
Charged advisory fees	56,600
Average number of employees	
The company did not have any employees during 11 August 2008 up to and including 31 March 2009.	
8. Other operating expenses	
General expenses	125,740
General expenses	
Audit expenses	5,000
Advisory expenses	120,546
Other general expenses	194
	125,740
9. Financial income and expense	
Income from receivables forming part of the fixed assets and securities	151,010
Other interest income and similar income	80
Interest expenses and similar charges	-578,195
	-427,105
Income from receivables forming part of the fixed assets and securities	
Interest from receivables on participants	151,010
Other interest income and similar income	
Bank interest	80
	11-08-2008 up to and including 31-03-2009
	€
<i>Interest expenses and similar charges</i>	
Bank interest and expenses	-2,946
Interest ICICI Bank	-573,648
Interest on loan Kirloskar (Malaysia) SDN BHD	-795
Interest on loan Kirsons Trading PTE Ltd	-806
	-578,195
Signing of the financial statements	
Amsterdam, 18 June 2009	

V. Kirloskar

P. Malik

AUDITORS' REPORT**Report on the financial statements**

We have audited the accompanying financial statements for the year ended 31 March 2009 of Kirsons B.V., Amsterdam, which comprise the balance sheet as at 31 March 2009, the profit and loss account for the year then ended and the notes.

Management's responsibility

Management of the company is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Kirsons B.V. as at March 31, 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Schiphol-Rijk, 18 June 2009

PKF Wallast

Drs. E. Bakker RA

Other Information

1 Statutory rules concerning appropriation of result

In Article 28 of the company statutory regulations the following has been presented concerning the appropriation of result:

- 1 The profit shall be at the free disposal of the general meeting.

2 Proposed appropriation of the loss for the financial year ended 31 March 2009

In accordance with legal rules the loss for the financial year ended 31 March 2009 amounting to € 496,245 was deducted from the other reserves. The financial statements do reflect this proposal.

3 Notes to the accounts or other disclosures

- 1 Claims: not applicable
- 2 Remuneration: not applicable
- 3 Employee benefits: not applicable
- 4 Segment reporting: not applicable
- 5 Earnings per share: not applicable
- 6 Deferred tax calculation: not applicable
- 7 Warranty claims and leaves: not applicable
- 8 Financial leases: not applicable
- 9 Derivatives instruments: not applicable

There are no defined benefit plans applicable, regarding the fact that there are no employees. To our knowledge there are no contingent liabilities.

LLOYD DYNAMOWERKE GmbH & CO. KG
BREMEN

Audit Report

**Financial statement for the period from 1st September 2008
to 31st March 2009 and management report**

FINANCIAL STATEMENTS

1. Audit assignment

From the management of

"Lloyd Dynamowerke GmbH & Co KG, Bremen"

(also referred to in the following as "Company")

we were selected as the auditor for the accounts for the period 01.09.2008 to 31.3.2009. In execution of the order granted us by the management, we have audited

- the statement of accounts (balance sheet) for March 31, 2009 (Exhibit 1 - 3)
- the management report for 01.09.2008 to 31.03.2009 (Exhibit 4)
- and the accounting/bookkeeping

in accordance with §§ 316 et. sqq. of German Commercial Code (HGB) and the principles for proper execution of accounts auditing. We have also audited the statement of accounts for December 31, 2008 and the management report for 2008 and provided/issued an unrestricted audit certificate.

In the following we shall report on method and scope of the audit as well as the results. Regarding the audit certificate issued by us, we refer to Section 5 of this audit report.

The audit was prepared in accordance with the auditing standards of the Institut der Wirtschaftsprüfer (Institute of Public Accountants) regarding the principles of proper reporting for accounts (IDW PS 450).

The General Conditions of Contract for Auditors and Audit Firms, January 1, 2002 version, form the basis for this audit assignment and are supplemented as Enclosure 7. The maximum liability amount is determined according to No. 9 of the General Conditions of Contract. The validity of the Conditions of Contract was also agreed upon in relation to third parties.

2. Fundamental findings

2.1. Status of the company and assessment of the situation given by the legal representative

With regard to the assessment given by legal representative, we refer in particular to the management report which in our opinion provides a detailed and comprehensive description of the situation and outlook. We consider the representation and assessment of the company's situation and its prospective development by the management in the statement of accounts and in the management report to be appropriate and accurate.

2.2. Risk management

The company issued procedural instructions for the identification and handling of risks that were revised and expanded in 2004. In this, the risks are divided into non-order-related and order-related. The possible risks, provided they are of material significance, are recorded in forms which are to be filled out in January by the cost center manager for the year-to-date non-order-related risks. The objects of this recording are risks from the areas of personnel, machinery equipment and data processing, manufacturing method, supplier and insurance coverage. The order-related risks, only those in excess of T• 150, are recorded in two stages: In the first stage the sales manager records sales risks pertaining to service in a broader sense, for example, exchange rate problems, customer credibility, penalty, other contractual risks, etc. before confirmation of order. After order acceptance, a technical risk assessment is carried out within the framework of a kick-off-meeting, for example, using specific features of the technical requirements and risks in the ordered number of items. If risks are recognized, a risk report survey is to be filled out in which the risk is assessed with regard to the possible amount and probability, and measures for overcoming the risk are determined.

The documents we have viewed are kept by the manager of Quality Management. We have determined that the non-order-related risks had not yet been fixed in writing at year's end 2008. The risk recognized in the previous year in the form of aging of portions of the audit field was taken into account by way of investments initiated in 2008 in this area. In our opinion, the procedure for recognizing risks and averting dangers appear appropriate for a company of this size.

3. Focus, Method and Scope of the Audit

The focus of our audit was the accounting, statement of accounts (balance sheet) and the management report. The statement of accounts and the management reports were drawn up in accordance with the accounting regulations of German Commercial Code (HGB).

The legal representatives bear the responsibility for adhering to the accounting regulations and for the information made available to the auditor. Our job is to assess these documents within the framework of a dutiful audit, taking into account the bookkeeping and the information submitted.

The method and scope of our audit procedures, which are in compliance with §§ 316 et. sqq. German Commercial Code (HGB) and the German legal execution of accounts auditing of the German accountants institute (IDW), have been recorded in our working papers.

The audit is planned and implemented in such a way as to allow a judgment to be made with adequate certainty that the bookkeeping, the statement of accounts (balance sheet) and the management report are free of major inaccuracies and violations. We have therefore structured the audit with the objective of recognizing such inaccuracies and violations against the legal accounting regulations which result fundamentally in a description of the asset, finance and profit situation corresponding to the actual circumstances, and as defined by § 264, paragraph 2 of the German Commercial Code (HGB) .

The development of an audit strategy is the basis of our risk and process-oriented auditing procedure. This is based on the assessment of the economic and legal environment of the company, its goals, strategies and business risks which we judge on the basis of critical success factors. We supplement the audit of the accounting-related internal control system and its effectiveness with process analysis which we implement on a rotational basis, especially upon organizational adjustments and procedural changes, with the goal of determining their effect on relevant line items in the financial statement, making it possible for us to assess the business risks as well as our audit risk. Upon selection of the analytical audit procedures (plausibility assessment) and individual auditing, we have taken into account the findings from the audit of the processes and of the accounting-related internal control systems with regard to the inventory supporting documentation, recognition, presentation and measurement in the statement of accounts/balance sheet. The main emphasis of our audit, method and scope of the auditing procedures as well as the time-related and personnel-related audit cycle has been specified in the company-individual audit program. In this case, we have observed the principles of conciseness and risk-orientation and, therefore, have met our audit verdict judgment based mainly on sample audits.

The audit focused on the following areas:

- Fixed assets
- Reserves
- Receivables and liabilities from deliveries and services
- Other accrued liabilities
- Liabilities to credit institutions
- Other liabilities

In addition, we have resolved, among other things, to the following standardized audit procedures:

We have obtained bank confirmations from all credit institutes with whom the company has business dealings during the fiscal year.

By obtaining confirmations of balance, we have verified the appropriate balancing of receivables and liabilities from deliveries and services.

The goal of our auditing procedures within the framework auditing the management report was to determine if the management report was consistent with the statement of accounts and if it conveyed an appropriate representation of the company's situation and whether the prospects and risks of future development were appropriately represented. Within this framework, the information was examined for completeness and plausibility. We have assessed the information based on our findings that were obtained during the accounts auditing.

All clarifications and evidence requested by us have been furnished to us by the company. The management has provided written confirmation for the completeness of these declarations and evidence, as well as for the completeness of the bookkeeping/accounting, statement of accounts and management report.

4. Findings and clarifications on the accounting

4.1. Findings on the accounting

4.1.1. Compliance of accounting

The bookkeeping/accounting and the other audited documents, the statement of accounts as well as the management report correspond to the legal rules and the supplementary regulations of the partnership agreement.

4.1.2. Previous year's statement of accounts

The previous year's statement of accounts was adopted at the corporate meeting on April 24, 2009. The management was granted exoneration.

4.1.3. Bookkeeping and other audited documents

The bookkeeping is in accordance with regulations from the standpoint of material and form. The information taken from other audited documents gives a representation of the accounting, statement of accounts and management report that is appropriate and in accordance with regulations.

The accounting of the company takes place using data processing.

According to our findings, the bookkeeping corresponds to legal guidelines.

4.1.4. Statement of accounts (Balance sheet)

Our audit proved that all regulations for valid accounting have been adhered to in the statement of accounts, including appropriate accounting and all amount-dependent regulations bound to legal form and appropriate to the standards of the partnership agreement.

The statement of accounts is appropriately derived from the previous year's statement of accounts, bookkeeping and other audited documents. The principles of recognition, presentation and measurement as well as the principles of consistency were followed. The appendix contains all required explanations of the balance and the profit and loss statement as well as other required information.

4.1.5. Management report

Our audit proved that the management report is consistent with the statement of accounts as well as with our findings obtained by the audit and provides an overall appropriate representation of the company's situation. The course of business and the essential chances and risks of its future development are appropriately represented. The management report contains information that is in accordance with § 289, paragraph 2 of the German Commercial Code (HGB).

4.2. Overall statement of the balance sheet

The balance sheet for March 31, 2009 and bookkeeping procedures that are compliant with the appropriate regulations provide an appropriate representation of the asset, finance and profit situation corresponding to the actual circumstances.

Regarding the essential basis of evaluation, i.e. regarding the essential accounting and assessment methods and for the relevant factors for the assessment of assets and debts, we submit the following explanations:

The assessment of unfinished products and services results in prime costs minus distribution costs and represents therefore the maximum assessment method permissible under commercial law.

All accounting and assessment methods used by the company are given in the appendix (Exhibit 3).

5. Reproduction of the auditor's opinion

This is an English translation of the German text, which is the sole authoritative version

Based on the result of our audit, we have provided the accompanying statement of accounts (Exhibits 1-3) dated March 31, 2009 and the accompanying management report (Exhibit 4) for 01.09.2008 to 31.03.2009 of Lloyd Dynamowerke GmbH & Co KG, Bremen, with the following unrestricted audit certificate:

We have audited the financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Lloyd Dynamowerke GmbH & Co. KG for the period 01.09.2008 to 31st March 2009. The maintenance of the books and records and the preparation of the financial statements and management report in accordance with German commercial law (and supplementary provisions of the shareholder agreement/articles of incorporation) are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the financial statements in accordance with § 317 HGB [„Handelsgesetzbuch“: „German Commercial Code“] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the financial statements comply with the legal requirements (and supplementary provisions of the shareholder agreement/ articles of incorporation) and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Bremen, 29th April 2009

WSG Hanseatische Treuhandgesellschaft mbH
Wirtschaftsprüfungsgesellschaft

Gerstmayr	Senge
German Public Auditor	German Public Auditor

* * *

We sign and seal this audit report in accordance with § 321 Art. 5 HGB and § 48 Art. 1 sentence 1 WPO as follows:

Bremen, 29th April 2009

WSG Hanseatische Treuhandgesellschaft mbH
Wirtschaftsprüfungsgesellschaft

Gerstmayr	Senge
German Public Auditor	German Public Auditor

FINANCIAL STATEMENTS

Exhibit - 1

BALANCE SHEET AS AT 31ST MARCH, 2009

Assets	31.3.2009		31.8.2008
	€	€	k€
A. Fixed Assets			
I. Intangible assets			
Licences	390,454.00		355
II. Tangible assets			
1. Land and buildings	1,874,898.44		765
2. Technical equipment and machinery	2,054,729.80		1,894
3. Other equipment, factory and office equipment	503,254.00		333
4. Assets in the course of construction	218,176.00		0
		4,651,058.24	2,992
III. Financial assets			
Participating interests		18,064.71	18
B. Current Assets			
I. Inventories			
1. Raw materials	2,599,312.00		2,325
2. Work in progress	11,459,129.00		10,851
3. Payments on account	196,609.94		156
4. Payments received on account	-6,315,476.43		-6,801
		7,939,574.51	6,531
II. Receivables and other assets			
1. Trade receivable	8,251,008.58		5,842
2. Receivable from shareholders	56,428.05		186
3. Receivable from affiliated companies	21,920.00		0
4. Receivable from companies in which the company has a participating interest	1,287.64		0
5. Other assets	1,320,733.58		836
		9,651,377.85	6,864
III. Cash and equivalents		2,768,940.84	3,085
C. Prepaid expenses		236,888.96	192
		<u>25,656,359.11</u>	<u>20,037</u>
Liabilities			
	31.3.2009		31.8.2008
	€	€	k€
A. Equity			
I. Limited liability capital	3,330,000.00		3,330
II. Capital reserves	55,757.43		56
III. Cumulated losses brought forward by limited partners	-2,579,562.33		-3,337
IV. Profit for the period	1,107,261.90		757
		1,913,457.00	806
B. Provisions			
Other provisions		2,291,133.93	2,999
C. Liabilities			
1. Liabilities to shareholders	5,575,646.67		5,015
2. Bank loans and overdrafts	10,056,840.03		5,776
3. Trade liabilities	4,944,621.96		4,391
4. Liabilities to general partner	540.65		0
5. Other liabilities	874,118.87		1,050
- thereof Taxes: • 258,389.67 (31.8.2008: k• 163) -			
- and Social security: • 13,481.50 (31.8.2008: k• 19)			
		21,451,768.18	16,232
		<u>25,656,359.11</u>	<u>20,037</u>

PROFIT AND LOSS ACCOUNT FOR THE PERIOD 1ST SEPTEMBER 2008 TO 31ST MARCH 2009

	1.9.2008 - 31.3.2009	
	€	€
1. Sales		34,186,758.31
2. Changes in work in progress		+ 608,740.00
3. Other own work capitalized		<u>379,053.00</u>
		35,174,551.31
4. Other operating income		<u>458,396.27</u>
		35,632,947.58
5. Cost of materials		
a) Cost of raw materials, consumables and goods for resale	15,177,043.65	
b) Cost for purchased services	<u>5,310,503.84</u>	
		20,487,547.49
6. a) Wages and salaries	6,674,266.54	
b) Social security	<u>1,359,276.02</u>	
		8,033,542.56
7. Depreciation on fixed intangible and tangible assets		391,795.93
8. Other operating expenses		<u>5,029,612.93</u>
		33,942,498.91
		<u>1,690,448.67</u>
9. Other interests receivables and similar income		55,190.77
10. Interests and similar expenses		661,352.75
- thereof shareholders: € 151,553.12		
		<u>-606,161.98</u>
11. Ordinary operating results		1,084,286.69
12. Income taxes		-50,508.57
13. Other taxes		<u>27,533.36</u>
14. Profit of the period		<u>1,107,261.90</u>

Explanatory notes for the financial statements as at 31. March 2009

General Information

Preliminary note to the report

The annual report was prepared according to § 264a Art. 1 German Commercial Code (HGB) in respect of accounting and valuation provisions of the German Commercial Code (HGB). As far as fiscal valuation provisions required different measurement from commercial valuation provisions, these were applied.

The Lloyd Dynamowerke GmbH & Co. KG is a big company according to § 267 Art. 3 German Commercial Code (HGB).

For the income statement the outline of the total cost accounting according to § 275 Art. 2 German Commercial Code (HGB) was applied.

Accounting and valuation policies

Intangible assets of fixed assets are recorded at historical cost less regular accumulated depreciation.

Tangible assets are recorded at historical cost (acquisition cost or cost of production) less regular straight-line accumulated depreciation. Real estate is depreciated over a period of 25 years. For movable property we assumed a useful lifetime between three and thirteen years. Additions to low-value assets, which are starting with 2008, those with acquisition cost between EUR 150 and EUR 1,000 are recorded in the year of addition and are depreciated straight-line over a period of five years.

Financial assets are recorded at historical cost considering a low capital increase from company own resources in 2008.

Regarding inventories raw materials and finished goods are recorded at the lower of historical cost or replacement cost at balance sheet date. For slow moving inventories adequate write-downs were applied. Valuation for finished goods and work in progress was carried out at the lower of cost of production or the lower attributable value. Cost of production includes all directly attributable cost. Overhead cost and cost of general administration are included according to commercial and fiscal acceptable values. Predictable losses are with the intention of a loss-free valuation accounted for with revaluation adjustments or loss provisions.

Receivables and other assets are recorded at historical cost or face value. Identifiable risks are covered with single value adjustments, the general credit risks are covered by adequate general provisions.

Provisions are individually recorded and are, pursuant to identifiable risks, in accordance with prudential commercial evaluation measured.

Liabilities are basically recorded at amounts to be repaid.

Notes to balance sheet items

Assets and liabilities in foreign currency are recorded with the quoted rate at the date of initial recording. Losses from changes in quoted rates are accounted for income statement-related at balance sheet date.

Notes to balance sheet items

1. Fixed Assets

Breakdown and changes of individual positions of the assets are depicted in the following asset analysis.

The interest in the Electrical Machines Industries (Bahrain) W.L.L. relates to a joint venture founded in 1997. The interest of Lloyd Dynamowerke GmbH & Co. KG amounts to 33.33% of the total share capital of BHD 25,000.00 = EUR 8,333.33 and was acquired with notary contract from 23, July 1999 for DEM 1.00 = EUR 0.51, which represented the actual carrying amount with LDW Abwicklungs-GmbH, by the manager in bankruptcy advocate Grönda. The company reported in fiscal year 2008 a net profit of BHD 186,660. As of 31. Dec 2008 equity amounted to BHD 261,230. Subscribed capital was raised in 2008, as far as LDW was concerned, in converted currency by approximately kEUR 18.

Changes of Assets from 1, September to 31, March 2009

	Historical cost				Depreciation			Carrying amount	
	As of 1/9/2008	Additions	Dispos- als	As of 31/3/2009	As of 1/9/2008	Addi- tions	Dispo- sals	As of 31/3/2009	As of 1/9/2008
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets									
Licenses	996,077.50	73,044.50	57,815.33	1,011,306.67	640,705.60	37,962.40	57,815.33	620,852.67	390,454.00
II. Tangible assets									
1. Land & buildings	959,980.75	1,140,098.75	0.00	2,100,079.50	195,412.56	29,768.50	0.00	225,181.06	1,874,898.44
2. Technical equipment and machinery	4,741,701.72	403,564.11	0.00	5,145,265.83	2,847,194.71	243,341.32	0.00	3,090,536.03	2,054,729.80
3. Other equipment, factory and office equipment	953,700.37	250,993.79	52.00	1,204,642.16	620,716.45	80,723.71	52.00	701,388.16	503,254.00
4. Assets in the course of construction	0.00	218,176.00	0.00	218,176.00	0.00	0.00	0.00	0.00	218,176.00
	6,655,382.84	2,012,832.65	52.00	8,668,163.49	3,663,323.72	353,833.53	52.00	4,017,105.25	4,651,058.24
III. Financial assets									
Participating interests	18,064.71	0.00	0.00	18,064.71	0.00	0.00	0.00	0.00	18,064.71
	7,651,460.85	2,085,877.15	57,867.33	9,697,534.87	4,304,029.32	391,795.93	57,867.33	4,637,957.92	5,059,576.95

2. Receivables and other assets

Among other assets are reported claims of kEUR 10 (previous year kEUR 10) with a remaining useful life of more than one year. It concerns deposits.

In the balance sheet disclosure are single value adjustments to receivables with doubtful recoverability of kEUR 156 (previous year kEUR 192) as well as general provisions of kEUR 78 (previous year kEUR 52) offset against receivables.

3. Accruals and deferred income

The disclosure of kEUR 237 (previous year kEUR 192) relates to kEUR 30 (previous year kEUR 36) prepayments of services to be rendered by employees.

4. Equity

Limited liability capital amounts to EUR 3,330,000.00. The capital was completely paid-in at balance sheet date.

The general partner Lloyd Beteiligungs-GmbH, Bremen, does not hold any partnership shares. The nominal capital of the company amounts to EUR 25,000.00.

The individual liable general partner receives a yearly compensation for risk of liability of 6.0% calculated on the reported equity as well as interest payment of 5.0% calculated on the clearing account.

5. Shareholders's loan

The liabilities to shareholders relates mainly to loans. Disclosure is as follows:

	31.3.2009 kEUR	31.8.2008 kEUR
Shareholder's loan	5,015	4,848
Interest calculation to shareholder's loan	151	167
Increase shareholder's loan	410	0
	<u>5,576</u>	<u>5,015</u>

6. Other provisions

Other provisions relates mainly to personnel department particularly for vacation (kEUR 324) and for flex-time account and overtime (kEUR 277), for contractual penalties (kEUR 304), for other outstanding invoices (kEUR 527), for Employer's Liability Insurance Association (kEUR 261) as well as for follow-up costs (kEUR 243).

7. Liabilities

The remaining lives of liabilities as well as the respective collaterals are depicted in the following payables ageing report:

FINANCIAL STATEMENTS

Exhibit - 3 (Contd.,)

Liabilities Ageing Report 31st March 2009

	Total 31.3.2009 EUR (kEUR 31.8.2008)	thereof with remaining life			collateralized amounts EUR (kEUR 31.8.2008)	nature of collateral
		up to 1 year EUR (kEUR 31.8.2008)	between 1 to 5 years EUR (kEUR 31.8.2008)	more than 5 years EUR (kEUR 31.8.2008)		
Liabilities						
to shareholder	5,575,647 (5,015)	5,575,647 (5,015)	0 (0)	0 (0)		
to banks	10,056,840 (5,777)	9,973,840 (8,532)	83,000 (471)	0 (0)	10,056,840.00 (5,777)	- land charge nominal kEUR 4,838 - blanket assignment of accounts receivable - assignment of machinery, office equipment etc. - cession of claims to trade credit insurance - assignment of goods - export overall transfer by way of security
received advance payments	6,315,476 (6,801)	6,315,476 (6,801)	0 (0)	0 (0)	0 (0)	
trade payables	4,944,622 (4,391)	4,944,622 (4,391)	0 (0)	0 (0)	0 (0)	
to general partner	541 (0)	541 (0)	0 (0)	0 (0)	0 (0)	
other	874,119 (1,050)	874,119 (1,050)	0 (0)	0 (0)	0 (0)	
	27,767,244.78 (23,034)	27,684,244.78 (25,789)	83,000.00 (471)	0.00 (0)	10,056,840.00 (5,777)	

8. Other financial liabilities

At balance sheet date there are presumably payment obligations from rental, leasing and service contracts to the amount of kEUR 671 (previous year kEUR 658 p.a.). The underlying contracts have durations up to 36 months.

Notes to the income statement

1. Sales

Sales are distributed under regional and operative aspects as follows:

Sales by region	31.03.2009	31.08.2008
	kEUR	kEUR
Domestic	19,135	14,898
Non-domestic	15,052	18,495
thereof EU	6,650	5,899
	34,187	33,393
Sales by operative segment	31.3.2009	31.8.2008
	kEUR	kEUR
Machinery	28,350	26,822
Services	1,908	6,560
Spare parts	3,774	0
Goods for resale	228	28
Other sales	70	137
Sales reductions	-143	-154
	34,187	33,393

2. Other operating income

Income relating to other periods amounting to kEUR 412 are included. Mainly this is gains from write-offs of liabilities and dissolution of provisions.

3. Other operating expenses

Expenses relating to other periods amounting to kEUR 93 are included. Mainly these are expenses for back payment insurance.

Other information

1. Employees

For 2009 the headcount is depicted as a yearly average as follows:

	2009	31.8.2008
Salaried workforce	132	115
thereof apprentices/trainees	11	9
Wage earner	142	133
thereof apprentices/trainees	5	4
Total workforce	<u>274</u>	<u>248</u>

2. General partner

Lloyd Beteiligungs-GmbH, Bremen, is the unlimited liable shareholder.

3. Consolidated financial statement

The annual report of the company will be integrated in the consolidated financial statement of Kirtoskar Co. Ltd., Bangalore. The end of period will be the 31.3. The financial year of the LDW will also be changedover as of 31.3.2009. The consolidated financial statement will be published as followed: Trade register Karnataka State, Registration-No. L85110KA1946PLC000415.

4. General managers (proxy holders)

As of 31. March 2009 commercial power of procuration was given to Mr.

Dipl.-Ing. Hans-Peter Hermann, Bremen

Dipl.-Ing. Wolfgang Galler, Bremen

5. Managing director

Managing director for the general partner Lloyd Beteiligungs-GmbH were in 2009 :

Dipl.-Ing. Berthold Groeneveld, Weyhe

Bremen, April 2009

Management Report for 01.09.2008 to 31.03.2009

1. Preamble

The previous majority shareholder CMP Fonds I GmbH, Berlin/Germany sold its 94.89 % share of the company to Kirsons B.V., Amsterdam/Netherlands.

Kirsons B.V. is an intermediary holding of Kirloskar Electric Co. Ltd. Bangalore/India. The bill of Sale is dated August 20th 2008 and the closing date was August 29th / 1st of September 2008.

The yearend of LDW was the end of the fiscal year each 31st of December.

To help facilitate adjustment to the fiscal year for the chief partner, the Kirloskar Group (April 1 – March 31), an abbreviated fiscal year of 3 months was interposed.

For the first consolidation of LDW in the Kirloskar Group it was necessary to create this onetime audit report for the Period from the 1st of September 2008 to the 31st of March 2009.

As a result of these “one-time-report”, the information is comparable only to a limited degree. Because of the 7 month time period, coincidental time-related distributions of customer orders are reflected much stronger in the numbers as compared to a normal year.

2. Business development

In spite of the global financial crisis the Turnover and operating results are on a very high level.

Due to postponements of projects by customers, incoming orders fell significantly and were very weak in March. As a result, order backlog has fallen but is still on level with an annual turnover.

Results of operations

	2008/09	
	k€	%
Sales	34,187	97.2
Change in work in process	+ 609	1.7
Other own work capitalized	+ 379	1.1
Aggregate results	+ 35,175	100.0
Other operating income	+ 46	0.1
Total output	+ 35,221	100.1
Cost of materials (included purchased services)	20,488	58.2
Personnel cost	8,034	22.8
Depreciation	392	1.1
Other taxes (without income taxes)	27	0.1
Maintained expenses	247	0.7
Administrative expenses	1,259	3.6
Selling expenses	964	2.7
Other operating expenses	2,466	7.0
Expenses for the total output	33,877	96.2
Operating results	+ 1,344	3.9
Financial results	- 606	
Ordinary corporate results	+ 738	
Neutral results	+ 319	
Income taxes	+ 50	.
Profit for the period	+ 1,107	.

The results of the operations were on a higher level than before. They were within the monthly plans of the management.

Neutral Results

	2009
	k€
Neutral expenses	
Backpayment insurance	- 20
Other expenses not relating to the period	- 73
	<u>- 93</u>
Neutral income	
Gains from write-offs of liabilities	+ 133
Income from Dissolution of provisions	+ 210
Dissolution of provision for specific doubtful debt	+ 11
Other income not relating to the period	+ 58
	<u>+ 412</u>
	<u>+ 319</u>

The neutral results are positive, because we have high gains from write offs of liabilities from previous years and from dissolution of provisions.

Financial Position

	k€
Net income for the period	+ 1,107
Essential expenses and income without liquidity effect	
Depreciations on items of the fixed assets	+ 392
Cash-flow from sales activity	+ 1,499
Change in the inventories, trade receivables and other assets	- 4,241
Change in the trade liabilities and other liabilities	- 329
Cash inflow/outflow (-) from regular business activity	<u>- 3,071</u>
Cash outflow for investments in the fixed assets	- 2,087
	<u>- 2,087</u>
Borrowing of loans	+ 1,500
Increase shareholder loan	+ 561
Redemption of loans	- 2,541
Cash inflow/outflow (-) from the financing activity	<u>- 480</u>
Change in the financial holdings effecting payments	- 5,638
Cash holdings at the beginning of the period	+ 286
Cash holdings at the end of the period	<u>- 5,352</u>
Cash and equivalents	+ 2,769
Short-term bank liabilities	- 8,121
Cash holdings at the end of the period	<u>- 5,352</u>

The cash and cash equivalents at the end of the period correspond to the balance out of the credit balance at credit institutes and the current account liabilities.

The change in cash holdings at the end of the period depends basically on the unusually high inventories on the balance sheet key date. Also the restructuring of the corporate financing with the withdrawal of one bank and the entry of 2 banks led to substantial redemptions of loans.

FINANCIAL STATEMENTS

Exhibit - 4 (Contd.,)

	31.3.2009		31.8.2008		Change
	k €	%	k €	%	k €
ASSETS					
Fixed Assets					
Intangible assets and tangible assets	5,042	19.7	3,347	16.7	+ 1,695
Financial assets	18	0.1	18	0.1	0
	<u>5,060</u>	<u>19.8</u>	<u>3,365</u>	<u>16.8</u>	<u>+ 1,695</u>
Current Assets					
Inventories					
(less payments received on account)	7,940	30.9	6,531	32.5	+ 1,409
Trade receivables	8,251	32.2	5,842	29.2	+ 2,409
Receivable from shareholders	56	0.2	186	0.9	- 130
Receivable from affiliated companies	22	0.1	0	0.0	+ 22
Receivable from companies in which the company has a participating interest	1	0.0	0	0.0	+ 1
Other assets	1,321	5.1	836	4.2	+ 485
Cash and equivalents	2,769	10.8	3,085	15.4	- 316
	<u>20,360</u>	<u>79.3</u>	<u>16,480</u>	<u>82.2</u>	<u>+ 3,880</u>
Prepaid expenses	237	0.9	192	1.0	+ 45
	<u>25,657</u>	<u>100.0</u>	<u>20,037</u>	<u>100.0</u>	<u>+ 5,620</u>
Liabilities					
Medium- and long-term					
Equity (incl. Shareholder loan)	7,489	29.2	5,821	29.0	+ 1,668
Bank loans and overdrafts	83	0.3	470	2.3	- 387
Other liabilities	0	0.0	213	1.1	- 213
	<u>7,572</u>	<u>29.5</u>	<u>6,504</u>	<u>32.4</u>	<u>1,068</u>
Short-term					
Provisions	2,292	8.9	2,999	15.0	- 707
Bank loans and overdrafts	9,974	38.9	5,306	26.5	+ 4,668
Trade liabilities	4,945	19.3	4,391	21.9	+ 554
Other liabilities	874	3.4	837	4.2	+ 37
	<u>18,085</u>	<u>70.5</u>	<u>13,533</u>	<u>67.6</u>	<u>+ 4,552</u>
	<u>25,657</u>	<u>100.0</u>	<u>20,037</u>	<u>100.0</u>	<u>+ 5,620</u>

The financial equity rose by € 1,668k. Above all due to the increased inventories the balance sheet total rose by € 5,620k so that this produces an equity ratio of 33.7%.

The inventories and the trade receivables increased up about € 3,818k due to a higher turnover.

This was financed through the extension of the bank loans and overdraft. They increases from € 5,306k to € 9,974k.

3. Investments

Investments were made in property, in necessary replacement/renovation of machinery and equipment and also in tools and devices for handling orders. The manufacturing of test facility machinery has been continued for the modernization of the test facility. Together with the power switching stations still to be purchased, the modernization will be completed in the next year.

4. Research and Development

The development capacity will be employed predominantly for the processing of orders. The electrical and mechanical layout of the special machinery is the core competency of LDW. For the further development of the transversal flow machine, LDW has applied for an EU-funded project and anticipates success. In addition, a development project is being pursued with one potential operator in order to develop a significantly larger variation and set it up for production.

In the area of wind power generators, a development order is expected. Even without its own mass production, LDW is in a position to remain in this market segment on the cutting of technical development.

5. Employees

Employee numbers at the end of March was 254 plus 18 trainees / apprentices. Several experienced subcontracted workers were hired permanently and at the same time the use of subcontracted workers was reduced. It was possible to improve the age distribution considerably. Due to the difficulty of passing on information from long-time employees to newly hired employees, a timely employment of new workers is absolutely imperative.

The company rehabilitation agreement continues. Negotiations are in progress regarding the period after the company rehabilitation agreement. Additional increases in productivity are possible.

6. Cooperation with KEC

After the entry of KEC from India, measures are in progress for the achievement of the planned positive outcomes for both companies. The worldwide economic crisis has created more difficult conditions in the general setting. The market in India has dwindled very quickly, but in spite of this, good opportunities are unfolding for LDW. However, financing for projects here is not easy, resulting in time-related postponements. Favorable opportunities are also seen in the area of nuclear power. Investments will be made here in the next few years in India and LDW has the knowledge and experience from previous projects to be able to supply machinery.

Favorable supply sources in India have been developed for LDW and the first orders are underway.

In the future, the small DC machines and components purchased in China will come from KEC. However, LDW will no longer purchase smaller three-phase machines from competitors, but will use KEC products. With the technology of LDW, the wage costs from India and the good quality at KEC, it will be possible to generate market advantages and subsequently market shares.

7. Outlook

The world economic crisis will leave its mark on LDW as well. There are several time-related postponements with existing orders and one order cancellation. The effects on incoming orders are more significant. Large projects which were due for decision and had a very high chance of being awarded to LDW are now not being realized. Financing for the end customer is not certain in all cases. The drop in the price of oil has slowed down construction of new drilling ships and new construction and expansion of refineries. However, the first signs of a comeback are already being recognized.

Incoming order totals for LDW for the coming fiscal year are expected to be about 10 million euro less than sales. As a result, order submissions will cover sales for a period of only about 9 months. However, this number still represents a good value which will allow delivery times customary for the market and will ensure sufficient business. The increased competition will certainly lead to price reductions which will face cost reductions for material usage. Through additional increases in productivity and the exhausting of options in and with India, it will be possible to maintain annual profits.

If the economic cycle unexpectedly stays negative for a longer period, LDW will not be able to avoid making use of instruments such as short-time work and reductions in working hours.

FINANCIAL STATEMENTS

Exhibit - 5

Explanation of the positions on the annual financial statements as of 31.3.2009

Balance sheet

Assets

A. Fixed assets

The developments of individual positions of fixed assets on the balance sheet, which are included in appendix 3 of this report are presented on the basis of total historical costs. The asset analysis in accordance with § 268 Art. 2 HGB is part of the appendix.

In addition to the information in the appendix we give the following explanation:

I. Intangible assets

Licences	€	390,454.00
31.8.2008	€	355,371.90

Computing software licences are accounted for.

The carrying amounts have developed as follows:

	€
As of 31.8.2008	355,371.90
Additions	73,044.50
Depreciation	-37,962.40
As of 31.3.2009	<u>390,454.00</u>

II. Tangible Assets

1. Land and buildings	€	1,874,898.44
31.8.2008	€	764,568.19

The information shown concerns the industrial premises including all buildings located in Bremen, Hastedt. The premises has a size of 2,6 hectares with a frontage of ca. 238 m.

The carrying amounts have developed as follows:

	€
As of 31.8.2008	764,568.19
Additions	1,140,098.75
Depreciation	-29,768.50
As of 31.3.2009	<u>1,874,898.44</u>

The addition is a developed land. The purchase price is 1,100,000.00. Additionally capitalized the real estate transfer tax and the notary cost. The carrying amounts apply to more land share in the sum of € 682,410.43.

2. Technical equipment and machinery	€	2,054,729.80
31.8.2008	€	1,894,507.01

	€
As of 31.8.2008	1,894,507.01
Additions	403,564.11
Depreciation	-243,341.32
As of 31.3.2009	<u>2,054,729.80</u>

Exhibit - 5 (Contd.,)

3. Other equipment, factory and office equipment		€ 503,254.00
	31.8.2008	€ 332,983.92
As of 31.8.2008		332,983.92
Additions		250,993.79
Depreciation		-80,723.71
As of 31.3.2009		<u>503,254.00</u>

4. Assets in the course of construction		€ 218,176.00
	31.8.2008	€ 0.00

This position is for the renewal of the existent test bay.

III. Financial Assets

Participating interests		€ 18,064.71
	31.8.2008	€ 18,064.71

This position accounts for the 33.33% shareholding in the equity of Electrical Machine Industries, Bahrain. Sales with this firm only account for a minor degree of the companies sales.

B. Current Assets

I. Inventories

		€ 7,939,574.51
	31.8.2008	€ 6,531,042.36
	31.3.2009	31.8.2008
	€	€
1. Raw materials	2,599,312.00	2,325,256.00
2. Work in progress	11,459,129.00	10,850,389.00
3. Payments on account	196,609.94	156,075.46
4. Payments received on account	-6,315,476.43	-6,800,678.10
	<u>7,939,574.51</u>	<u>6,531,042.36</u>

To 1: Raw materials are administrated in form of a computer aided inventory accounting system and a framework of permanent inventory is applied.

To 2: Work in progress concerns a large amount (approx. 371) of unfinished orders. The valuation is based on cost prices less distribution costs and represents the maximum of the commercial accounting method.

To 3: This concerns conducted payments in advance to seven suppliers.

II. Receivable and other assets

1. Trade receivable

		€ 8,251,008.58
	31.8.2008	€ 5,842,161.89
	31.3.2009	31.8.2008
	€	€
Gross receivables	8,485,443.17	6,085,714.63
Provision for specific doubtful debts	156,363.08	192,052.74
General provision for doubtful debt	78,071.51	51,500.00
	<u>8,251,008.58</u>	<u>5,842,161.89</u>

The receivables are principally accounted for with their face value. Risks have been accounted for with the creation of provision for specific doubtful debts or general provision for doubtful debt. The provision for specific doubtful debts has been created solely from sales tax corrections due to expected non-recoverability.

Due to a general credit risk, general provision for doubtful debt in the amount of 1% of accounts receivables has been created, which is equivalent to the method applied in the previous year.

FINANCIAL STATEMENTS

		Exhibit - 5 (Contd.,)	
2. Receivable from shareholders		€	56,428.05
	31.8.2008	€	1,85,581.92
	31.3.2009		31.8.2008
	€	€	
Allowable withholding tax China	36,993.96		122,699.95
Allowable other taxes	19,065.42		62,513.30
Others	368.67		368.67
	<u>56,428.05</u>		<u>185,581.92</u>
3. Receivable from affiliated companies		€	21,920.00
	31.8.2008	€	0.00
The accounts receivable are for Kirloskar Co. Ltd., Bangalore, India.			
4. Receivable from companies in which the company has a participating interest		€	1,287.64
	31.8.2008	€	0.00
5. Other assets		€	1,320,733.58
	31.8.2008	€	835,875.08
	31.3.2009		31.8.2008
	€	€	
Tax on input	485,243.58		296,254.81
Claim on insured losses	270,200.00		357,924.00
Receivables from old shareholder	174,340.94		0.00
Tax on input prior years	158,613.68		0.00
Receivable tax office about trade tax 2008 + 2009	139,553.57		42,697.00
Incentive claim against suppliers	38,800.00		3,500.00
Suppliers with debit balances	19,138.26		87,664.92
Security deposit automobile	13,758.55		13,758.55
Investment grant, 10% deduction by WfG	9,738.20		20,813.20
Interest accrual saving accounts	5,986.80		0.00
Advances for travel expenses	4,110.00		11,960.00
Others	1,250.00		1,302.60
	<u>1,320,733.58</u>		<u>835,875.08</u>
III. Cash and equivalents		€	2,768,940.84
	31.8.2008	€	3,085,109.15
	31.3.2009		31.8.2008
	€	€	
Cash	17,495.89		11,513.66
Time deposits	2,729,362.15		3,051,449.81
Current account surplus	22,082.80		22,145.68
	<u>2,768,940.84</u>		<u>3,085,109.15</u>
The time deposits apply to six (31.3.2009) guaranty trustor (31.8.2008: five).			
C. Prepaid expenses		€	236,888.96
	31.8.2008	€	192,128.66
The information shown concerns mainly delimited rent-, leasing-, maintenance- and insurance expenses as well as the company's credit on working time accounts (negative hours).			

Liabilities

A. Equity

I. Limited liability capital

		€ 3,330,000.00
	31.8.2008	€ 3,330,000.00
The obligatory deposit consists of:	31.3.2009	31.8.2008
	€	€
Kirsons B.V., Netherlands	3,160,000.00	3,160,000.00
Herr Dipl.-Ing. Berthold Groeneveld	170,000.00	170,000.00
	<u>3,330,000.00</u>	<u>3,330,000.00</u>

With sales contract from 20th August 2008 Kirsons B.V., Netherlands, took over the complete shares of CMP Fonds I GmbH, Berlin. The changes are registered at the 17. October 2008 in the commercial register.

II. Capital reserves

	€ 55,757.43
31.8.2008	€ 55,757.43

III. Cumulated losses brought forward by limited partners

		€ 2,579,562.33
	31.8.2008	€ 3,336,507.00
	Dipl.-Ing. Berthold Groeneveld	Kirsons B.V.
	total	
	€	€
As of 31.8.2008	3,336,507.00	3,157,579.66
profit until 31.8.2008	756,944.67	718,301.85
As of 31.3.2009	<u>2,579,562.33</u>	<u>2,439,277.82</u>

IV. Profit for the period

	€ 1,107,261.90
31.8.2008	€ 756,944.67

B. Provisions

Other provisions

	€ 2,291,133.93
31.8.2008	€ 2,999,222.29

	31.8.2008	Utilisation	Dissolution	Allocation	31.3.2009
	€	€	€	€	€
Outstanding invoices	610,000.00	610,000.00	0.00	526,600.00	526,600.00
Vacation	114,087.66	114,087.66	0.00	323,662.13	323,662.13
Contractual penalty	420,200.00	25,000.00	91,700.00	0.00	303,500.00
Flex-time account and overtime	190,300.00	52,619.19	2,880.81	141,853.06	276,653.06
Employer's Liability	195,000.00	0.00	36,076.34	102,500.00	261,423.66
Follow-up costs	0.00	0.00	0.00	242,500.00	242,500.00
Warranties	0.00	0.00	0.00	225,000.00	225,000.00
Insurance premium	533,600.00	533,589.51	10.49	57,000.00	57,000.00
Patent	10,400.00	0.00	0.00	20,575.00	30,975.00
Audit fees	62,635.20	46,179.20	0.00	12,000.00	28,456.00
Storage of business records	10,000.00	1,000.00	0.00	1,000.00	10,000.00
Fremdwährung	65,000.00	65,000.00	0.00	0.00	0.00
Supplementary grant	787,999.43	1,015,579.91	79,441.71	312,386.27	5,364.08
	<u>2,999,222.29</u>	<u>2,463,055.47</u>	<u>210,109.35</u>	<u>1,965,076.46</u>	<u>2,291,133.93</u>

The contractual penalty is for payments due to late distribution of the orders. The item "Flex-time account and overtime" mainly contains excess work-time of the employees at balance sheet date.

FINANCIAL STATEMENTS

Exhibit - 5 (Contd.,)

C. Liabilities

1. Liabilities to shareholders

€ 5,575,646.67
31.8.2008 € 5,014,636.56

Liabilities to shareholders results from a shareholder loan as well as it's interest payment for Kirsons B.V., Netherlands. In the course of the share deal Kirsons B.V. transferred shareholder loan of CMP Fonds I GmbH there.

	31.03.2009	31.08.2008
	€	€
Shareholder loans	5,014,636.56	4,847,969.89
Interest payment for the period	151,010.11	166,666.67
Increase shareholder's loan	410,000.00	0.00
	<u>5,575,646.67</u>	<u>5,014,636.56</u>

2. Bank loans and overdrafts

€ 10,056,840.03
31.8.2008 € 5,776,675.28

	31.03.2009	31.08.2008
	€	€
Overdraft facility		
Bremer Landesbank	3,868,499.62	0.00
Commerzbank	2,353,547.45	444,964.46
Deutsche Bank AG, Bremen	1,899,208.97	2,354,762.95
	<u>8,121,256.04</u>	<u>2,799,727.41</u>
Loans		
Bremer Landesbank	1,000,000.00	0.00
Kreissparkasse Verden	518,983.99	726,947.87
Deutsche Bank AG, Bremen	416,600.00	0.00
Bremer Aufbau-Bank GmbH	0.00	2,250,000.00
	<u>1,935,583.99</u>	<u>2,976,947.87</u>
	<u>10,056,840.03</u>	<u>5,776,675.28</u>

Regarding to the valuation at balance sheet date balance confirmation was available. Details about remaining life and collaterals can be looked up in the notes (appendix 3).

3. Trade liabilities

€ 4,944,621.96
31.8.2008 € 4,390,904.49

4. Liabilities to the general partner

€ 540.65
31.8.2008 € 0.00

5. Other liabilities

€ 874,118.87
31.8.2008 € 1,049,761.08
31.3.2009 31.8.2008

Liabilities from taxes

Income and church tax 258,389.67 162,551.31

Liabilities social security

Other

Commissions 369,357.30 517,253.86
Loan to Heinz Heckmann 178,042.17 303,755.00
Debtors on the credits side 10,688.62 46,162.11
Other 44,159.61 1,228.63

602,247.70 868,399.60
874,118.87 1,049,761.08

Income statement

1.9.2008-31.3.2009

€

1. Sales	
Sales domestic	19,248,646.37
Sales non-domestic	15,080,986.95
	<u>34,329,633.32</u>
Sales reduction, cash discounts domestic	114,221.48
Sales reduction, cash discounts non-domestic	28,653.53
	<u>142,875.01</u>
	<u>34,186,758.31</u>
2. Changes in Work in progress	+ 608,740.00
3. Other own work capitalized	<u>379,053.00</u>
4. Other operating income	
Income relating to other periods	
Gains from write-offs of liabilities	132,909.98
Dissolution of provisions	210,109.35
Dissolution of provision for specific doubtful debt	11,414.87
Foreign currency gains	21,903.58
Other income related to other periods	35,903.35
	<u>412,241.13</u>
Other operating income	
Insurance refunds	6,258.28
Rental income	26,210.38
Other	13,686.48
	<u>46,155.14</u>
	<u>458,396.27</u>
5. Cost of materials	
a) Cost of raw materials, consumables and goods for resale	15,214,412.87
Cash discounts received	<u>37,369.22</u>
	<u>15,177,043.65</u>
b) Cost of purchased services	5,310,503.84
	<u>20,487,547.49</u>
6. Personnel cost	
a) Wages and salaries	
Wages and salaries	6,674,266.54
b) Social security	
Employer's contribution to social security	1,250,589.23
Employer's Liability Insurance Association contribution	102,500.00
Company medical officer	6,186.79
	<u>1,359,276.02</u>
	<u>8,033,542.56</u>
7. Depreciation on intangible and tangible assets	<u>391,795.93</u>

FINANCIAL STATEMENTS

Exhibit - 5 (Contd.,)

1.9.2008-31.3.2009

8. Other operating expenses	€
Other periods and nonoperating expenses	
Back payment insurance	20,000.00
Transfer of general provision for doubtful debts	2,296.72
Other periods expenses (Write-offs of further debts and additional premiums payment for insurance)	70,416.36
	92,713.08
Maintained expenses	247,327.74
Other operating expenses	
Leasing staff	755,460.43
Travel expenses	381,030.56
Insurance	287,788.82
Provision of follow-up costs	242,500.00
Warranties	240,974.47
Contractual penalty	186,786.00
Rent and leasing	133,558.48
Dues	75,711.65
Continuing education costs	61,065.84
Workmen clothes	27,578.80
Cleaning costs	12,531.81
Works canteen	12,096.68
foreign currency losses	2,090.04
Other	47,247.84
	2,466,421.42
Administrative expenses	
Legal and consulting fees	1,029,824.57
Computing	96,050.08
incidental costs of money transfer and other bank charges	75,945.70
Petty, telephone	33,018.80
Office material, newspaper	23,261.50
Donations	900.00
	1,259,000.65
Selling expenses	
Costs of goods transfer	501,189.40
Commissions	369,005.60
Advertising	86,692.38
Entertainment expenses	7,262.66
	964,150.04
	5,029,612.93
9. Other interests receivables and similar income	55,190.77

10. Interests and similar expenses

Interests

for short-term liabilities	314,252.81
for shareholder loan	151,553.12
commission of bank guaranty expenses	96,440.84
for loan	86,568.81
from tax audit prior years	0.00
for discounting loan Heckmann	12,537.17
	<u>661,352.75</u>

11. Ordinary operating results

+ 1,084,286.69

12. Income taxes

Trade tax actually year	+ 50,508.57
Trade tax prior years	0.00
	<u>+ 50,508.57</u>

13. Other taxes

Land tax	- 26,695.36
Car tax	- 838.00
Other operating taxes	0.00
	<u>- 27,533.36</u>

14. Profit of the year

+ 1,107,261.90

FINANCIAL STATEMENTS

Basic Principles of Corporate Law

(Status 31. March 2009)

Company	Lloyd Dynamowerke GmbH & Co. KG, Bremen		
Legal Form	Private Limited Partnership		
Associates	Lloyd Beteiligungs-GmbH, Bremen (General Partner) Kirsons B.V., Amsterdam, Netherlands (Limited Partner) Mr Berthold Groeneveld, Weyhe (Limited Partner)		
Capital shares of the personally liable associates	€ 0,00		
Capital shares of the limited partners	Kirsons B.V.	€	3,160,000.00
	Berthold Groeneveld	€	170,000.00
		€	<u>3,330,000.00</u>
Seat	Bremen		
Objective of the company	The objective of the company is aimed at the development, production and distribution of electrical and electronic Machines and apparatuses of all kinds, a) Participation – irrespective of the legal form - in industrial- and commercial enterprises, also the take over of the management and administration of a business of the type mentioned under a), b) Any other appropriate commercial utilisation of the company assets		
Articles of Association	28. September 2006, last changes from 15. January 2009		
Commercial Register Entry	Local Court of Bremen A 22689		
Management	Lloyd Beteiligungs-GmbH (Managing Director: Herr Berthold Groeneveld)		
Financial Year	1.4. – 31.3		

LLOYD BETEILIGUNGS-GmbH
BREMEN

Audit Report

**Financial statement for the period 1st September
to 31st March 2009 and management report**

FINANCIAL STATEMENTS

1. Audit assignment

From the management of

"Lloyd Beteiligungs-GmbH, Bremen"

(also referred to in the following as "Company")

we were selected as the auditor for the accounts for the period 01.09.2008 to 31.03.2009. In execution of the order granted us by the management, we have audited

- the statement of accounts (balance sheet) for March 31, 2009 (Exhibit 1 - 3)
- and the accounting/bookkeeping

in accordance with §§ 316 et. seq. of German Commercial Code (HGB) and the principles for proper execution of accounts auditing.

In the following we shall report on method and scope of the audit as well as the results. Regarding the audit certificate issued by us, we refer to Section 5 of this audit report.

The audit was prepared in accordance with the auditing standards of the Institut der Wirtschaftsprüfer (Institute of Public Accountants) regarding the principles of proper reporting for accounts (IDW PS 450).

The General Conditions of Contract for Auditors and Audit Firms, January 1, 2002 version, form the basis for this audit assignment and are supplemented as Enclosure 7. The maximum liability amount is determined according to No. 9 of the General Conditions of Contract. The validity of the Conditions of Contract was also agreed upon in relation to third parties.

2. Fundamental findings

2.1. Status of the company and assessment of the situation given by the legal representative

With regard to the assessment given by legal representative, we refer in particular to the management report which in our opinion provides a detailed and comprehensive description of the situation and outlook. We consider the representation and assessment of the company's situation and its prospective development by the management in the statement of accounts to be appropriate and accurate.

3. Focus, Method and Scope of the Audit

The focus of our audit was the accounting and statement of accounts (balance sheet). The statement of accounts were drawn up in accordance with the accounting regulations of German Commercial Code (HGB).

The legal representatives bear the responsibility for adhering to the accounting regulations and for the information made available to the auditor. Our job is to assess these documents within the framework of a dutiful audit, taking into account the bookkeeping and the information submitted.

The method and scope of our audit procedures, which are in compliance with §§ 316 et. seq. German Commercial Code (HGB) and the German legal execution of accounts auditing of the German accountants institute (IDW), have been recorded in our working papers.

The audit is planned and implemented in such a way as to allow a judgment to be made with adequate certainty that the bookkeeping and the statement of accounts (balance sheet) are free of major inaccuracies and violations. We have therefore structured the audit with the objective of recognizing such inaccuracies and violations against the legal accounting regulations which result fundamentally in a description of the asset, finance and profit situation corresponding to the actual circumstances, and as defined by § 264, paragraph 2 of the German Commercial Code (HGB) .

The development of an audit strategy is the basis of our risk and process-oriented auditing procedure. This is based on the assessment of the economic and legal environment of the company, its goals, strategies and business risks which we judge on the basis of critical success factors. We supplement the audit of the accounting-related internal control system and its effectiveness with process analysis which we implement on a rotational basis, especially upon organizational adjustments and procedural changes, with the goal of determining their effect on relevant line items in the financial statement, making it possible for us to assess the business risks as well as

our audit risk. Upon selection of the analytical audit procedures (plausibility assessment) and individual auditing, we have taken into account the findings from the audit of the processes and of the accounting-related internal control systems with regard to the inventory supporting documentation, recognition, presentation and measurement in the statement of accounts/balance sheet. The main emphasis of our audit, method and scope of the auditing procedures as well as the time-related and personnel-related audit cycle has been specified in the company-individual audit program. In this case, we have observed the principles of conciseness and risk-orientation and, therefore, have met our audit verdict judgment based mainly on sample audits.

All clarifications and evidence requested by us have been furnished to us by the company. The management has provided written confirmation for the completeness of these declarations and evidence, as well as for the completeness of the bookkeeping/accounting and statement of accounts.

4. Findings and clarifications on the accounting

4.1. Findings on the accounting

4.1.1. Compliance of accounting

The bookkeeping/accounting and the other audited documents and the statement of accounts correspond to the legal rules and the supplementary regulations of the partnership agreement.

4.1.2. Bookkeeping and other audited documents

The bookkeeping is in accordance with regulations from the standpoint of material and form. The information taken from other audited documents gives a representation of the accounting and statement of accounts that is appropriate and in accordance with regulations.

The accounting of the company takes place using data processing.

According to our findings, the bookkeeping corresponds to legal guidelines.

4.1.3. Statement of accounts (Balance sheet)

Our audit proved that all regulations for valid accounting have been adhered to in the statement of accounts, including appropriate accounting and all amount-dependent regulations bound to legal form and appropriate to the standards of the partnership agreement.

The statement of accounts is appropriately derived from the previous year's statement of accounts, bookkeeping and other audited documents. The principles of recognition, presentation and measurement as well as the principles of consistency were followed. The appendix contains all required explanations of the balance and the profit and loss statement as well as other required information.

4.2. Overall statement of the balance sheet

The balance sheet for March 31, 2009 and bookkeeping procedures that are compliant with the appropriate regulations provide an appropriate representation of the asset, finance and profit situation corresponding to the actual circumstances.

All accounting and assessment methods used by the company are given in the appendix (Exhibit 3).

5. Reproduction of the auditor's opinion

This is an English translation of the German text, which is the sole authoritative version

Based on the result of our audit, we have provided the accompanying statement of accounts (Exhibits 1-3) dated March 31, 2009 of Lloyd Beteiligungs-GmbH, Bremen, with the following unrestricted audit certificate:

* * *

We have audited the financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, of the Lloyd Beteiligungs-GmbH for the period 01.09.2008 to 31st March 2009. The maintenance of the books and records and the preparation of the financial statements in accordance with German commercial law (and supplementary provisions of the shareholder agreement/articles of incorporation) are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements, together with the bookkeeping system, based on our audit.

FINANCIAL STATEMENTS

We conducted our audit of the financial statements in accordance with § 317 HGB [„Handelsgesetzbuch“: „German Commercial Code“] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the financial statements in accordance with German principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the financial statements comply with the legal requirements (and supplementary provisions of the shareholder agreement/ articles of incorporation) and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting.

Bremen, 29th April 2009

WSG Hanseatische Treuhandgesellschaft mbH
Wirtschaftsprüfungsgesellschaft

Gerstmayr	Senge
German Public Auditor	German Public Auditor

* * *

We sign and seal this audit report in accordance with § 321 Art. 5 HGB and § 48 Art. 1 sentence 1 WPO as follows:

Bremen, 29th April 2009

WSG Hanseatische Treuhandgesellschaft mbH
Wirtschaftsprüfungsgesellschaft

Gerstmayr	Senge
German Public Auditor	German Public Auditor

Exhibit - 1

BALANCE SHEET 31ST MARCH, 2009

Assets		31.3.2009	
		€	€
A. Current Assets			
I. Receivables and other assets			
1. Receivable from companies in which the company has a participating interest		540.65	
2. Other assets		<u>570.12</u>	
			1,110.77
II. Cash and equivalents			34,849.88
			<u>35,960.65</u>
Liabilities		31.3.2009	
		€	€
A. Equity			
I. Subscribed capital		25,000.00	
II. Unappropriated profits brought forward		10,470.96	
III. Profit for the period		<u>63.19</u>	
			35,534.15
B. Liabilities			
Trade liabilities			426.50
			<u>35,960.65</u>

Exhibit - 2

PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 1ST SEPTEMBER 2008 TO 31ST MARCH, 2009

	1.9.2008- 31.3.2009
	€
1. Other operating income	1,239.34
2. Other operating expenses	<u>1,627.73</u>
3. Ordinary operating results	-388.39
4. Other interest and similar income	543.01
5. Income taxes	<u>91.43</u>
6. Profit for the period	<u>63.19</u>

Explanatory notes for the financial statements as at 31st March 2009

General Information

Preliminary note to the report

The annual report was prepared according to § 264 Art. 1 German Commercial Code (HGB) in respect of accounting and valuation provisions of the German Commercial Code (HGB). As far as fiscal valuation provisions required different measurement from commercial valuation provisions, these were applied.

The Lloyd Beteiligungs-GmbH is a small company according to § 267 Art. 3 German Commercial Code (HGB).

For the income statement the outline of the total cost accounting according to § 275 Art. 2 German Commercial Code (HGB) was applied.

Accounting and valuation policies

Receivables and other assets are recorded at historical cost or face value.

Liabilities are basically recorded at amounts to be repaid.

Notes to balance sheet items

1. Receivables and other assets

All receivables and other assets have a remaining useful life of less than one year.

2. Equity

Subscribed capital amounts to EUR 25,000.00. The capital was completely paid-in at balance sheet date.

3. Liabilities

The remaining lives of liabilities is less than one year.

Other information

1. Shareholder

Kirsons B.V., Amsterdam, Netherlands, is the unlimited liable shareholder.

2. General partner

Lloyd Beteiligungs-GmbH is the general partner of the Lloyd Dynamowerke GmbH & Co. KG, Bremen.

3. Consolidated financial statement

The annual report of the company will be integrated in the consolidated financial statement of Kirloskar Co. Ltd., Bangalore. The end of period will be the 31.3. The financial year of the Lloyd Beteiligungs-GmbH will also be changed over as of 31.3.2009. The consolidated financial statement will be published as followed: Trade register Karnataka State, Registration- No. L85110KA1946PLC000415.

4. Managing director

Managing director for the Lloyd Beteiligungs-GmbH were in 2009:

Dipl.-Ing. Berthold Groeneveld, Weyhe

Bremen, April 2009

Explanation of the positions on the financial statements as of 31.3.2009

Balance sheet

Assets

B. Current Assets

I. Receivable and other assets

1. Receivable from companies in which the company has a participating interest	€	540.65
--	---	--------

The accounts receivable are for Lloyd Dynamowerke GmbH & Co. KG, Bremen.

2. Other assets	€	570.12
-----------------	---	--------

31.03.2009

€

Receivable tax office corporate income tax 2008		484.30
---	--	--------

VAT		85.82
-----	--	-------

570.12

II. Cash and equivalents	€	34,849.88
--------------------------	---	-----------

31.03.2009

€

Current account surplus		34,849.88
-------------------------	--	-----------

Liabilities

A. Equity

I. Subscribed capital	€	25,000.00
-----------------------	---	-----------

II. Unappropriated profits brought forward	€	10,470.96
--	---	-----------

III. Profit for the period	€	63.19
----------------------------	---	-------

B. Creditors

Trade liabilities	€	426.50
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Income statement		<u>1.9.2008-31.3.2009</u>
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1. Other operating income		
General partner fees		1,239.34

2. Other operating expenses		
Legal and consulting fees		1,627.73

3. Ordinary operating results	-	388.39
-------------------------------	---	--------

4. Other interest and similar income	+	543.01
--------------------------------------	---	--------

5. Income taxes		
Corporate income tax	+	91.43

6. Profit for the period	+	<u>63.19</u>
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KIRLOSKAR ELECTRIC COMPANY LTD.



61st

ANNUAL REPORT 2007-08
(REVISED)

Balance Sheet as at 31st March, 2008 and Profit and Loss Account
for the Year ended 31st March, 2008

KIRLOSKAR ELECTRIC COMPANY LTD.

BOARD OF DIRECTORS : **Vijay R. Kirloskar**
Chairman & Managing Director

Lakshmanan A.S.

Agarwal S.N.

Anil Kumar Bhandari

Sarosh J Ghandy

Mythili Balasubramanian

IDBI Nominee

Ramesh D Damle

LIC Nominee

Mahendra V.P.

Kamlesh Gandhi

Malik P.S.

Jt. Managing Director

COMPANY SECRETARY : Mahajan P.Y.

AUDITORS : B.K. Ramadhyani & Co.
Bangalore

BANKERS : Bank of Baroda
Bank of India
State Bank of India
State Bank of Mysore
State Bank of Travancore
The Hong Kong & Shanghai Banking Corporation Ltd.
Bank of Commerce, Kualalumpur (Malaysia)

REGISTERED OFFICE : Industrial Suburb, Rajajinagar, Bangalore-560 010

FACTORIES : Govenahalli, Thyamagondlu
Gokul Road, Hubli
Belvadi Industrial Area, Mysore
Hirehalli Industrial Area, Tumkur
Kondhapuri, Pune
Nagar Road, Pune
Kachenahalli, Bangalore
J D Royalite, Tumkur Road, Bangalore
Gurgaon, Haryana
Dulagarh, Kolkatta

DIRECTORS' REPORT (Revised)
TO THE SHAREHOLDERS FOR THE YEAR ENDED 31ST MARCH, 2008

To

The Shareholders,

Your Directors present the Company's 61st Annual Report with the revised audited balance sheet as at 31.3.2008 and the profit and loss account for the year ended on that date. As you are all aware, the Company had filed a petition before the Hon'ble High Court of Karnataka for sanctioning the Scheme of Amalgamation and Arrangement between the Company and Kaytee Switchgear Ltd., and Kirloskar Power Equipments Ltd. The said Scheme has been sanctioned by the Hon'ble High Court of Karnataka vide its order dated 4.9.2008. The Scheme has since become effective. The appointed date under the Scheme being 1st April, 2007, the Company had to reopen the accounts and incorporate the accounting entries in terms of the sanctioned Scheme. Accordingly revised audited statement of accounts are being presented.

Results of Operations

	Rs. in million	
	2007-08	2006-07
Income	8207.8	5913.9
Expenditure	6068.0	5309.3
Gross Profit	2139.8	604.6
Operating expenses	1263.1	288.7
Operating Profit before interest and depreciation	876.7	315.9
Interest	150.2	33.9
Depreciation, amortisation and provisions	134.1	123.3
Operating profit before tax and extraordinary items	592.4	158.7
Other income (net)	101.7	24.9
Net profit before tax and extraordinary items	694.1	183.6
Extraordinary Income (Expenditure)	1.8	7.8
Net profit before tax and after extraordinary items	695.9	191.4
Provision for taxation	75.8	16.5
Net profit after tax and after extraordinary items	620.1	174.9

Revised Report

The revised Directors Report is for the limited purpose of complying with the statutory requirement and therefore the material changes effecting the financial position of the Company subsequent to the report dated 27th June, 2008 to be furnished pursuant to Clause (d) of 217(1) will be set out in the Directors Report to be attached to the Balance Sheet as at 31.3.2009.

There being no change during the relevant period in respect of other information furnished under Section 217 of the Companies Act, consequential to the revision of accounts, the same particulars as were furnished in the Directors' Report dated 27th June, 2008 and adopted by the shareholders at the Annual General Meeting of the Company held on 17th September, 2008 are reproduced below:-

Company Performance

During the year under report, your Company has achieved a turnover (Gross) of Rs.9.46 billion (previous year Rs. 6.19 billion). The operations have resulted in a net profit of Rs. 620.1 million (previous year Rs.174.95 million).

Industry Outlook

The Electrical Industry has been witnessing consistent double digit growth during last about five years. The performance of the industry is directly related to the country's GDP growth. The growth momentum exhibited by the industry is expected to continue.

Appropriations**Dividend**

In order to conserve resources for future growth your Directors regret their inability to recommend any dividend for the year under report.

Environment, Safety and Energy Conservation

As required by the Companies (Disclosure of particulars in the Report of Directors) Rules, 1988, the relevant data pertaining to conservation of energy, technology absorption and other details had been given in the Annexure to the Report dated 27th June 2008.

Particulars of Employees

In terms of the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of specified employees are set out in the Annexure to the Directors' Report.

Corporate Governance

Pursuant to the requirements of the Listing Agreements with the Stock Exchanges, the relevant particulars in respect of the following had been furnished with the report dated 27th June 2008 :

1. Management Discussion and Analysis Report
2. A report on Corporate Governance
3. Auditors Certificate regarding compliance of conditions of Corporate Governance
4. CEO & CFO Certificate
5. CEO Certificate regarding compliance with the Code of Conduct.

Directors

Mr. A.S.Lakshmanan and Mr. Anil Kumar Bhandari retire by rotation and being eligible offer themselves for re-appointment.

Directors' Responsibility Statement

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

1. In the preparation of the annual accounts, the applicable accounting standards have been generally followed.
2. Appropriate accounting policies have been selected and applied consistently and they have made judgements 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 31st March, 2008 and of the Profit and Loss Account for the year ended 31st March, 2008.
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 have been prepared on a going concern basis.

Scheme of Arrangement and Amalgamation

During the year the Company proposed a Scheme of Arrangement and Amalgamation between Kirloskar Power Equipments Limited and Kaytee Switchgear Limited. The Scheme has been approved by the shareholders and creditors of the respective companies. The Scheme has since been sanctioned by the Hon'ble High Court of Karnataka and it has become effective.

Human Resources

The Company considers its employees as its most valuable asset. The Company focuses on building an organization through induction and development of talent to meet current and future needs. A performance management system is in place to facilitate individual and team development for better performance and higher yield. We have a judicious system of reward and recognition. In order to attract and retain talent, the Company maintains the compensation structure on par with that of the industry. We continue to make efforts to provide our people with an environment in which they can give their best and realise their full potential. Various HR initiatives have been taken to align the HR Policies of the Company with the growth projections of the Company.

Segmentwise Operational Performance

Rotating Machine Group

During the year under review the sales under Rotating Machine Group amounted to Rs. 4485.97 million as against Rs. 3922.89 million, registering an increase of over 14%.

Power Distribution Group

During the year under review the sales under Power Distribution Group amounted to Rs. 4374.10 million as against Rs. 1735.30 million, registering an increase of over 152%.

Others

During the year under review the sale of other Electrical Products amounted to Rs. 601.98 million as against Rs. 528.52 million, showing a decrease of 14%.

Technology, investments and acquisitions

To improve its business prospects and its position and strength and to remain competitive, the Company need update its technology and also increase its areas of operation in various ways. With this view in mind, the Company proposes to go in for joint ventures, foreign collaborations, investments as also acquisitions in India/abroad.

Auditors' Report

The comments/observations of the Auditors are self-explanatory and the Company's explanations thereto have been given in relevant notes in the Notes to Accounts. Further explanations in regard to the reservations/qualifications in the Auditors Report are furnished below :-

Para 2 of the Auditors Report

The Company had obtained a legal opinion in 2003 when the Scheme of Arrangement was approved by the Hon'ble High Court of Karnataka under section 391 – 394 of the Companies Act, 1956, with respect to re-opening of accounts after the accounts are adopted by the shareholders. Accordingly the Board of Directors have re-opened and revised the accounts for the year ended 31st March, 2009, subject to the approval of the shareholders.

Para 8 and 13 (iii) of the Auditors Report, Para 2 c and 8 of the Annexure to the Auditors Report

The necessary steps are being taken for proper record keeping of inventories at the concerned unit. The SAP R3 is an integrated system for materials, production, sales and financial accounting. Some mistakes have crept in while implementing the system. Most of the mistakes have been identified and the reconciliation is in progress. However, as the opening stock and closing stock of inventory is based on physical verification, the deficiency apprehended on account of errors in SAP R3 System will not have any impact on the accounts.

The Company has complied with Accounting Standard 2 in respect of valuation of raw materials, stores and components and in respect of work in progress and finished goods. The Company has initiated steps to bring the valuation of work in progress and finished goods at all units in line with Accounting Standard –2 (Valuation of Inventory). However, this has no impact on the accounts.

The Company's policy is to account every income/expenditure during the year itself, only exceptional items have been left out. Compared to the volume of the business of the Company, it is insignificant and has no impact on the accounts. Appropriate action has been taken to implement Accounting Standard –5 (disclosure of prior period income and expenditure).

Para 11 and 13 (iv) of the Auditors Report

The Company has complied with Accounting Standard 2 in respect of valuation of raw materials, stores and components and in respect of work in progress and finished goods. The Company has initiated steps to bring the valuation of work in progress and finished goods at all units in line with Accounting Standard –2 (Valuation of Inventory). However, this has no impact on the accounts.

The Company's policy is to account every income/expenditure during the year itself, only exceptional items have been left out. Compared to the volume of the business of the Company, it is insignificant and

has no impact on the accounts. Appropriate action has been taken to implement Accounting Standard –5 (disclosure of prior period income and expenditure). The balance portion relating to AS 5 (Prior Period Items).

Para 13 (i) of the Auditors Report

The Company has not made any provisions in the books of accounts in regard to the payment of stamp duty in Form 42 (Decree) of the Companies (Court) Rules, 1949 as required, pending assessment by the concerned authorities.

Para 13 (ii) of the Auditors Report

Confirmation have been received from some parties and from some they are expected. Confirmation is ongoing process.

Para 13 (v) of the Auditors Report

As mentioned in Note 24 a) the Company is confident of realising the amounts due from certain companies referred to therein. As stated in Note 24 b) of Schedule "O", the Company is in the process of reconciling the balances of the Company, its erstwhile subsidiary – Kaytee Switchgear Limited and the operating business of Kirloskar Power Equipments Limited. However, this has no material impact on the accounts.

Para 2 a of the Annexure to the Auditors' Report

Confirmation have been received from some parties and from some they are expected. Confirmation is an ongoing process.

Auditors

M/s. B. K. Ramadhyani & Co., Chartered Accountants are the retiring Auditors in India. They are eligible for re-appointment. M/s. Sundar & Associates, Chartered Accountants, Malaysia were appointed as Auditors for the year 2007-08 in casual vacancy in place of M/s. Chari & Co., Chartered Accountants consequent to the merger of M/s. Chari & Co. with M/s. Sundar & Associates. M/s. Sundar & Associates are eligible for appointment. The required certificates to the effect that the re-appointment/ appointment, if made, will be within the limit specified in Section 224(1-B) of the Companies Act, have been received from M/s. B. K. Ramadhyani & Co. and M/s. Sundar & Associates.

Fixed Deposits

17 persons had not claimed repayment of their matured deposits amounting to Rs. 3.67 lakhs as at 31st March, 2008.

Acknowledgements

The Directors place on record their appreciation of efforts of employees at all levels. They would like to place on record their sincere appreciation for the continued co-operation and support provided by the Bankers, Financial Institutions, Customers, Suppliers, Depositors and Shareholders.

For and on behalf of the Board of Directors,

Bangalore
Date : 24th June, 2009

Vijay R Kirloskar
Chairman & Managing Director

**CERTIFICATE OF AUDITORS IN RESPECT OF
COMPLIANCE OF CORPORATE GOVERNANCE**

The Members of Kirloskar Electric Company Limited

We have examined the compliance of conditions of corporate governance by Kirloskar Electric Company Limited for the year ended on 31st March, 2008, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of the 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 according to the 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.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained by the Company, there were no investor grievances remaining to be attended/pending for more than 30 days.

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

for B.K. RAMADHYANI & CO.
Chartered Accountants

SHYAM RAMADHYANI
Partner

Place : Bangalore
Date : 27.6.2008

AUDITORS' REPORT

TO THE MEMBERS OF KIRLOSKAR ELECTRIC COMPANY LIMITED, BANGALORE

We have audited the attached Balance Sheet of Kirloskar Electric Company Limited, Bangalore as at March 31, 2008, the Profit and Loss Account and also the Cash Flow statement for the year ended on that date annexed thereto.

- 1 The financial statements of the company approved by its Board of Directors on June 27, 2008 and reported by us on the same date in terms of section 227 of the Companies Act, 1956 have been revised in the wake of the order of the Honourable High Court of Karnataka dated September 4, 2008 sanctioning a scheme of amalgamation of Kaytee Switchgear Limited and the demerger of the operating business of Kirloskar Power Equipment Limited with it, with April 1, 2007 as the "Appointed Date". This report super cedes our earlier report dated June 27, 2008.
- 2 *As per the opinion of the Institute of Chartered Accountants of India, a company cannot reopen and revise the accounts once adopted by the shareholders at an annual general meeting. However, the Board of Directors have reopened and revised the aforesaid accounts in the light of the factors outlined in paragraph 1 above, to give the effect to the orders of the honourable High Court of Karnataka. The Company had obtained a legal opinion in support of its action of reopening accounts approved by the shareholders in March 2003, in the wake of an earlier scheme of arrangement under sections 391-394 of the Companies Act, 1956.*
- 3 The revised financial statements of the Company have been compiled from the stand alone financial statements of the Company, Kaytee Switchgear Limited (as earlier approved by their respective board of directors on June 27, 2008) and of the operating business of Kirloskar Power Equipment Limited (which has demerged with the Company) as received from its auditors M/s Mayank Shah & Associates, Chartered Accountants, after making such adjustments as were required in the wake of the Scheme. No fresh audit has been carried out and no fresh audit opinion is being made.
- 4 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.
- 5 Read with paragraph 3 above, we conducted our audit in accordance with 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.
- 6 As required by the Companies (Auditor's report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order 2004 issued by the Company Law Board, in terms of subsection 4A of section 227 of the Companies Act, 1956('Order'), we enclose in the annexure a statement on matters specified in paragraphs 4 and 5 of the Order.
Further to our comments in the annexure referred to above, we report that:
- 7 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.
- 8 In our opinion, *subject to paragraph 8 of the annexure*, the Company has kept proper books of account as required by law, so far as it appears from our examination of such books.
- 9 The report of M/s Mayank Shah & Associates, Chartered Accountants and M/s Sundar and Associates, Chartered Accountants who have audited the financial statements of the operating business of Kirloskar Power Equipment Limited demerged with the Company pursuant to Scheme and the Kuala Lumpur branch office of the Company and their relevant particulars for incorporation in the financial statement (in both the cases not audited by us) have been forwarded to us and has been duly dealt with while preparing this report.
- 10 The Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Account and the audited returns received from the Kuala Lumpur office of the Company.

- 11 In our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report comply in all material respects with the mandatory accounting standards (AS) referred to in subsection (3C) of section 211 of the Companies Act, 1956 as applicable, subject to note 22 of schedule O (non disclosure of prior period income/expenditure as required by AS 5) and note 23 of Schedule O (valuation of inventories).
- 12 On the basis of written representations received from directors as on March 31, 2008 and taken on record by the Board of Directors, we report that none of the directors of the Company are disqualified as on that date from being appointed as a director under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- 13 *Attention of the members is invited to the following:*
- i. Note 16(b) of schedule O regarding pending assessment and consequential non provision for stamp duty payable consequent to the Scheme. Effect on revenue is not ascertainable.
 - ii. Note 21 of schedule O regarding certain parties' and inter unit accounts being under review/ reconciliation. We have relied on the representations of the management that the effect of the same on the revenue of the year is not material
 - iii. Note 23 (a) of schedule O regarding accounts of one of the units of the Company whose accounts have been maintained on SAP R/3 systems. Effect on revenue, not ascertainable.
 - iv. Note 23 (b) of schedule O regarding valuation of inventories of certain units not being in line with Accounting Standard 2. Effect on revenue, if any is not ascertainable and
 - v. Note 24 of schedule O regarding amounts due from certain companies of Rs.134.409 million, which have incurred losses and whose net worth have been partially or wholly eroded. We have relied on the representations of the management that the said debts/advances are good of recovery. We do not express any independent opinion in this matter.
- 14 In our opinion and to the best of our knowledge and according to the information and explanations given to us, the said accounts subject to note 20, schedule O and read with the other notes and schedules give the information as required by the Companies Act, 1956 in the manner so required and subject to *paragraphs 2, 11 & 13 above and paragraph 2 and 8 of the annexure to this report* 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 March 31, 2008
 - b In the case of the profit and loss account, of the profits of the Company for the year ended on that date and
 - c In the case of cash flow statement, of the cash flows of the Company for the year ended on that date.

For B.K.RAMADHYANI & CO.
Chartered Accountants
CA SHYAM RAMADHYANI

ANNEXURE TO AUDITORS' REPORT
(AS REFERRED TO IN PARA 3 OF OUR REPORT TO THE MEMBERS OF
KIRLOSKAR ELECTRIC COMPANY LIMITED)

1. a. The fixed asset records maintained by the Company need to be updated by interalia incorporating comprehensive description of fixed assets and changes in location in order to show full particulars.
- b. The management during the year has physically verified a portion of fixed assets. We have been informed by the management that reconciliation of a major portion of assets has been completed and that no material discrepancies were observed. Fixed assets lying with third parties are subject to confirmation.
- c. During the year, the Company has not disposed off a substantial part of its fixed assets and as such the provisions of clause 4(i) (c) of the Order are not applicable to the Company.
2. a. Inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable. *Certain stocks lying with third parties and at port are subject to confirmation.*
- b. 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 is maintaining proper records of inventory in terms of quantities *except in respect of inventories of certain units and work-in-progress*. The discrepancies noticed on verification between the physical stocks and the book records wherever maintained were not material.
- d. We have relied on the representation of the management that the consumption of materials and components is in line with production/ industry norms.
3. The Company has neither taken nor granted any loans from/to companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) of the Order are not applicable to the Company. For this purpose, we have relied on the representations of the management that monies due from parties referred to in note 24 of schedule O are advances and not in the nature of loans.
4. Having regard to the explanations given to us that some of the bought out items/assets are proprietary and/or special and/or are customised to the requirements of the Company and as such comparative quotations are not available, and subject to note 23 (a) of schedule O there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and for the sale of goods. Subject to note 23, schedule O, we have not observed during the course of our audit any continuing failure to correct major weaknesses in internal controls.
5. a. According to the information and explanations given to us, we are of the opinion that transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b. No comments can be made on the reasonability of the rates in respect of the transactions so made and exceeding Rs. 500,000 in respect of any one party since there are no similar transactions with third parties at the relevant time.
6. The Company has complied with the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to deposits accepted from the public. The Company Law Board has not passed an order.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the Cost Records maintained by the Company as prescribed by the Central Government under clause (d) of sub section (1) of 209 of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained, *subject to non maintenance of inventory records by certain units and note 23 (a) of schedule O*. We have not made a detailed examination to ensure their accuracy or completeness.

9. a. The Company has been regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, customs duty, excise duty, cess and other statutory dues with the appropriate authorities barring delays in certain months.
- b. We have been informed by the management that the customs duty payable of Rs. 4,119,078 referred to in our report dated June 25, 2007 to the members of the Company is old, not subsisting and not payable. According to the information and explanations given to us, following undisputed statutory dues as at March 31, 2008 outstanding for a period of more than six months from the date they became payable.

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates
The Karnataka Value Added Tax Act, 2003	Karnataka Value Added Tax	20,740,530	April 2007 to August 2007

- c. According to the information and explanations given to us, the following dues of sales tax, income tax, customs tax, excise duty, service tax and cess had not been deposited as at March 31, 2008 with the relevant authorities on account of disputes.

Name of the statute	Nature of the dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Central Sales Tax	Demands at Various Branches of the Company	781,446	1985 to 2001	Sales Tax Appellate Tribunal
Local Sales Tax at Various Branches	Demands at Various Branches of the Company	3,872,324	1985 to 2001	Sales Tax Appellate Tribunal
The Customs Act, 1962.	Customs demand	5,154,369	1994 to 1999	Asst. Commissioner of Customs
The Central Excise and Salt Act, 1944	Excise Duty Demand	491,170		Commissioner (Appeals)
The Central Excise and Salt Act, 1944	Excise Duty Demand	37,456	2005-06	Central Excise & Service Tax Appellate Tribunal
The Central Excise and Salt Act, 1944	Excise Duty Demand	202,511	2007-08	Assistant Commissioner of Central Excise
Service Tax Act	Service Tax Demand	550,949	2003-04	Joint Commissioner of Central Excise (Service Tax)
The Central Excise and Salt Act, 1944	Excise Demand	175,000	January 2004	Central Excise and Service Tax Appellate Tribunal
The Central Excise and Salt Act, 1944	Excise demand	30,112	April 1993	High Court of Karnataka
The Central Excise and Salt Act, 1944	Excise demand	129,023	March 2006	Central Excise and Service Tax Appellate Tribunal
The Central Excise and Salt Act, 1944	Excise demand	64,111	October 2006	Commissioner of Central Excise (Appeals)
The Income Tax Act, 1961	Penalty	6,127,121	2006-07	Commissioner of Income Tax (Appeals)
Bombay Sales Tax	Sales TaxTurnover TaxAddil Tax	1,256,606 96,662 125,661	1999-2000	Appellate Tribunal
Central Sales Tax	Sales TaxInterest	4,234,354 5,081,226	1999-2000	Appellate Tribunal

10. In our opinion, the Company did not have accumulated losses more than fifty percent of its net worth. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has defaulted in repayment of interest and instalments to banks and financial institutions. The

aggregate overdues to banks & financial institutions as at March 31, 2008 was of Rs.5.74 million and Rs.7.90 million respectively.

12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and as such the provisions of clause 4(xii) of the Order are not applicable to the Company.
13. 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 Order are not applicable to the Company.
14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
15. In our opinion, the Company has not given any guarantees during the year for loans taken by others from banks and financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable to the Company.
16. In our opinion, the Company has used the terms loans for the purpose for which it has been taken.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short- term basis have been used for long-term investment.
18. According to the information and explanations given to us, the Company has made a preferential allotment of shares to parties covered in the register maintained under section 301 of the Act. In our opinion, the price at which shares have been issued is not prejudicial to the interests of the Company since such issue is pursuant to order dated June 29, 2007 of the honourable high court of Karnataka read with the scheme of arrangement under sections 391 to 394 of the Companies Act, 1956.
19. According to the information and explanations given to us, the Company has issued debentures to the Industrial Development Bank of India to an extent of Rs.49.4 million in terms of the scheme of arrangement approved by the Honourable High Court of Karnataka under sections 391 to 394 of the Companies Act, 1956. The Company has created securities in respect of the said debentures.
20. The Company has not raised any monies by public issue during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable to the Company.
21. According to the information and explanations given to us, no material frauds on or by the Company that causes material misstatement to the financial statement have been noticed or reported during the year.

For B. K. RAMADHYANI & CO.,
Chartered Accountants

CA SHYAM RAMADHYANI
Partner
Membership No. 200/19522

B. K. Ramadhyani & Co.,
4B, Chitrapur Bhavan
8th main, 15th cross, Malleswaram,
Bangalore - 560 055

Date: June 24, 2009

SIXTY FIRST ANNUAL REPORT 2007-08 (Revised)

BALANCE SHEET AS AT 31ST MARCH 2008

(Rs in 000's)

	Schedule	As at 31st March 2008	As at 31st March 2007
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
a) Capital	A	452,688	432,688
b) Share application money pending allotment		-	60,000
c) Shares to be allotted pursuant to Scheme		290,200	
d) Reserves & Surplus	B	647,130	675,541
		<u>1,390,018</u>	<u>1,168,229</u>
LOAN FUNDS			
a) Secured Loans	C	1,142,748	244,294
b) Unsecured Loans	D	170,350	72,049
		<u>1,313,098</u>	<u>316,343</u>
		-	
TOTAL		<u><u>2,703,116</u></u>	<u><u>1,484,572</u></u>
APPLICATION OF FUNDS			
FIXED ASSETS			
a) Gross Block	E	2,314,580	364,906
b) Less : Depreciation		845,644	249,055
c) Net Block		<u>1,468,936</u>	<u>115,851</u>
d) Capital Work in progress	F	151,518	10,327
		<u>1,620,454</u>	<u>126,178</u>
INVESTMENTS	G	5,552	584,752
CURRENT ASSETS, LOANS & ADVANCES	H		
a) Inventories		942,867	229,727
b) Sundry Debtors		1,874,767	1,353,438
c) Cash & Bank Balances		648,511	413,668
d) Loans & Advances		603,822	387,329
		<u>4,069,967</u>	<u>2,384,162</u>
Less : CURRENT LIABILITIES & PROVISIONS	I		
a) Current Liabilities		2,621,388	1,735,812
b) Provisions		371,469	43,903
		<u>2,992,857</u>	<u>1,779,715</u>
NET CURRENT ASSETS		<u>1,077,110</u>	<u>604,447</u>
MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF	J	-	19,751
PROFIT & LOSS ACCOUNT		-	149,444
TOTAL		<u><u>2,703,116</u></u>	<u><u>1,484,572</u></u>
NOTES ON ACCOUNTS	O		

FOOT NOTE : Schedules referred to above and the Notes attached form an integral part of the Balance Sheet

As per our report of even date

For **B.K. RAMADHYANI & CO.**

Chartered Accountants

CA SHYAM RAMADHYANI

Partner

Bangalore

Date : June 24, 2009

VIJAY R KIRLOSKAR

Chairman & Managing Director

P Y MAHAJAN

Associate Vice President & Company Secretary

P S MALIK

Joint Managing Director

CA R.K. GUPTA

Vice President & Chief Financial Officer

KIRLOSKAR ELECTRIC COMPANY LTD.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

(Rs in 000's)

	Schedule	Current Year	Previous Year
INCOME			
Sales		9,462,052	6,186,711
Less: excise duty		1,254,287	272,754
Other Income	K	101,467	24,277
Profit on sale of fixed assets (net)		293	615
TOTAL		8,309,525	5,938,849
EXPENDITURE			
Consumption of Raw Materials, Stores, Spares parts & Components and purchasing for Trading	L	6,068,006	5,309,337
Operating and Other Expenses	M	1,264,500	288,900
Interest and Finance Charges			
On Fixed Loans		118,236	22,333
On Other Accounts		31,983	11,567
		150,219	33,900
Depreciation, Amortisations and Provisions	N	134,138	123,302
		7,616,863	5,755,439
Less: Expenses Capitalised		1,427	230
TOTAL		7,615,436	5,755,209
PROFIT BEFORE EXTRAORDINARY INCOME		694,089	183,640
Add: Extraordinary Income-remission of liability		1,811	7,806
PROFIT FOR THE YEAR BEFORE TAX EXPENSE		695,900	191,446
Less : Provision for Current Tax (net)		68,365	10,000
Deferred tax credit withdrawn		(3,006)	-
Provision for Fringe Benefit Tax		10,400	6,500
		75,759	16,500
PROFIT FOR THE YEAR AFTER TAX EXPENSE		620,141	174,946
Less : Loss of the Company brought forward from Previous Year		(149,444)	324,390
Loss of Kaytee Switchgear Limited brought forward from previous year		511,580	-
		(661,024)	324,390
Less : Adjusted against Securities Premium account as per Scheme		634,004	-
		(27,020)	324,390
Add: Expenditure on employee benefits upto 31st March 2007. in terms of transitional provisions of AS 15 (revised)		71,505	-
		(98,525)	324,390
		521,616	(149,444)
Less: Transfer to Debenture Redemption Reserve		16,467	
Balance of Profit/ (Loss) Carried to Balance Sheet		505,149	(149,444)
Earning per Share (Face Value Rs 10 per share) Before considering extraordinary items			
Basic		11.97	5.06
Diluted		11.97	4.76
After Considering Extra ordinary items			
Basic		12.00	5.28
Diluted		12.00	4.96

NOTES ON ACCOUNTS

O

FOOT NOTE : Schedules referred to above and the Notes attached form an integral part of the Profit & Loss Account

As per our report of even date

For B.K. RAMADHYANI & CO.

Chartered Accountants

CA SHYAM RAMADHYANI

Partner

Bangalore

Date : June 24, 2009

VIJAY R KIRLOSKAR

Chairman & Managing Director

P Y MAHAJAN

Associate Vice President & Company Secretary

P S MALIK

Joint Managing Director

CA R.K. GUPTA

Vice President & Chief Financial Officer

SIXTY FIRST ANNUAL REPORT 2007-08 (Revised)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008

(Rs in 000's)

	Current Year	Previous Year
A CASH FLOW FROM OPERATION ACTIVITIES		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	694,089	183,640
DEPRECIATION	110,532	9,159
PROVISION FOR INVESTMENTS	-	15,316
AMORTISATION & PROVISIONS	100,852	28,241
PROVISION FOR LEAVE ENCASHMENTS IN TERMS OF TRANSITIONAL PROVISIONS OF AS 15 (REVISED)	(71,505)	-
PROVISION FOR UNINSTALLED MACHINERY	-	43,000
PROFIT FROM SALE OF FIXED ASSETS (NET)	(293)	(615)
EXTRAORDINARY INCOME	(1,811)	(7,806)
INTEREST EXPENSES (NET OF INTEREST AND DIVIDEND INCOME)	121,699	22,807
	<u>263,096</u>	<u>125,714</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	957,185	309,354
ADJUSTMENT FOR		
TRADE & OTHER RECEIVABLES	529,690	(377,978)
INVENTORIES	(339,599)	(11,766)
TRADE & OTHER PAYABLES	494,236	208,509
	<u>(304,145)</u>	<u>(181,235)</u>
	653,040	128,119
CASH GENERATED FROM OPERATIONS		
INTEREST PAID	(150,219)	(33,900)
DIRECT TAXES PAID	(110,362)	(8,401)
	<u>(260,581)</u>	<u>(42,301)</u>
NET CASH FROM OPERATING ACTIVITIES	392,459	85,818
B CASH FLOW FROM INVESTING ACTIVITIES		
PURCHASE/ TRANSFER OF FIXED ASSETS (INCLUDING CWIP)	(248,529)	(6,481)
SALE OF FIXED ASSETS	402	1,035
INTEREST RECEIVED	26,367	11,093
DIVIDEND RECEIVED	2,153	-
NET CASH USED IN INVESTING ACTIVITIES	<u>(219,607)</u>	<u>5,647</u>
C CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM TERM BORROWING	229,048	1,72,276
REPAYMENT OF TERM BORROWINGS	(270,814)	(50,192)
PROCEEDS FROM FIXED DEPOSITS FROM PUBLIC	110	685
REPAYMENT OF FIXED DEPOSITS FROM PUBLIC	(167)	-
PROCEEDS FROM ISSUE OF SHARE CAPITAL	-	60,000
SHARES TO BE ALLOTTED PURSUANT TO SCHEME	-	-
NET CASH USED IN FINANCING ACTIVITIES	<u>(41,823)</u>	<u>182,769</u>
D NET INCREASE IN CASH	131,029	274,234
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	413,668	139,434
CASH & CASH EQUIVALENTS ACQUIRED PURSUANT TO SCHEME	103,814	-
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	<u>648,511</u>	<u>413,668</u>
	131,029	274,234

As per our report of even date

For and on behalf of Board of Directors

For B.K. RAMADHYANI & CO.
Chartered Accountants

VIJAY R KIRLOSKAR
Chairman & Managing Director

P S MALIK
Joint Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Associate Vice President & Company Secretary

CA R.K. GUPTA
Vice President & Chief Financial Officer

Bangalore
Date : June 24, 2009

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2008

(Rs in 000's)

		As at 31st March, 2008	As at 31st March, 2007
SCHEDULE "A"			
Authorised :			
3,000,000	(3,000,000) Preference Shares of Rs. 100/- each	300,000	300,000
60,000,000	(40,000,000) Equity Shares of Rs. 10/- each	600,000	400,000
TOTAL		900,000	700,000
Issued, Subscribed and Paid-up :			
1,200,000	(1,200,000) Preference Shares of Rs. 100/- each	120,000	120,000
33,268,817	(31,268,817) Equity Shares of Rs. 10/- each	332,688	312,688
		452,688	432,688

NOTES :

- 1) Equity Shares include:
 - a 10,000 Shares of face value of Rs. 0.100 million allotted as fully paid up pursuant to a contract without payment being received in cash;
 - b 6,679,572 Shares of face value of Rs. 66.796 million allotted as fully paid up by way of bonus shares by capitalisation of Capital Reserve, Capital Redemption Reserve, General Reserve and Share Premium.
 - c 6,000,000 shares were allotted during the year 2003 - 04 to IDBI on conversion of Preference Share Capital at face value as per the scheme of arrangement approved by honourable High Court of Karnataka.
 - d 2,000,000 equity shares of Rs. 10/- each aggregating to Rs. 20 million at a premium of Rs.20/- each have been allotted during the year to the promoters group in terms of order June 29, 2007 of the honourable high court of Karnataka read with scheme of arrangement dated February 13, 2003 under sections 391- 394 of the Companies Act, 1956.
- 2 800,000 Preference shares shall be redeemed on 30.09.2009 and 400,000 preference shares shall be redeemed on 30.09.2010.
- 4 The preference shares carry a cumulative dividend of 7% per annum w.e.f 01.10.2001 payable cumulatively out of the profits of the company. The rate of dividend can be increased to 9% per annum by way of payment of redemption premium subject to profitability and cash flows.

SCHEDULE "B"

RESERVES AND SURPLUS

Capital Reserve

As per last Balance Sheet	1,806	1,806
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Revaluation Reserve

As per last Balance Sheet	48,041	48,041
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Debenture Redemption Reserve (Added during the year)

16,467	-
--------	---

Capital Redemption Reserve

As per last Balance Sheet	2,500	2,500
---------------------------	-------	-------

Share Premium Account

As per last Balance Sheet	614,194	614,194
---------------------------	---------	---------

Add: Received during the year

40,000	-
654,194	614,194

Less: Miscellaneous Expenditure of the Company and the operating business of KPEL to the extent not written off set off as per Scheme

20,190	-
634,004	614,194

Less: Debit balance in Profit & Loss account of the Company and KSL adjusted as per Scheme

634,004	-
-	614,194

Reconstruction Reserve Account (Refer note 17, of Schedule O)

64,167	-
--------	---

Profit & Loss Account

505,149	-
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Reserve for Doubtful Debts

As per last Balance Sheet	9,000	9,000
---------------------------	-------	-------

TOTAL

647,130	675,541
---------	---------

SIXTY FIRST ANNUAL REPORT 2007-08 (Revised)

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2008

SCHEDULE "C"

(Rs in 000's)

	As at 31st March 2008	As at 31st March 2007
SECURED LOANS		
a) From Banks	1,010,404	184,620
b) Finance Lease obligations	82,944	-
c) From the Company	-	10,274
d) Zero coupon debentures	49,400	49,400
TOTAL	1,142,748	244,294

SCHEDULE "D"

UNSECURED LOANS

a) Fixed Deposit	1,151	1,208
b) Interest accrued and due - FDs	41	121
c) SICOM Sales Tax loan	1,119	1,119
d) From companies	168,039	69601
TOTAL	170,350	72,049

NOTE :

Fixed Deposits include unclaimed deposits of Rs.0.367 million (Previous year Rs. 0.478 million)

Amount falling due for payment within one year is Rs. 160.974 million (Previous year Rs. 51.848 million).

SCHEDULE "E"

FIXED ASSETS

(Rs in 000's)

	GROSS BLOCK (AT COST)					DEPRECIATION				NET BLOCK		
Particulars	As at 1st April 2007	Taken over from KSL & KPEL	Additions	Deductions	As at 31st March 2008	As at 31st March 2007	Taken over from KSL & KPEL	For the year	Withdrawals during the year	As at 31st March 2008	As at 31st March 2008	As at 31st March 2007
Tangible Assets												
Own assets												
Land (*)	53,150	62,159	1,750	-	117,059	-	-	-	-	-	117,059	53,150
Buildings	53,029	286,666	96,132	-	435,827	33,911	33,841	8,471	-	76,224	359,604	19,118
Plant & Machinery (including technical know-how)	155,121	1,371,208	18,564	1,317	1,543,576	122,952	440,098	92,153	1,279	653,925	889,652	32,169
Furniture & Equipment	46,527	26,461	30,986	488	103,486	38,890	9,617	3,998	417	52,086	51,398	7,637
Vehicles and Aircraft	14,733	2,649	15,927	62	33,247	10,956	664	1,868	62	13,426	19,821	3,777
Leased Assets												
Land (#)	-	6,627	-	-	6,627	-	-	-	-	-	6,627	-
Plant & Machinery	-	-	17,681	-	17,681	-	-	1,326	-	1,326	16,355	-
Intangible Assets												
Goodwill	42,346	-	-	-	42,346	-	-	-	-	42,346	-	-
Technical knowhow	-	11,063	-	-	11,063	-	3,595	2,390	-	5,985	5,078	-
Software	-	-	3,668	-	3,668	-	-	326	-	326	3,342	-
TOTAL	364,906	1,766,833	184,708	1,867	2,314,580	249,055	487,815	110,532	1,758	845,644	1,468,936	115,851
Previous Year	380,565	-	6,481	22,140	364,906	261,616	-	9,159	21,720	249,055		

(*) Includes Rs. 3.337 million being the cost of ownership premises taken in possession for which Society is to be formed. Certain land at Bangalore was revalued in the year 1999-2000 on the basis of Chartered Engineers certificate. Incremental amount on revaluation was credited to Revaluation Reserve Rs.48,041 (in 000's).

(#) Leashold land represents land taken on lease from KIADB. On expiry of lease period, payment of balance consideration if any, and execution of sale deed, the title will pass to the Company.

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2008

SCHEDULE "F"

	As at 31st March 2008	(Rs in 000's) As at 31st March 2007
CAPITAL WORK IN PROGRESS		
1 Plant & Machinery taken on finance lease	62,028	-
2 Improvements to leasehold premises	23,929	-
3 Plant & Machinery	107,386	56,383
4 Buildings	14,150	-
	<u>207,493</u>	<u>56,383</u>
Less:		
Provision for uninstalled machinery	(55,975)	(46,056)
TOTAL:	<u><u>151,518</u></u>	<u><u>10,327</u></u>

SCHEDULE "G"

Details of Investment	Name of the Company	Nos	Face Value Rs	As at 31st March 2008	As at 31st March 2007
INVESTMENTS (AT COST)					
{LONG TERM}					
A. TRADE :					
a) Quoted :					
(i) ICICI Ltd., (on merger of Sangli Bank Limited)		1,081	10	100	-
Kirloskar Computer Services Ltd.,		200,000	10	2,380	2,380
The Mysore Kirloskar Ltd.,		770,750	10	21,260	21,260
(ii) Debentures - Fully Paid-up					
The Mysore Kirloskar Ltd., @		30,000	44	1320	1,320
(b) Unquoted :					
(i) Equity Shares - Fully Paid-up					
In Subsidiary Companies :					
KEC North America Inc		210	-	12,936	12,936
Kaytee Switchgear Limited \$		20,619,512	10	-	579,200
In Other Companies :					
Best Trading & Agencies Ltd.,		584	10	6	6
Kirloskar Power Equipment Limited		340,000	10	2,817	2,817
Kirloskar Proprietary Ltd.,		26	100	128	128
(aquired 25 shares on rights issue)					
Kirloskar (Malaysia) Sdn. Bhd,		-			
Kuala Lumpur, Malaysia		1,50,000	MR 1	529	529
Kirloskar Kenya Limited, Nairobi, Kenya		1,272	K. Sh 1000	852	852
Kirsons Trading Pte. Ltd		56,250	S \$ 1	1,120	1,120
Sangli Bank Limited		10,000	10	-	100
KEASI Robicon Industrial Systems Private Limited		500,000	10	5,000	5,000
(Formerly Kirloskar Ansaldo Industrial Systems Pvt Ltd)					
				<u>48,448</u>	<u>627,648</u>
Less:					
Provision for diminution in value of Investments				42,896	42,896
TOTAL:				<u><u>5,552</u></u>	<u><u>584,752</u></u>

@ Matured and due for payment.

\$ 15,619,512 shares acquired pursuant to the order of the Honourable High Court of Karnataka on the Company's petition under Sections 391-394 of the Companies Act, 1956

NOTES :

	Rs in 000's	Rs in 000's
1) Aggregate value of quoted investments		
Cost	25,060	24,960
Market Value	Not Available	Not Available
2) Aggregate value of unquoted investments		
Cost	23,388	602,688

SIXTY FIRST ANNUAL REPORT 2007-08 (Revised)

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2008

SCHEDULE "H"

(Rs in 000's)

	As at 31st March 2008	As at 31st March 2007
CURRENT ASSETS, LOANS & ADVANCES		
A. Current Assets		
1. Inventories - as certified by the Managing Director		
i. Raw Materials, stores, spares parts, components etc.,	179,771	51,020
ii. Stock in trade		
Finished goods (including trading stocks)	265,010	85,156
Process stock	516,113	104,718
iii. Others-Including material at port and scrap	21,508	19,541
	982,402	260,435
Less: Provision for non-moving stocks	39,535	30,708
	942,867	229,727
2. Sundry Debtors		
(Unsecured, considered good except doubtful debts of Rs.145.053 million, previous year Rs.46.946 million)		
i. Debts outstanding for a period exceeding six months	395,973	331,431
ii. Other debts	1,623,847	1,068,953
	2,019,820	1,400,384
Less : Provision for doubtful debts	145,053	46,946
	1,874,767	1,353,448
3. Cash and Bank Balances		
a. Cash on hand	499	5
b. Amount in transit	10,841	8,505
c. Balances with scheduled banks		
- On current account	291,804	130,179
- On short term deposit accounts	345,367	274,979
	648,511	413,668
4. Loans and Advances		
(Unsecured, considered good except doubtful advances of Rs. 123.799 million, previous year Rs.33.668 million)		
Advances recoverable in cash or in kind or for value to be received		
Sundry Advances	457,507	383,488
Less : Provision for doubtful advances	123,799	33,668
	333,708	349,820
Central excise deposits	92,500	21,770
Advance payment of tax (including FBT)	177,614	15,739
	603,822	387,329
TOTAL:	4,069,967	2,384,162

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2008

SCHEDULE "I"

(Rs in 000's)

	As at 31st March 2008	As at 31st March 2007
CURRENT LIABILITIES & PROVISIONS		
A. Current Liabilities		
Sundry Creditors	1,936,936	547,539
Acceptances	154,497	-
Trade Advances	371,948	398,316
Other liabilities (@)	158,007	65,598
Due to subsidiary company	-	724,359
	2,621,388	1,735,812
B. Provisions		
For Taxation (including FBT)	184,905	26,572
For Earned Leave	37,672	4,445
For Gratuity	104,533	2,469
For Warranty	44,359	10,417
	371,469	43,903
TOTAL:	2,992,857	1,779,715

(@) Includes Rs.0.309 million due to Directors (Previous year Rs.0.309 million).

SCHEDULE "J"

MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN-OFF

1 Deferred Revenue Expenditure

Voluntary Retirement Scheme

TOTAL:

-	19,751
-	19,751

SIXTY FIRST ANNUAL REPORT 2007-08 (Revised)

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

SCHEDULE "K"

(Rs in 000's)

	Current Year	Previous Year
OTHER INCOME		
Interest :		
On Fixed Deposits	19,749	9,366
Others	6,618	1,727
(Tax deducted at source Rs.3.24 million, previous year Rs.0.40 million)	26,367	11,093
Dividend from long term Investments		
Trade	2,153	-
Rent received	4,854	5,335
(Tax deducted at source Rs.0.54 million, previous year Rs.0.26 million)		
Miscellaneous*	68,093	7,849
TOTAL :	101,467	24,277

* Includes provision no longer required Rs.62.13 million (Rs.2.239 million)

SCHEDULE "L"

CONSUMPTION OF RAW MATERIALS, STORES, SPARE

PARTS & COMPONENTS AND PURCHASES FOR TRADING

Raw material, stores and Components	6,294,564 *	1,565,045	
Purchases for Trading	88,596	3,758,968	
	6,383,160		5,324,013
Deduct : Increase in stocks			
Stocks at Close			
Process stocks	516,113	104,718	
Trading and finished goods	265,010	85,156	
Scrap	1,149	-	
	782,272	189,874	
Less : Stocks at commencement			
Process stocks	104,718	57,091	
Trading and finished goods	85,156	118,107	
Taken over from Kaytee Switchgear Limited			
Process stocks	156,433		
Finished goods	54,179		
Scrap	4,377		
Taken over from Kirloskar Power Equipment Limited			
Process stocks	28,253		
Finished goods	34,002		
	467,118	175,198	
	315,154		(14,676)
Inventories written off	21,629		
Less: Provision withdrawn	21,629		
	-		-
	6,068,006	5,309,337	

* Value of stores and spares not separately ascertained

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

SCHEDULE "M"

(Rs in 000's)

	Current Year	Previous Year
OPERATING & OTHER EXPENSES		
Power & Fuel	84,736	10,773
Expenses relating to Employees :		
Salaries, Wages & Bonus	548,304	96,858
Contribution to Employees PF, Family Pension Scheme and Superannuation Fund	41,316	7,943
Gratuity as per actuarial valuation	29,807	2,469
Workmen and Staff Welfare Expenses (includes contribution to employees' State insurance & PF Administration Charges	68,347	8,511
	687,774	115,781
Rent	34,214	4,547
Repairs		
Buildings	13,780	6,311
Machinery	19,198	2,368
Others	40,992	9,780
	73,970	18,459
Selling Expenses	108,921	26,586
Commission	9,184	4,982
Cash Discount	4,294	24
Additional Sales Tax	1,070	987
Maintenance of Vehicles	1,778	999
Insurance	5,555	1,668
Rates and Taxes	18,724	2,454
Advertisement	9,231	3,409
Printing & Stationery	9,615	5,886
Travelling Expenses	81,715	35,281
Postage, Telegrams and Telephones	18,509	9,762
Auditors Remuneration	4,029	1,701
Tech. Consultancy & Professional Charges	49,427	17,316
Bank Charges (Net off exchange fluctuation difference of Rs.2.645 million Cr. previous year Rs.2.992 million Dr.)	39,484	16,287
Subscription to technical associations, Journals and Magazines	894	1,112
Computer hire, Software development and data preparation charges	265	-
Manufacturing expenses and sundries	14,217	3,677
Bad debts & disallowance written off	45,298	1,120
Less : Provision for doubtful debts withdrawn	43,649	-
	1,649	1,120
Directors' sitting fees	501	200
Remuneration to whole-time directors	4,744	5,889
Capital work in progress written off	7,881	-
Less : Provision for uninstalled machinery withdrawn	7,881	-
	-	-
	1,264,518	288,900

SCHEDULE "N"

DEPRECIATION, AMORTISATION AND PROVISIONS

1 Depreciation	110,532	9,159
2 Amortisation of Voluntary Retirement Scheme	-	24,072
3 Doubtful debts	15,000	10,000
4 Doubtful advances	-	18,700
5 Diminution in value of uninstalled machinery	-	43,000
6 Diminution in the value of investment	-	15,316
7 Warranty claim	8,606	3,055
	134,138	123,302

SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule - "O"

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND LOSS ACCOUNT

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 ACCRUAL SYSTEM OF ACCOUNTING:

The Company follows the accrual system of accounting in respect of all items of expenditure and income.

1.2 FIXED ASSETS:

(i) Tangible Assets

Fixed Assets (other than land which were revalued) are stated at cost of acquisition inclusive of freight, duties, taxes and incidental expenses relating to the acquisition, installation, erection and commissioning less depreciation. A portion of the land owned by the company has been revalued. Internally manufactured assets are valued at works cost.

(ii) Intangible Assets

Intangible assets are accounted at cost of acquisition.

1.3 INVESTMENTS:

Investments unless otherwise stated are considered as long term in nature and are valued at acquisition cost less provision for diminution, if any.

1.4 INVENTORIES:

Raw materials, stores, spare parts and components are valued on first in first out basis/ weighted average basis at net landed cost except for stocks purchased in prior years at switchgear division, which are valued at estimated cost due to non-availability of adequate data or net realizable value whichever is lower. Work in progress is valued at works cost or net realizable value whichever is lower. Finished goods are valued at works cost or net realizable value whichever is lower.

1.5 DEPRECIATION:

- a) Depreciation is charged on the written down value of assets at the rates specified in schedule XIV to the Companies Act, 1956 or Income Tax Act, 1961, whichever is higher on assets as on 31st March 1994.
- b) In respect of other additions after 1st April 1994, depreciation on straight-line basis at the rates specified in schedule XIV to the Companies Act 1956 has been charged, except otherwise stated.
- c) Depreciation on furniture and fixtures above Rs. 5,000/- provided at the residences of the employees has been charged at the rate of 33.33% on the straight-line method irrespective of the quarter of addition. Furniture and fixtures whose cost is Rs.5,000/- or below are fully depreciated in the year of addition.
- d) Depreciation on assets taken on finance lease is charged over the primary lease period.
- e) Depreciation on software is provided at 33.33% per annum.
- f) Depreciation on Technical Know-how is written over a period of six years.
- g) Depreciation on assets (other than Furniture and Fixtures provided to employees and assets taken on finance lease) bought / sold during the year is charged at the applicable rates on a quarterly basis, depending upon the quarter of the financial year in which the assets are installed / sold.

1.6 AMORTISATION OF EXPENDITURE ON VOLUNTARY RETIREMENT SCHEME:

- a) Expenditure incurred under the voluntary retirement scheme, providing for lump sum benefits at the time of retirement is amortized over a period of 4 / 5 years.
- b) Liability in respect of other voluntary retirement schemes providing for payment of benefits in installments over specified periods is amortized over 5 years.

1.7 RESEARCH AND DEVELOPMENT EXPENDITURE:

Revenue expenditure in carrying out research and development activity is charged to the Profit and Loss Account of the year in which it is incurred. Capital expenditure in respect of research and development activity is capitalized as fixed assets and depreciation provided as detailed above.

SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**Schedule - "O" (Contd.)**

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET PROFIT AND LOSS ACCOUNT (Contd.,)

1.8 REVENUE RECOGNITION:

Sale of goods is recognized on shipment to customers and excludes recovery towards sales tax.

1.9 EMPLOYEE BENEFITS:**(i) Short Term Employee Benefits:**

Employee benefits payable wholly within twelve months of rendering the service are classified as short term. Benefits such as salaries, bonus, leave travel allowance etc. are recognised in the period in which the employee renders the related service.

(ii) Post Employment Benefits:**a) Defined Contribution Plans:**

The Company has contributed to provident, pension & superannuation funds which are defined contribution plans. The contributions paid/ payable under the scheme is recognised during the year in which employee renders the related service.

b) Defined Benefit Plans:

Employees' gratuity and leave encashment are defined benefit plans. The present value of the obligation under such plan is determined based on actuarial valuation using the Projected Unit Credit Method which considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gain and losses are recognized immediately in the statement of profit and loss account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the balance sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation. Gratuity to employees is covered under Group Gratuity Life Assurance Scheme of the Life Insurance Corporation of India.

1.10 FOREIGN CURRENCY TRANSLATION ON OVERSEAS BRANCH ETC:

The financial statements of foreign branches have been translated in accordance with Accounting Standard 11.

1.11 TAXES ON INCOME:

Provision for current tax for the year is after taking cognizance of excess / short provision in prior years. Deferred tax assets/liability is recognized, subject to consideration of prudence, on timing differences.

1.12 BORROWING COSTS:

Interest and other borrowing costs on specific borrowings relating to qualifying assets are capitalized up to the date such assets are ready for use / intended to use. Other interest and borrowing costs are charged to Profit & Loss Account.

1.13 CONTINGENT LIABILITIES:

Financial effect of contingent liabilities is disclosed based on information available upto the date on which financial statements are approved. However, where a reasonable estimate of financial effect cannot be made, suitable disclosures are made with regard to this fact and the existence and nature of the contingent liability.

1.14 USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule - "O" (Contd.)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET PROFIT AND LOSS ACCOUNT (Contd.,)

Rs. in '000's

2(a)	CONTINGENT LIABILITIES ETC	As at 31.03.2008	As at 31.03.2007
i)	Letter of Credit, Guarantees, Corporate and Counter guarantees given on Import and Sale contracts etc.	912,935	179,351
ii)	Bills discounted with bank	174,558	-
iii)	Central excise and customs authorities have issued notices and raised certain demands, which are pending in appeal before various authorities, not acknowledged as debt by the Company	6,834	14,911
iv)	Sales tax demanded under appeal	19,104	8,309
v)	Claims against the Company not acknowledged as debt. The Company has made counter claim against one of the parties amounting to Rs.12.944 million (Previous year Rs. 12.944 million)	251,046	216,339
vi)	The Company has furnished guarantees for the credit facilities of Rs.128.50 million (Previous year: Rs.128.50 million) interest and other costs to Kirloskar Batteries Limited (KBTL) and redemption of Preference shares issued by Kirloskar Investment and Finance Ltd. (KIFL) Rs. 20 million (Previous year Rs. 20 million) and has obtained counter guarantees from the said Companies. The preference shareholder of KIFL has claimed an amount of Rs.20 million along with dividends in arrears of Rs.20.56 million and interest from the Company, before the Debt Recovery Tribunal. The Company does not acknowledge this liability.		
vii)	Sales tax liability in respect of pending assessments	Not Ascertainable	Not Ascertainable
viii)	Income tax demand under appeal, either by the company or revenue department.	139,038	132,911
ix)	Interest and penalty if any, on account of delays/default in payment of statutory/suppliers dues not ascertainable. The Company has made waiver petition where ever such interest / penalty has been levied.	Not Ascertainable	Not Ascertainable
x)	Sales tax on equipment procured on hire/ lease and on computer software charges is contested by the suppliers – amount not ascertainable and will be charged to revenue in the year of final claim.	Not Ascertainable	Not Ascertainable
xi)	Certain industrial disputes are pending before various judicial authorities – not acknowledged by the Company	Amount not ascertainable	-
xii)	Arrears of dividend on cumulative preference shares for the period from October 1, 2001 to March 31, 2008 (including tax thereon). In terms of the scheme of arrangement approved by the honorable High Court of Karnataka, dividend on the said preference shares with effect from October 1 st , 2001 are payable cumulatively out of the profits of the company and the said dividend for the period from October 1 st , 2001 to September 30 th , 2003 are to be funded and converted to Zero Coupon Debentures (ZCDs). The Board of Directors vide their meeting held on September 26 th , 2003 allotted ZCD's to an extent of Rs. 2.345 crores representing dividends on the said preference shares from October 1 st , 2001 to September 30 th , 2003. However, on subsequent reexamination of the matter, the Board of Directors held that the said allotment was contrary to the scheme since in terms of the same, dividends with effect from October 1 st , 2001 were payable only out of profits and in as much as there were no profits, the allotment would be violative of section 205 of the Companies Act, 1956. Accordingly your Board of Directors vide their meeting held on January 17 th , 2004 proceeded to annual the said allotment. The preference shareholder has requested the Company to evolve an alternate mechanism to compensate them. Pending finalization of the matter, no provision has been made in the books of account for the same.	92,079	61,832
xiii)	The Company had imported certain capital equipments without payment of customs duty under the Export Promotion Capital Goods Scheme subject to exporting Rs.3,887.63 million within 8 years starting from the financial year 1996-97. Estimated amount of customs duty payable on capital goods imported (excluding interest and penalty). The shortfall in export performance as of 31 st March 2008 in relation to commitments is Rs.3,138 million.	198,331	198,331

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule - "O" (Contd.)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET PROFIT AND LOSS ACCOUNT (Contd.,)

		Rs. in '000's	
2(a)	CONTINGENT LIABILITIES ETC	As at 31.03.2008	As at 31.03.2007
	The Company has requested the Director General of Foreign Trade to refix the export obligation at 8 times of the duty saved in terms of current norms as well extent time to meet the balance export obligation. If this request is acceded to, the balance export obligation of the Company will stand reduced to Rs.247.36 million. The Company is confident that its request will be acceded to and that it will meet the same within the extended period sought.		
xvi)	Penal damages levied by the Regional Provident Fund commissioner and subject to writ before the High Court of Karnataka, Bangalore. An amount of Rs.4.618 million paid has been included in loans and advances In respect of items above, future cash outflows in respect of contingent liabilities is determinable only on receipt of judgments pending at various forums/ settlement of matter. The management believes that, based on legal advice or internal assessment, the outcome of these contingencies will be favorable and that loss is not probable. Accordingly, no provisions have been made for the same.	9,154	-
(b)	Estimated amount of contracts remaining to be executed on capital account and not provided for.	66,771	Nil

3. SECURED LOANS

A Loans and Advances from banks and financial institutions :

i)	From Bank of Commerce (M) Bhd, Selangor, Malaysia - Secured by a floating charge in respect of property situated, kept, placed or stored at any place in Malaysia, both present and future, including all stocks in trade, goodwill and book debts to an extent of RM 550,000.	Nil	29 RM 2
ii) a)	Secured against letter of credits issued by other banks	80,946	Nil
ii) b)	Working capital term loan & funded interest term loans from consortium banks and financial institutions are secured by first pari passu charge on certain fixed assets along with the holders of zero coupon debentures and second pari passu charge on current assets and the said credit facilities have been guaranteed by the Chairman & Managing Director.	421,890	37,298
c)	Other working capital facilities - First pari passu charge on all current assets and second pari passu charge on certain fixed assets along with the holders of zero coupon debentures and the said credit facilities have been guaranteed by the Chairman & Managing Director of the Company.	495,228	84,929
d)	Against pledge of fixed deposits	11,454	62,364
e)	Against security of Motor Cars	886	-
f)	Against Assets purchased on finance lease	82,944	-
iii)	Term loan from a Company – First pari passu charge on residential property at Nandidurg Road, Bangalore.	-	10,274
	Loans and Advances from Financial Institutions :		
	Zero Coupon Debentures (IDBI) – First pari passu charge on fixed assets pari passu along with banks referred to in para A (ii) above.	49,400	49,400

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SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule - "O" (Contd.)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET PROFIT AND LOSS ACCOUNT (Contd.,)

4. Balances with Foreign banks :

(Rs. In '000's)

	Current Year	Previous Year
i) With Bank of Commerce (M) Bhd., Kuala Lumpur : On Short term deposits	5,607	9,412
	RM 541	RM 840
Maximum Balance at any time during the year	9,412	10,903
	RM 840	RM 946
ii) With Bank of Commerce (M) Bhd., Kuala Lumpur: On Current Accounts	2,041	Nil
	RM 197	
Maximum Balance at any time during the year	2,041	Nil
	RM 197	
iii) With HSBC Bank, Dubai On Current Accounts	42	109
	AED 4	AED 9
Maximum balance at any time during the year	109	415
	AED 9	AED 34
iv) With HSBC Bank, Dubai On Current Account	488	11,598
	\$12	\$271
Maximum balance at any time during the year	11,598	11,598
	\$271	\$271

5. Non resident shareholding

Number of non-resident shareholders	364	364
Number of Equity Shareholdings	4,148,498	4,674,574

6. Earning in Foreign Exchange

i) F.O.B. value of exports (Net) (inclusive of sales within India eligible for export incentives)	352,878	176,243
ii) Remittances from overseas offices (Net)	15,797	9,480
iii) Dividends received	102	Nil

7. Value of Imports calculated on CIF basis:

i) Raw materials	302,202	749
ii) Components and spare parts	68,748	41,894
iii) Capital items	25,222	1,821

8. Expenditure in foreign currency during the financial year :

a) Professional & Consultancy fee	773	811
b) Travel	14,534	10,200
c) Motor Car	2,635	Nil

9. Expenditure on Research and Development during the year:

Revenue	4,253	2
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10. Remuneration to Auditors:

a) IN INDIA *		
i) for Audit	1,300	500
ii) for Taxation matters / tax audit	1,270	450
iii) for Certification work etc.	775	475
iv) for Management Services	525	261
v) Cost audit fees	150	-
b) IN MALAYSIA		
i) for Audit	6	10
ii) for Taxation matters	3	5
Total	4,029	1,701

Excludes out of pocket expenses of Rs.0.315 million (Previous year Rs. 0.125 million)

* includes amount paid to the auditor appointed by KPEL

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule - "O" (Contd.)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET PROFIT AND LOSS ACCOUNT (Contd.,)

11. Value of imported and indigenous raw materials, stores, spare parts and components consumed and percentage of each to the total consumption: (Rs. In '000's)

	Current Year		Previous Year	
Value of imported raw materials, stores, spare parts & components consumed	6.84%	430,560	2.63%	41,207
Value of indigenous raw materials, stores, spare parts & components consumed	93.16%	5,864,004	97.37%	1,523,838
	100.00%	6,294,564	100.0%	1,565,045

12. Consumption of major raw materials and components during the year: (Rs. In '000's)

	Unit	Current Year		Previous Year	
		Quantity	Value	Quantity	Value
1. Copper (wires, strips, rods, sheets, etc) #	MT	4,314	1,689,160	1,139	240,025
2. Iron and steel (pig iron, rounds, plates, sheets, etc.,) Stampings and Laminations	MT	10,456	1,258,622	915	259,141
3. Others		(*)	3,346,782	(*)	1,065,879
Total			6,294,564		1,565,045

- Notes:** 1. In the presentation of data, necessary adjustments have been made for normal shortages and excesses in stock including process losses during conversion of raw material.
2. (*) Only value furnished as the items are numerous and it is not possible to furnish quantitative particulars thereof.
3. Above data is as certified by the management

13. Capacities and Production:

Item No.	Class of Goods	Capacities			
			Licensed	Installed @	Production
1.	Motors/ Alternators/ Generators	MW	2,806*	2,806*	1,705 (8)
2.	FHP Motors #	Nos.	21,600	21,600	11,330
3.	Engines	Nos.			1,517
4.	Transformers	Kva	2,060,000	2,060,000	4,596,825 (1,777,101)
5.	Arc Welding & Resistance Welding Equipments with Welding Aids and Accessories	Nos	1,800+	1800+	Nil
6.	Controls for Alternators/ Generating sets, Variable Speed Drive Controls, Static Exciters and Inverters, Electronic Controls for Machine Tools, HV testers, Coolers, stud Welders, Thermister Protection units and RF Induction Generators	Units	3,000*	3,000*	1,890 (851)
7.	Induction Heating Equipment such as Induction Heaters and Welders, Die Electric Heaters & Plastic Welders with associated handling equipment	Nos	150*	50*	Nil
8.	Vertical Mechanical Comparator, Sigma size Electronic Gauging Indicator, Sigma flash electronic column gauges, Sigmaster fixturing systems.	Nos.	1,400	200	Nil
9.	Micro and Mini Computers	Rs. In million	100*	80	Nil
10.	Industrial Electronic Voltage Regulators	Nos.	20,000	8,000	1,910 (5,341)
11.	Uninterruptible Power Systems	Nos.	5,000*	500	512 (732)
12.	Metal Cutting including Grinding Machines (**)	Nos.	300*	150	Nil (Nil)
13.	Machine tool accessories including digital readouts (**)	Nos.	550*	550	18 (79)
14.	Printed Circuit Boards (**)	Sq. Mtrs	2,500*	2,500*	Nil

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SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule - "O" (Contd.)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET PROFIT AND LOSS ACCOUNT (Contd.,)

Item No.	Class of Goods	Capacities		
			Licensed	Installed @ Production
15.	Alternators	Nos.	191,500	78,000 Nil
16.	D.G. Sets	Nos.		750 (64)
17.	Circuit Breakers/ Starters/ Contactors/ Switchboard*	Nos	\$	831 (859)
18.	Electricity generated using wind energy	Units		619,640 (Nil)

- Notes: 1. (**) Registered with DGTD (*) on maximum utilization (+) On single shift.
2. (@) As certified by the Management.
3. \$ Standing in the name of Kirloskar Systems Ltd., whose switchgear business was taken over by the Company in a prior year.
4. * as per letter no.3/24/2000-PAB-IL from Department of Industrial Policy & Promotion, New Delhi dt.01/12/2004
5. During the year Company has acquired licensed capacity of 1,260,000 Kva of Transformers from KPEL and 2,806 MW of motors/ alternators/ generators of KSL as per scheme of arrangement.

14. Opening and closing Stocks of finished & Trading goods :

(Rs. In '000's)

Item No.	Class of Goods	Opening Stocks		Closing Stocks	
		Qty. Nos.	Value	Qty. Nos.	Value
1.	Motors/ Alternators/ Generators	389 (244)	19,372 (77,909)	2,567 (389)	151,081 (19,372)
2.	Transformers	12 (-)	35,779 (-)	60 (12)	88,780 (35,779)
3.	Controls for Alternators/ Generating sets, Variable Speed Drive Controls, Static Exciters and Inverters, Electronic Controls for Machine Tools, HV testers, Coolers, stud Welders, Thermister Protection units and RF Induction Generators	18 (38)	1,562 (1,720)	35 (18)	3,554 (1,562)
4.	Uninterruptible Power Systems	69 (57)	1,251 (1,362)	34 (69)	530 (1,251)
5.	Switchgears	2 (-)	2,656 (-)	17 (2)	4,073 (2,656)
6.	D G Sets	1 (24)	582 (862)	4 (1)	1,252 (582)
7.	Others		23,954 (36,254)		15,740 (23,954)
	Stock taken over from KSL & KPEL pursuant to Scheme				
8.	Motors/ Alternators Generators (including FHP Motors)	1,487	47,731		
	Transformers	31	34,002		
	Others		6,448		
	TOTAL		173,337 (118,107)		265,010 (85,156)

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule - "O" (Contd.)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET PROFIT AND LOSS ACCOUNT (Contd.)

15. a) Details of Sale of Manufactured / Trading goods during the year:

Item No.	Class of Goods	Turnover of Finished Goods			
		Current Year		Previous Year	
		Qty. Nos.	Value Rs. In 000's	Qty. Nos.	Value Rs. In 000's
1.	Motors/ Alternators/ Generators	117,147	4,269,684	114,093	3,979,675
2.	Transformers	2,443	3,205,100	588	1,225,414
3.	Controls for Alternators/ Generating sets, Variable Speed Drive Controls, Static Exciters and Inverters, Electronic Controls for Machine Tools, HV testers, Coolers, stud Welders, Thermister Protection units and RF Induction Generators	1,873	162,217	871	186,722
4.	Uninterruptible Power Systems	547	44,887	720	40,946
5.	Metal Cutting including Grinding Machines	Nil	Nil	Nil	Nil
6.	Machine tool accessories including digital readouts	18	11,502	79	2,558
7.	Industrial Electronic Voltage Regulators	1,910	Nil	5,341	Nil
8.	Circuit Breakers/ Starters/ Contactors/ Switchboard	816	455,858	857	444,463
9.	D G Sets	746	501,428	87	108,913
10.	Electricity (in Units)	619,640	3,093		0
11.	Engines	1,517	214,457		
12.	Others		593,826		198,020
	TOTAL		9,462,052		6,186,711

15. b) Details of Purchases of Trading goods during the year:

(Rs. In '000's)

Item No	Class of Goods	Current Year		Previous Year	
		Qty. Nos.	Value	Qty. Nos.	Value
1.	Motors/ Alternators	-	-	113,873	3,615,977
2.	Others		88,596		142,991
	TOTAL		88,596		3,758,968

NOTE: Quantity in numbers includes transfers to divisions for further manufacture of and free replacements.

16. a. The order of the Honorable High court of Karnataka according approval for the scheme of arrangement and amalgamation under section 391 to 394 of the Companies Act, 1956 ("Scheme") was received in September 2008 with April 1, 2007 as the appointed date. This scheme of arrangement and amalgamation interalia involved transfer of operating business of Kirloskar Power Equipment Limited ("KPEL") and amalgamation of Kaytee Switchgear Limited ("KSL") with the Company. The Scheme was registered with the Registrar of Companies on October 17, 2008.
- b. Decree in Form 42 of the Companies (Court) Rules, 1949 is yet to be passed by the Honorable high court of Karnataka pending assessment and payment of stamp duty in respect of which no provision has been made in the books of account.
- c. Disclosures in terms of Accounting Standard – 14:
- Name and general nature of business of amalgamating Company: Kaytee Switchgear Limited, manufacture & sale of motors and alternators.
 - Effective date of amalgamation for accounting purposes : April 1, 2007
 - Method of accounting to reflect amalgamation: Pooling of interest method read with order dated September 4, 2008 passed by honorable high court of Karnataka.

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SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule - "O" (Contd.)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET PROFIT AND LOSS ACCOUNT (Contd.,)

- iv) Particulars of scheme sanctioned under statute: All the assets and liabilities of KSL as on appointed date have vested with Company in as is where is condition. All the employees of KSL have become employees of the Company without no break of service. Refer Scheme for full details.
- v) Description and number of shares issued: a) Preference shares of Rs.100 each of the Company for every 1 preference share of Rs.100 each. Total number of preference shares to be issued 1,176,746 shares.
- b) 1 equity shares of the Company for 4 equity shares of Rs.10/- each held in KSL. Total number of shares to be issued 6,752,550
- vi) The amount of any difference in consideration and the value of net of identified assets acquired and treatment thereof: The difference between the net identified value of assets acquired, debit balance in profit & loss account and the face value of shares to be issued has been credited to reconstruction reserve account. Refer note 17.
- d. Accounting for assets and liabilities taken over from KPEL have been done as per treatment stipulated in para 12.2 of the Scheme.
- e. The financial statements approved by board of directors on June 27, 2008 has now been amended in the wake of the Scheme.
- f. The assets & liabilities so transferred to the Company are continuing in the name of the respective companies. Necessary action is being taken by the company to obtain the consent/approvals of the various regulatory authorities.

17. Reconstruction reserve account has been arrived as under:

(Rs. 000's)

	Amount
Surplus of assets over liabilities of the operating business of KPEL in excess of share capital to be issued, pursuant to the Scheme	791
Surplus of assets over liabilities of the erstwhile KSL in excess of share capital to be issued, pursuant to the Scheme	642,576
	643,367
Less: Book value of shares held by the Company in KSL as at 31/03/2007	579,200
	64,167

18. The Company has preferred a suit for various claims against Deutsche Bank, one of the members of the consortium of bankers for breach of trust for withholding of monies belonging to the company and freezing sanctioned working capital limits.
19. Current assets, loans and advances include Rs.Nil million (Rs.29.895 million) due from a private limited company in which a director is interested.
20. The Company has initiated the process of obtaining confirmation from suppliers regarding the registration under the Micro Small and Medium Enterprises Development Act 2006. The suppliers are not registered wherever confirmations are received and in other cases, the Company is not aware of their registration status and hence information relating to outstanding balance or interest due is not disclosed as it is not determinable. However the amount due to small-scale industries, which is more than 30 days, is Rs.768.202 million (to the extent ascertained). Further no interest has been provided for such dues in the books of account.

SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule - "O" (Contd.)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET PROFIT AND LOSS ACCOUNT (Contd.,)

21. a. Confirmation of balances from certain sundry debtors, deposit accounts, loans and advances, creditors etc are awaited. Accounts of certain sundry debtors, loans and advances, deposits/ margin money with banks, certain inter unit accounts, collector of customs and creditors, are under review and reconciliation. Adjustments, if any will be made on completion of review/ reconciliation. Effect on revenue is not expected to be material.
- b. Balances between the Company and the erstwhile KSL and the operating business of KPEL have not been comprehensively identified and reconciled and balances to the extent identified and reconciled have been eliminated, while preparing these financial statements. In the absence of necessary information, unrealised profits and losses from such inter unit transactions, may not have been comprehensively eliminated. Effect on revenue not ascertainable.
22. Prior period income / expenditure has not been separately ascertained and disclosed in terms of Accounting Standard - 5 but have been added/ netted off under their natural heads. This has no effect on the working results of the Company.
23. a. The accounts of the one of the units of the Company have been maintained in SAP R3 system, which envisages an integrated system of materials, production, sales and financial accounting. Various errors and inconsistencies mainly in the areas of production and material accounting, valuation of inventories, creation of masters etc have crept in. These are interalia on account of inaccurate definition of master information as well as change in material codes. The closing stocks of all inventories have been adopted as per physical inventory taken by the management at the end of the year, pending identification of mistakes, differences, reconciliation and consequential corrections. Consequently, the impact of these differences is not quantifiable.
- b. The company has initiated steps to bring the valuation of work in progress and finished goods at all units in line with Accounting Standard – 2. However, the process followed in determination of cost and net realizable value need to be further refined/ improved to bring it in line with the requirements of the Company.
24. a. The Company holds unquoted investments with books value of Rs.1.972 million in M/s Kirsons Trading Pte Ltd and Kirloskar Kenya Limited. Current Assets, Loans & Advances include Rs.134.409 million (previous year Rs.46.923 million) being rescheduled advances from these and certain other Companies.
- b. All the above companies have incurred losses and their net worth is substantially eroded. Having regard to the long term association with these companies, their revival plans as communicated to the Company and other factors, no provision either for diminution in value of investments or the value of receivables is considered necessary.
- The diminution in the value of the said investments is considered temporary by the management.
25. Remuneration to Managing Director & other whole time directors (excludes remuneration to whole time directors of KSL):

(Rs. In 000's)

Particulars	Current Year	Previous Year
a) Managing Director		
Salary	3,837	3,835
Contribution to Provident & Other Funds	907	922
TOTAL	4,744	4,757
b) Whole Time Director-Joint Managing Director (w.e.f 17 th October 2008)*		
Salary	Nil	999
Contribution to Provident & Other Funds	Nil	133
TOTAL	Nil	1,132
Grand Total	4,744	5,889

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SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule - "O" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET PROFIT AND LOSS ACCOUNT (Contd.,)

Liability in respect of accrued gratuity is not ascertainable separately. * Doesn't include amount paid Rs. 5,204 in capacity as president and CEO of Kaytee Switchgear Limited.

In the absence of adequate profits in terms of section 349 of the Companies Act, 1956, minimum remuneration as stated above has been paid/ provided to the Managing & Joint Managing director of the Company.

26. Disclosures as per Accounting Standard 15 "Employee Benefits":

Defined Contribution Plan:

Contribution to Defined Contribution, recognised as expense for the year are as under:

(Rs. In 000's)

	Current Year
Employer's Contribution to Provident Fund & Pension Scheme	31,451
Employer's Contribution to Superannuation Fund	9,865

Defined Benefit Plan:

The employees' gratuity fund scheme managed by a trust is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the projected unit credit method.

(Rs in 000's)

	Gratuity (Funded)	Leave (Unfunded)
1. Reconciliation of opening and closing balances of Defined Benefit obligation:		
Defined Benefit obligation at beginning of the year *	159,825	30,381
Current Service Cost	8,522	6,421
Interest Cost	12,711	3,000
Actuarial (gain)/ loss	13,670	1,353
Benefits Paid	14,016	3,483
Defined Benefit obligation at end of the year	180,712	37,672
2. Reconciliation of opening and closing balance of fair value of plan assets:		
Fair value of plan assets at beginning of the year *	50,150	
Expected return on plan assets	5,097	
Employer Contribution	34,948	
Benefits paid	14,016	
Fair value of plan assets at year end	76,179	
3. Reconciliation of fair value of assets and obligations:		
Fair value of plan assets	76,179	-
Present value of obligation	180,712	37,672
Amount recognised in Balance Sheet	104,533	37,672
4. Expense recognised during the year: (under "Schedule - M")		
Operating & Other expenses of the Profit and Loss account)		
Current Service Cost	8,522	7,139
Interest Cost	12,711	2,282
Expected return on plan assets	5,096	-
Actuarial (gain)/ loss	13,670	1,354
Net Cost	29,807	10,775
5. Actuarial assumptions:		
Mortality Table (LIC)	1994 - 96	1994 - 96
	(Ultimate)	(Ultimate)
Discount rate (per annum)	8%	8.20%
Expected rate of return on plan assets (per annum)	9.25%	Nil
Rate of escalation in salary (per annum)	7%	7%

* Includes amounts taken over from KSL & KPEL.

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary. Previous year figures have not been furnished since AS 15 (Revised) has been implemented for the first time.

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule - "O" (Contd.)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET PROFIT AND LOSS ACCOUNT (Contd.)

27. Segment Reporting:

The Company has not furnished segment report since same has been furnished in the Consolidated financial statements, as referred in para 4 of accounting standard 17 issued by Central Government.

28. Related Parties Disclosure:

Sl. No	Name of the related party	Relationship
1	Kaytee Switchgear Limited (upto 31.03.2007)	Subsidiary
2	Mr. Vijay R Kirloskar Mr. P S Malik Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar	Key management personnel and their Relatives.
3	KEASI Robican Industrial Systems Limited. Kirloskar (Malaysia) Sdn. Bhd	Associates and joint ventures
4	Kirloskar Computer Services Limited Kirloskar Batteries Private Limited Kirloskar Power Equipment Limited Ravindu Motors Private Limited Vijay Farms Pvt. Ltd. Sri Vijayadurga Investments & Agencies Pvt. Ltd. Vijayjyothi Investments & Agencies Pvt. Ltd. Abhiman Trading Co. Pvt. Ltd. Vimraj Investments & Agencies Pvt. Ltd.	Enterprises over which key management personnel and their relatives are able to exercise significant influence

DETAILS OF TRANSACTIONS:

Rs. (000's)

Nature of transactions	Subsidiary	Key management personnel and their Relatives relatives	Associates and joint ventures	Enterprises over which key management personnel and their are able to exercise significant influence
Purchases of goods/services	Nil (3,658,360)	Nil	Nil (Nil)	87,351* (15,052)
Sale of goods/fixed assets	Nil (78,448)	Nil	30,355# (10,128)	18,184 \$ (20,048)
Purchase of Fixed Assets from Ravindu Motors Pvt Ltd	Nil	Nil	Nil	5,135 (-)
Rent received from Ravindu Motors Pvt Ltd	Nil (1,200)	Nil	Nil	2,528 (2,442)
Dividend received	-	-	102 # (-)	2,040 ^ (-)
Rent paid	Nil (13)	5,100 @ (-)	-	10,750 ** (-)
Investments as on 31.03.2008	Nil (579,200)	Nil	5,529 ^^ (5,529)	5,197 ## (5,197)
Provision for diminution in value of investments as on 31.03.2008	Nil	Nil	5,000 @@ (5,000)	2,380 @ @ (2,380)
Amount due to Company as at 31.3.2008	Nil (136,740)	2,700 + (-)	22,979 # (8,550)	152,466 ^^^ (51,245)
Amount due from Company as at 31.03.2008	Nil (724,359)	3,133 ++ (-)	Nil	23,753 ### (13,295)
Remuneration paid	Nil	11,621 \$\$ (6,818)	Nil	Nil
Shares allotted during the year (Face Value & premium)	Nil	Nil	Nil	60,000 !! (-)
Guarantees given by the Company and outstanding at the end of the year	Nil	Nil	Nil	128,500 !!! (128,500)

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SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule - "O" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET PROFIT AND LOSS ACCOUNT (Contd.,)

KEC North America Inc has been dissolved. The investments in and dues from the said company have not been written off, pending receipt of approvals from Reserve Bank of India. However, full provision has been made for the same. Since the said company has been dissolved, the same has not been considered for related party disclosures.

* Includes Purchases of goods/ services from Kirloskar Batteries Private Limited Rs.69,415 (previous year Rs.428), Vijay Farms Limited Rs.5,174 (Previous year Rs.119), Sri Vijaydurga Investments and Agencies Private Limited Rs.6,719 (Previous year Rs.Nil), Kirloskar Power Equipment Limited Rs.Nil (Previous year Rs.14,495), Abhiman Trading Company Limited Rs.6,043 (Previous year Rs.Nil) and Kirloskar Computer Services Limited Rs.Nil (Previous year Rs.10)

Represents transaction with Kirloskar (Malaysia) Sdn Bhd.

\$ Includes Sale of goods/fixed assets to Kirloskar Batteries Private Limited Rs.17,995 (Previous year Rs.17,336), Kirloskar Power Equipment Limited Rs.Nil (Previous year Rs.2,712) and Ravindu Motors Private Limited Rs.189 (Previous year Rs. Nil).

^ Dividend received from Kirloskar Power Equipment Limited.

@ Includes Rent paid to Meena Kirloskar Rs.1,500 (Previous year Rs. Nil) and Vijay R Kirloskar Rs.3,600 (Previous year Rs.Nil)

** Represents rent paid to Vijay Jyothi Investments and Agencies Private Limited

^^ Includes investments in Kirloskar (Malaysia) Sdn Bhd Rs.529 (Previous year Rs.529) and KEASI Robican Industrial Systems Limited Rs.5,000 (Previous year Rs.5,000)

Includes investments in Kirloskar Power Equipments Limited Rs.2,817 (Previous year Rs.2,817) and Kirloskar Computer Services Limited Rs.2,380 (Previous year Rs.2,380)

@ @ Represents KEASI Robican Industrial Systems Limited Rs.5,000 (Previous year Rs.5,000) and Kirloskar Computer Services Limited Rs.2,380 (Previous year Rs.2,380).

+ Represents due from Meena Kirloskar

^^^ Includes due from Kirloskar Power Equipment Limited Rs.31,702 (previous year Rs.2,509), Kirloskar Computer Services Limited Rs.22,165 (Previous year Rs.18,773), Vijay Farms Limited Rs.18,660 (Previous year Rs. Nil), Kirloskar Batteries Private Limited Rs. Nil (Previous year Rs.29,896), Vijay Jyothi Investments and Agencies Private Limited Rs.69,114 (Previous year Rs. Nil), Abhiman Trading Company Limited Rs.7,372 (Previous year Rs. Nil), Vijay Keerthi Investment and Agencies Private Limited Rs.60 (Previous year Rs.Nil), Ravindu Motors Private Limited Rs.Nil (Previous year 67) and Vijaydurga Investments and Agencies Limited Rs.3,393 (Previous year Rs. Nil).

++ Includes due to Vijay R Kirloskar Rs.2,988 (Previous year Rs. Nil) and Meena Kirloskar Rs.125 (Previous year Rs. Nil).

Includes due to Kirloskar Batteries Limited Rs.13,087 (Previous year Rs.196), Ravindu Motors Private Limited Rs.146 (Previous year Rs.Nil), Vijay Farms Private Limited Rs.117 (Previous year Rs.Nil), Sri Vijayadurga Investments and Agencies Pvt Ltd Rs.1,900 (Previous year Rs.Nil), Vijay Jyothi Investment and Agencies Pvt Ltd Rs.5,037 (Previous year Rs.Nil), Abhiman Trading Company Limited Rs.3,466 (Previous year Rs. Nil) and Kirloskar Power Equipment Limited Rs. Nil (Previous year Rs.13,100).

\$\$ Includes paid to Vijay R Kirloskar Rs.4,744 (Previous year Rs.4,757), P S Malik Rs.5,689 (Previous year Rs. Nil), Janaki Kirloskar Rs.1,188 (Previous year Rs.928) and D R Venkatesh Murthy Rs. Nil (Previous year Rs.1,133).

!! Includes shares allotted to Kirloskar Power Equipment Limited Rs.33,990 (Previous year Rs. Nil) and Abhiman Trading Company Limited Rs.26,010 (Previous year Rs.Nil).

!!! Represents issued on behalf of Kirloskar Batteries Private Limited.

29. Finance Leases

Finance lease arrangements relate to Plant & Machinery. The lease period is for five years with interest rates ranging from 13% to 14% per annum. The Company pays fixed lease rentals over the period of the lease whereby the net present value of the minimum lease payments amount substantially to the cost of the assets.

(Rs in 000's)

Particulars	Total minimum lease payments outstanding as at 31.03.2008	Future interest on outstanding Lease Payments	Present value of minimum lease payments as at 31.03.2008
Within One year	20,066	8,511	11,555
Later than one year but not later than five years	86,389	18,498	67,891
Later than five years	441	73	368
Amount disbursed for which installment schedule yet to be finalized	-		3,130
Total	106,896	27,082	82,944

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule - "O" (Contd..)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET PROFIT AND LOSS ACCOUNT (Contd.,)

30. The Company has various operating leases for office facilities, guesthouse and residential premises of employees that are renewable on a periodic basis, and cancelable at its option. Rental expenses for operating leases included in the financial statements for the year are Rs.34,214 (Rs.4,547).

31. Earnings per share:

(Rs in 000's)

PARTICULARS	31.03.2008 Rs. (000's)	31.03.2007 Rs. (000's)
BASIC :		
After extraordinary items		
Profit for the year after tax expense	620,141	174,946
Less:		
Preference Dividend including dividend tax @	19,796	9,828
	600,345	165,118
Weighted No. of Equity Shares for Basic EPS *	50,021,367	31,268,817
Basic EPS (Rs.)	12.00	5.28
Before extraordinary items		
Profit for the year after tax expense	620,141	174,946
Less: extraordinary item (net of tax)	1,606	6,922
	618,535	168,024
Less:		
Preference Dividend including dividend tax @	19,796	9,828
	598,739	158,196
Weighted No. of Equity Shares for Basic EPS *	50,021,367	31,268,817
Basic EPS (Rs.)	11.97	5.06
DILUTED :		
After extraordinary items		
Profit for the year after tax expense	620,141	174,946
Less:		
Preference Dividend including dividend tax @	19,796	9,828
	600,345	165,118
No. of Equity Shares for Diluted EPS *	50,021,367	33,268,817
Diluted EPS (Rs.)	12.00	4.96
Before extraordinary items		
Profit for the year after tax expense	620,141	174,946
Less: extraordinary item (net of tax)	1,606	6,922
	618,535	168,024
Less:		
Preference Dividend including dividend tax @	19,796	9,828
	598,739	158,196
Weighted No. of Equity Shares for Basic EPS *	50,021,367	33,268,817
Basic EPS (Rs.)	11.97	4.76

@ Taking into account dividend relating to KSL

* Taking into account shares to be allotted to the shareholders of KSL & KPCL pursuant to Scheme.

32. DETAILS OF DEFERRED TAX LIABILITY:

(Rs in 000's)

	As at 31.03.2008	As at 31.03.2007
Liability relating to value of fixed assets	282,913	14,967
Asset relating to Disallowance and Unabsorbed loss & depreciation under the Income Tax Act, 1961 (recognized only to the extent of net liability)	282,913	14,967
Net amount	Nil	Nil

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SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule - "O" (Contd.)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET PROFIT AND LOSS ACCOUNT (Contd.)

33. During the year the company has made provisions towards warranty claims from the customers towards sales and leave to employees, the details of the same are as under:

(Rs in 000's)

Particulars	Leave	Warranty Claims
Balance outstanding at the beginning of the year	4,445	10,417
Taken over pursuant to Scheme	20,228	25,336
Provision for the year (net)	16,498*	8,606
Amount paid	3,499	-
Balance outstanding at the end of the year	37,672	44,359

*Includes Rs.5,753 (in 000's) in terms of transitional provisions of AS -15 (Revised).

34. There were no derivative instruments outstanding as at March 31, 2008. Foreign currency exposures which have not been hedged by any derivative instruments or otherwise as at March 31, 2008 is as follows:

(Rs in 000's)

Particulars	As at 31.03.2008
Assets (Receivables)	66,974
Liabilities (Payables)	7,741

35. Figures have been rounded off to the nearest "000's" as permitted by Government of India Notification No.GSR: 14(E) dated 23.12.1978.
36. The current year figures are combined figures of the Company, erstwhile KSL and operating business of KPEL pursuant to Scheme and previous year figures represent the standalone figures of the Company and hence not comparable. Corresponding figures for the previous year have been regrouped and recast in order to be in conformity with current year's figures wherever necessary.

As per our report of even date

For and on behalf of Board of Directors

For B.K. RAMADHYANI & CO.
Chartered Accountants

VIJAY R KIRLOSKAR
Chairman & Managing Director

P S MALIK
Joint Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Associate Vice President & Company Secretary

CA R.K. GUPTA
Vice President & Chief Financial Officer

Bangalore

Date : June 24, 2009

KIRLOSKAR ELECTRIC COMPANY LTD.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:

I. REGISTRATION DETAILS

Registration No	C415/46-47	State Code	08
Balance Sheet Date	31-03-2008		

II. CAPITAL RAISED DURING THE YEAR (Rupees in Thousands)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Rupees in Thousands)

Total Liabilities	2703116	Total Assets	2703116
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Sources of Funds

Paid up Capital	452688	Share to be allotted pursuant to Scheme	290200
Reserve & Surplus	647130	Secured Loans	1142748
Unsecured Loans	170350		

Application of Funds

Net Fixed Assets	1468936	Capital Work In Progress	151518
Investments	5552	Net Current Assets	1077110
Miscellaneous Expenditure	-	Net Current Assets	0

IV. PERFORMANCE OF COMPANY (Rupees in Thousands)

Turnover (including other Income)	8311336	Total Expenditure	7615436
Profit before Tax	695900	Profit after Tax	620141
Earning per share in Rs. (After Tax)	12.00	Dividend rate %	Nil

V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICE OF COMPANY

Item Code No. (ITC Code)	85.01
Product Description	ELECTRIC MOTORS
Item Code No. (ITC Code)	85.01
Product Description	AC MACHINES
Item Code No. (ITC Code)	85.01
Product Description	DC MACHINES

VIJAY R KIRLOSKAR
Chairman & Managing Director

P S MALIK
Joint Managing Director

P Y MAHAJAN
Associate Vice President & Company Secretary

CA R.K. GUPTA
Vice President & Chief Financial Officer

Bangalore
Date : 24th June, 2009

**Consolidated
Financial Statements 2007-08
(*Revised*)**

**AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS
TO THE MEMBERS OF KIRLOSKAR ELECTRIC COMPANY LIMITED**

1. We have audited the attached consolidated Balance Sheet of Kirloskar Electric Company Limited and its associates as at March 31, 2008, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the group's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. The Consolidated financial statements of the Company approved by its Board of Directors on June 27, 2008 and reported by us on the same date have been revised in the wake of the order of the Honourable High Court of Karnataka dated September 4, 2008 sanctioning a scheme of amalgamation of Kaytee Switchgear Limed and the demerger of the operating business of Kirloskar Power Equipment Limited with it ("Scheme"), with April 1, 2007 as the "Appointed Date". This report super cedes our earlier report dated June 27, 2008.
3. *As per the opinion of the Institute of Chartered Accountants of India, a company cannot reopen and revise the accounts once adopted by the shareholders at an annual general meeting. However, the Board of Directors have reopened and revised the aforesaid accounts in the light of the factors outlined in paragraph 1 above, to give the effect to the orders of the honourable High Court of Karnataka. The Company had obtained a legal opinion in support of its action of reopening accounts approved by the shareholders in March 2003, in the wake of an earlier scheme of arrangement under sections 391-394 of the Companies Act, 1956.*
4. The revised Consolidated financial statements of the Company have been compiled from the Consolidated financial statements of the Company (as earlier approved by the board of directors on June 27, 2008) and the financial statements of the operating business of Kirloskar Power Equipment Limited (which has demerged with the Company) as received from its auditors M/s Mayank Shah & Associates, Chartered Accountants, after making such adjustments as were required in the wake of the Scheme. Neither has any fresh audit of any kind been carried out, either by us or the said M/s Mayank Shah & Associates nor is any fresh audit opinion being made.
5. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are prepared, in all material respects, in accordance with the identified financial reporting framework and are free from material misstatements. 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 the management, as well as evaluating the overall financial statements. We believe our audit provides a reasonable basis for our opinion.
6.
 - a. Unaudited financial statements of Keasi Robican Industrial Systems Limited for the financial year ended March 31, 2008 received have been used for the purpose of consolidation. The Company's share of assets, liabilities, income and expenditure as adopted for consolidation are not a significant percentage of the total reported figures of the group.
 - b. We have not audited the financial statements of Kirloskar (Malaysia) Sdn. Bhd. for the year ended March 31, 2008. Consequently, the Company's share in the profits of an associate as shown separately in the Profit and Loss Account and the value of investments in the consolidated balance sheet are based on unaudited financial statements of Kirloskar (Malaysia) Sdn. Bhd. for the said year as received from the said associate. The accounting policies used by it have not been compared and harmonized with the accounting policies used by the Company. The proportion of items in the consolidated financial statements to which different accounting policies have been applied are not ascertained. Details of accounting policies, contingent liabilities as at March 31, 2008, notes forming part of the financial statements of the said associate have not been furnished
 - c. *Intra group balances have not been comprehensively identified and reconciled and balances to the extent identified and reconciled have been eliminated, while preparing these consolidated financial statements. Effect on revenue not ascertainable*
 - d. *In the absence of necessary information, unrealised profits and losses from intragroup transactions, either relating to the year or previous years have not been eliminated. Effect on revenue not ascertainable.*

7. *Subject to our comments in paragraph 3 & 6 above*, we report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21-Consolidated Financial statements, AS 23 - Accounting for Investments in Associates and AS 27 Accounting for Joint Ventures in Consolidated Financial Statements on the basis of the separate audited financial statements of the Company, unaudited financial statements of an associate and a jointly controlled entity
8. *Attention is invited to the following: -*
- a) Note 5 (b) of schedule 'O' regarding non assessment and non provision for stamp duty payable consequent to the Scheme. Effect on revenue is not ascertainable.
 - b) Attention of the members is invited to note 10 of schedule 'O' regarding certain parties and inter unit accounts being under review/reconciliation. We have relied on the representations of the management that the effect of the same on the revenue of the year is not material.
 - c) Note 12 (a) of schedule 'O' regarding accounts of one of the units of the Company, whose accounts have been maintained on SAP R/3 systems. Effect on revenue, if any is not ascertainable
 - d) *Note 12(b) of schedule 'O' regarding valuation of inventories of certain units not being in line with Accounting Standard 2. Effect on revenue, if any is not ascertainable and*
 - e) *Notes 13 of Schedule 'O' regarding amounts due from certain companies of Rs.134.409 million. We have relied on the representations of the management that these debts are good of recovery. We do not express any independent opinion in this matter.*
9. In our opinion and to the best of our knowledge and according to the information and explanations given to us, *the said accounts subject to our comments in paragraphs 3, 6 and 8 above* and read with the other notes and schedules give a true and fair view in conformity with accounting principles generally accepted in India:
- a. In the case of the balance sheet, of the consolidated state of affairs of the group as at March 31, 2008
 - b. In the case of the profit and loss account, of the profits of the group for the year ended on that date and
 - c. In case of the cash flow statement, of the cash flows of the group for the year ended on that date.

For B. K. RAMADHYANI & CO.,
Chartered Accountants

Date: June 24, 2009

B. K. Ramadhyani & Co.,
4B, Chitrapur Bhavan
8th main, 15th cross, Malleswaram,
Bangalore - 560 055

CA SHYAM RAMADHYANI
Partner
Membership No. 200/19522

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CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2008

(Rs in 000's)

	Schedule	As at 31st March 2008	As at 31st March 2007
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
a) Capital	A	452,688	432,688
b) Share application money pending allotment		-	60,000
c) Shares to be allotted pursuant to Scheme		290,200	
d) Reserves & Surplus	B	653,290	675,541
		1,396,178	1,168,229
PREFERENCE SHARE CAPITAL OF SUBSIDIARY			
			117,675
LOAN FUNDS			
a) Secured Loans	C	1,142,748	1,124,065
b) Unsecured Loans	D	170,350	111,454
		1,313,098	1,235,519
MINORITY INTEREST			
		-	46,968
TOTAL		2,709,276	2,568,391
APPLICATION OF FUNDS			
FIXED ASSETS			
a) Gross Block	E	2,315,604	2,027,956
b) Less : Depreciation		846,668	683,186
c) Net Block		1,468,936	1,344,770
d) Capital Work in progress	F	151,518	53,727
		1,620,454	1,398,497
INVESTMENTS			
	G	11,578	11,128
CURRENT ASSETS, LOANS & ADVANCES			
	H		
a) Inventories		942,867	534,551
b) Sundry Debtors		1,874,767	1,265,448
c) Cash & Bank Balances		648,511	449,392
d) Loans & Advances		603,959	363,421
		4,070,104	2,612,812
Less : CURRENT LIABILITIES & PROVISIONS	I		
a) Current Liabilities		2,621,391	1,917,392
b) Provisions		371,469	138,285
		2,992,860	2,055,677
NET CURRENT ASSETS		1,077,244	557,135
MISCELLANEOUS EXPENDITURE TO THE			
EXTENT NOT WRITTEN OFF	J	-	19,751
GOODWILL ON ACCOUNT OF CONSOLIDATION (NET)		-	66,766
PROFIT & LOSS ACCOUNT		-	515,114
TOTAL		2,709,276	2,568,391
NOTES ON ACCOUNTS			
	O		

FOOT NOTE : Schedules referred to above and the Notes attached form an integral part of the Balance Sheet

As per our report of even date

For **B.K. RAMADHYANI & CO.**

Chartered Accountants

CA SHYAM RAMADHYANI

Partner

Bangalore

Date : June 24, 2009

VIJAY R KIRLOSKAR

Chairman & Managing Director

P Y MAHAJAN

Associate Vice President & Company Secretary

P S MALIK

Joint Managing Director

CA R.K. GUPTA

Vice President & Chief Financial Officer

KIRLOSKAR ELECTRIC COMPANY LTD.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

(Rs in 000's)

	Schedule	Current Year	Previous Year
INCOME			
Sales		9,462,052	6,272,636
Less: excise duty		1,254,287	8,207,765
Other Income	K	101,485	784,510
Profit on sale of fixed assets (net)		293	5,488,126
TOTAL		8,309,543	605
EXPENDITURE			
Consumption of Raw Materials, Stores, Spares parts & Components and purchasing for Trading	L	6,068,006	3,920,193
Operating and Other Expenses	M	1,264,518	867,141
Interest and Finance Charges			
On Fixed Loans		118,236	87,756
On Other Accounts		31,983	47,876
Depreciation, Amortisations and Provisions	N	150,219	135,632
		134,138	304,013
		7,616,881	5,226,979
Less: Expenses Capitalised		1,427	1,082
TOTAL		7,615,454	5,225,897
PROFIT BEFORE EXTRAORDINARY INCOME			
		694,089	305,526
Add : Extraordinary Income-remission of liability		1,811	90,830
PROFIT BEFORE TAX EXPENSE		695,900	396,356
Less : Minority Interest			33,411
Add: Share of profit of an associate		552	117
PROFIT FOR THE YEAR BEFORE TAX EXPENSE		696,452	363,062
Less : Provision for Current Tax (net)		68,365	12,000
Deferred tax credit withdrawn		(3,006)	-
Provision for Fringe Benefit Tax		10,400	9,500
		75,759	21,500
PROFIT FOR THE YEAR AFTER TAX EXPENSE		620,693	341,562
Less : Preference Dividend of a subsidiary Company (including dividend tax)			9,969
			331,593
Less : Loss of the Company brought forward from Previous Year		(515,114)	846,707
Add: Provision for preference dividend withdrawn		10,395	
Deficit on amalgamation of KSL with the Company written off		(156,176)	-
		(660,895)	846,707
Less : Adjusted against Securities Premium account as per Scheme		634,004	-
		(26,891)	846,707
Add: Expenditure on employee benefits upto 31st March 2007, in terms of transitional provisions of AS 15 (revised)		71,505	
		(98,396)	846,707
		522,297	
Less : Transfer to Debenture Redemption Reserve		16,467	
Balance of Profit/ (Loss) Carried to Balance Sheet		505,830	(515,114)
Earning per Share (Face Value Rs 10 per share)			
Before considering extraordinary items			
Basic		11.98	7.73
Diluted		11.98	7.26
After Considering Extra ordinary items			
Basic		12.01	10.29
Diluted		12.01	9.67
NOTES ON ACCOUNTS	O		

FOOT NOTE : Schedules referred to above and the Notes attached form an integral part of the Profit & Loss Account

As per our report of even date

For B.K. RAMADHYANI & CO.
Chartered Accountants

CA SHYAM RAMADHYANI
Partner

Bangalore
Date : June 24, 2009

VIJAY R KIRLOSKAR
Chairman & Managing Director

P Y MAHAJAN
Associate Vice President & Company Secretary

P S MALIK
Joint Managing Director

CA R.K. GUPTA
Vice President & Chief Financial Officer

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CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008

(Rs in 000's)

	Current Year	Previous Year
A.CASH FLOW FROM OPERATION ACTIVITIES		
NET PROFIT BEFORE TAX	696,452	363,062
DEPRECIATION	110,532	106,185
AMORTISTION & PROVISIONS	130,085	35,356
PROVISION FOR EMPLOYEE BENEFITS IN TERMS OF TRANSITIONAL PROVISIONS OF AS 15 (REVISED)	(71,505)	-
PROVISION FOR UNINSTALLED MACHINERY	-	60,800
PROFIT FROM SALE OF FIXED ASSETS (NET)	(293)	(605)
EXTRAORDINARY INCOME	(1,811)	(90,830)
INTEREST EXPENSES (NET OF INTEREST AND DIVIDEND INCOME)	121,801	122,388
	288,809	233,294
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	985,261	596,356
ADJUSTMENT FOR		
TRADE & OTHER RECEIVABLES (NET OF Rs.324,903 TAKEN OVER FROM KPTEL)	(368,223)	(342,962)
INVENTORIES (NET OF Rs.68,716 TAKEN OVER FROM KPTEL)	(339,600)	(5,056)
TRADE & OTHER PAYABLES (NET OF Rs. 249,266 TAKEN OVER FROM KPTEL)	454,733	100,263
	(253,090)	(247,755)
	732,171	348,601
CASH GENERATED FROM OPERATIONS		
INTEREST PAID	(150,219)	(135,632)
DIRECT TAXES PAID	(110,362)	(12,293)
	(260,581)	(147,925)
NET CASH FROM OPERATING ACTIVITIES	471,590	200,676
B.CASH FLOW FROM INVESTING ACTIVITIES		
PURCHASE/ TRANSFER OF FIXED ASSETS (INCLUDING CWIP)	(282,499)	(29,585)
INCREASE IN VALUE OF INVESTMENT	(450)	2,263
SALE OF FIXED ASSETS	402	1,041
INTEREST RECEIVED	26,367	13,244
INCREASE/(DECREASE) IN MINORITY INTEREST	(46,968)	33,411
DIVIDEND RECEIVED	2,051	-
NET CASH USED IN INVESTING ACTIVITIES	(301,097)	20,374
C.CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM TERM BORROWING (INCLUDING Rs.249,266 TAKEN OVER FROM KPTEL)	229,048	-
REPAYMENT OF TERM BORROWINGS	(270,814)	(94,037)
PROCEEDS FROM FIXED DEPOSITS FROM PUBLIC	110	-
REPAYMENT OF FIXED DEPOSITS FROM PUBLIC	(167)	-
PROCEEDS FROM ISSUE OF SHARE CAPITAL	-	60,000
REMISSION OF LIABILITY	1,811	90,830
NET CASH USED IN FINANCING ACTIVITIES	(40,012)	56,793
D.NET INCREASE IN CASH	130,481	277,843
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	449,392	171,549
CASH & CASH EQUIVALENTS ACQUIRED FROM KPTEL PURSUANT TO SCHEME	68,638	-
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	648,511	449,392
	130,481	277,843

As per our report of even date

For and on behalf of Board of Directors

For B.K. RAMADHYANI & CO.
Chartered Accountants

VIJAY R KIRLOSKAR
Chairman & Managing Director

P S MALIK
Joint Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Associate Vice President & Company Secretary

CA R.K. GUPTA
Vice President & Chief Financial Officer

Bangalore

Date : June 24, 2009

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2008

(Rs in 000's)

		As at 31st March, 2008	As at 31st March, 2007
SCHEDULE "A"			
Authorised :			
3,000,000	(3,000,000) Preference Shares of Rs. 100/- each	300,000	300,000
60,000,000	(40,000,000) Equity Shares of Rs. 10/- each	600,000	400,000
TOTAL		900,000	700,000
Issued, Subscribed and Paid-up :			
1,200,000	(1,200,000) Preference Shares of Rs. 100/- each	120,000	120,000
33,268,817	(31,268,817) Equity Shares of Rs. 10/- each	332,688	312,688
		452,688	432,688

NOTES :

- 1) Equity Shares include:
 - a 10,000 Shares of face value of Rs. 0.100 million allotted as fully paid up pursuant to a contract without payment being received in cash;
 - b 6,679,572 Shares of face value of Rs. 66.796 million allotted as fully paid up by way of bonus shares by capitalisation of Capital Reserve, Capital Redemption Reserve, General Reserve and Share Premium.
 - c 6,000,000 shares were allotted during the year 2003 - 04 to IDBI on conversion of Preference Share Capital at face value as per the scheme of arrangement approved by honourable High Court of Karnataka.
 - d 2,000,000 equity shares of Rs.10/- each aggregating to Rs.20 million at a premium of Rs.20/- each have been allotted during the year 2007-08 to the promoters group in terms of order June 29, 2007 of the Honourable High Court of Karnataka read with scheme of arrangement dated February 13, 2003 under sections 391 to 394 of the Companies Act, 1956.
- 2) 800,000 Preference shares shall be redeemed on 30.9.2009 and 400,000 preference shares shall be redeemed on 30.9.2010.
- 3) The preference shares carry a cumulative dividend of 7% per annum w.e.f 01.10.2001 payable cumulatively out of the profits of the company. The rate of dividend can be increased to 9% per annum by way of payment of redemption premium subject to profitability and cash flows.

SCHEDULE "B"

RESERVES AND SURPLUS

Capital Reserve

As per last Balance Sheet	1,806	1,806
Capital Reserve on Consolidation	5,479	-

Revaluation Reserve

As per last Balance Sheet	48,041	48,041
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Capital Redemption Reserve

As per last Balance Sheet	2,500	2,500
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Debenture Redemption Reserve

As per last Balance Sheet	16,467	-
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Share Premium Account

As per last Balance Sheet	614,194	614,194
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Add: Received during the year

40,000	-
654,194	614,194

Less: Miscellaneous Expenditure of the Company and the operating business of KPTEL to the extent not written off set off as per Scheme

20,190	-
634,004	614,194

Less: Debit balance in Profit & Loss account of the Company and KSL adjusted as per Scheme

634,004	-
-	614,194

Reconstruction Reserve Account

64,167	-
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Profit & Loss Account

505,830	-
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Reserve for Doubtful Debts

As per last Balance Sheet	9,000	9,000
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TOTAL

653,290	675,541
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SIXTY FIRST ANNUAL REPORT 2007-08 (Revised)

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2008

(Rs in 000's)

	As at 31st March, 2008	As at 31st March, 2007
SCHEDULE "C"		
SECURED LOANS		
a) From Banks	1,010,404	1,054,863
b) Finance Lease obligations	82,944	-
c) From the Company	-	10,274
d) Zero coupon debentures	49,400	58,928
TOTAL	1,142,748	1,124,065

SCHEDULE "D"

UNSECURED LOANS

a) Fixed Deposit	1,151	1,208
b) Interest accrued and due - FDs	41	121
c) SICOM Sales Tax loan	1,119	1,119
d) From companies	168,039	109,006
TOTAL	170,350	111,454

NOTE :

Fixed Deposits include unclaimed deposits of Rs.0.367 million (Previous year Rs. 0.478 million)

Amount falling due for payment within one year is Rs.160.974 million (Previous year Rs. 51.848 million).

SCHEDULE "E"

FIXED ASSETS

(Rs in 000's)

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION					NET BLOCK		
	As at 1st April 2007	Taken over from KPEL	Additions	Deductions	As at 31st March 2008	As at 31st April 2007	Taken over from KPEL	for the year	Withdrawals during the year	As at 31st March 2008	As at 31st March 2008	As at 31st March 2007
Tangible Assets												
Own assets												
Land (*)	94,410	20,899	1,750	-	117,059	-	-	-	-	-	117,059	94,410
Buildings	339,695	-	96,132	-	435,827	66,210	1,543	8,471	-	76,224	359,603	273,485
Plant & Machinery (including technical know-how)	1,466,712	59,617	18,564	1,317	1,543,576	517,242	45,809	92,153	1,279	653,925	889,651	949,470
Furniture & Equipment	61,430	11,558	30,986	488	103,486	44,892	3,613	3,998	417	52,086	51,400	16,538
Vehicles and Aircraft	15,712	1,670	15,927	62	33,247	11,472	148	1,868	62	13,426	19,821	4,240
Leased Assets												
Land (#)	6,627	-	-	-	6,627	-	-	-	-	-	6,627	6,627
Plant & Machinery	-	-	17,681	-	17,681	-	-	1,326	-	1,326	16,355	-
Intangible Assets												
Goodwill	42,346	-	-	-	42,346	42,346	-	-	-	42,346	-	-
Technical knowhow	-	11,063	-	-	11,063	-	3,595	2,390	-	5,985	5,078	-
Software	-	-	3,668	-	3,668	-	-	326	-	326	3,342	-
Proportionate share in Jointly controlled entity	1,024	-	-	-	1,024	1,024	-	-	-	1,024	-	-
TOTAL	2,027,956	104,807	184,708	1,867	2,315,604	683,186	54,708	110,532	1,758	846,668	1,468,936	1,344,770
Previous Year	2,026,335	-	23,778	22,157	2,027,956	598,722	-	106,185	21,721	683,186	-	-

(*) Includes Rs. 3.337 million being the cost of ownership premises taken in possession for which Society is to be formed. Certain land at Bangalore was revalued in the year 1999-2000 on the basis of Chartered Engineers certificate. Incremental amount on revaluation was credited to Revaluation Reserve Rs.48,041 (in 000's).

(#) Leasehold land represents land taken on lease from KIADB. On expiry of lease period, payment of balance consideration if any, and execution of sale deed, the title will pass to the Company.

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2008

SCHEDULE "F"

(Rs in 000's)

	As at 31st March 2008	As at 31st March 2007
CAPITAL WORK IN PROGRESS		
1 Plant & Machinery taken on finance lease	62,028	-
2 Improvements to leasehold premises	23,929	93,208
3 Plant & Machinery	107,386	-
4 Buildings	14,150	24,375
	<u>207,493</u>	<u>117,583</u>
Less:		
Provision for uninstalled machinery	(55,975)	(63,856)
TOTAL:	<u>151,518</u>	<u>53,727</u>

SCHEDULE "G"

(Rs in 000's)

Details of Investment	Name of the Company	Nos	Face Value Rs	As at 31st March 2008	As at 31st March 2007
INVESTMENTS (AT COST)					
{LONG TERM}					
TRADE :					
(a) Quoted :					
(i) Equity Shares - Fully Paid-up					
ICICI Ltd., (on merger of Sangli Bank Limited)		1,081	10	100	
Kirloskar Computer Services Ltd.,		200,000	10	2,380	2,380
The Mysore Kirloskar Ltd.,		770,750	10	21,260	21,260
(ii) Debentures - Fully Paid-up					
The Mysore Kirloskar Ltd., @		30,000	44	1320	1,320
(b) Unquoted :					
(i) Equity Shares - Fully Paid-up					
In Other Companies :					
Best Trading & Agencies Ltd.,		584	10	6	6
Kirloskar Power Equipment Ltd.,		340,000	10	5,909	5,909
Kirloskar Proprietary Ltd., (acquired 25 shares on rights issue)		26	100	128	128
Kirloskar (Malaysia) Sdn. Bhd,					
Kuala Lumpur, Malaysia		150,000	MR 1	3,463	3,013
Kirloskar Kenya Limited, Nairobi, Kenya		1,272	K. Sh 1000	852	852
Kirsons Trading Pte. Ltd		56,250	S \$ 1	1,120	1,120
Sangli Bank Limited		10,000	10	-	100
KEASI Robicon Industrial Systems Private Limited		500,000	10	-	
				<u>36,538</u>	<u>36,088</u>
Less:					
Provision for diminution in value of Investments				24,960	24,960
TOTAL:				<u>11,578</u>	<u>11,128</u>

@ Matured and due for payment.

NOTES :

Rs in 000's Rs in 000's

1) Aggregate value of quoted investments		
Cost	25,060	24,960
Market Value	Not Available	Not Available
2) Aggregate value of unquoted investments		
Cost	11,478	11,128

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SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2008

SCHEDULE "H"

(Rs in 000's)

	As at 31st March 2008	As at 31st March 2007
CURRENT ASSETS, LOANS & ADVANCES		
A. Current Assets		
1. Inventories - as certified by the Managing Director		
i. Raw Materials, stores, spares parts, components etc.,	179,771	166,606
ii. Stock in trade		
Finished goods (including trading stocks)	265,010	139,335
Process stock	516,113	261,151
iii. Others-Including material at port and scrap	21,508	28,623
	<u>982,402</u>	<u>595,715</u>
Less: Provision for non-moving stocks	39,535	61,164
	<u>942,867</u>	<u>534,551</u>
2. Sundry Debtors		
(Unsecured, considered good except doubtful debts of Rs.145.053 million, previous year Rs.172.946 million)		
i. Debts outstanding for a period exceeding six months	395,973	352,707
ii. Other debts	1,623,847	1,085,687
	<u>2,019,820</u>	<u>1,438,394</u>
Less : Provision for doubtful debts	145,053	172,946
	<u>1,874,767</u>	<u>1,265,448</u>
3. Cash and Bank Balances		
a. Cash on hand	499	37
c. Amount in transit	10,841	8,505
d. Balances with scheduled banks		
- On current account	291,804	142,663
- On short term deposit accounts	345,367	297,639
	<u>-</u>	<u>548</u>
	<u>648,511</u>	<u>449,392</u>
B. Loans and Advances		
(Unsecured, considered good except doubtful advances of Rs. 123.799 million, previous year Rs.124.555 million)		
Advances recoverable in cash or in kind or for value to be received		
Sundry Advances	457,507	441,191
Less : Provision for doubtful advances	123,799	124,555
	<u>333,708</u>	<u>316,636</u>
Central excise deposits	92,500	25,778
Advance payment of tax (including FBT)	177,614	20,883
Proportionate share in Jointly contly controlled entity	137	124
	<u>603,959</u>	<u>363,421</u>
TOTAL:	<u><u>4,070,104</u></u>	<u><u>2,612,812</u></u>

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2008

SCHEDULE "I"

(Rs in 000's)

	As at 31st March 2008	As at 31st March 2007
CURRENT LIABILITIES & PROVISIONS		
A.Current Liabilities		
Sundry Creditors	1,936,936	1,001,492
Acceptances	154,497	282,294
Trade Advances	29,129	28,172
Other liabilities (@)	50,826	604,794
Proportionate share in joint control entity	3	640
	2,621,391	1,917,392
B.Provisions		
For Taxation (including FBT)	184,905	34,372
For Earned Leave	37,672	22,662
For Gratuity	104,533	43,879
For Warranty claim	44,359	26,977
Preference Dividend of Subsidiary	-	10,395
	371,469	138,285
TOTAL:	2,992,860	2,055,677

(@) Includes Rs.0.309 million due to Directors (Previous year Rs.0.309 million).

SCHEDULE "J"

MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN-OFF

1 Deferred Revenue Expenditure

Voluntary Retirement Scheme	-	19,751
TOTAL:	-	19,751

SIXTY FIRST ANNUAL REPORT 2007-08 (Revised)

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT AS AT 31ST MARCH 2008

SCHEDULE "K"

(Rs in 000's)

	Current Year	Previous Year
OTHER INCOME		
Interest :		
On Fixed Deposits	19,749	11,150
Others	6,618	2,094
(Tax deducted at source Rs.3.24 million, previous year Rs.0.40 million)	26,367	13,244
Dividend from long term Investments		
Trade	2,051	-
Rent received	4,854	4,216
(Tax deducted at source Rs.0.54 million, previous year Rs.0.26 million)		
Miscellaneous*	68,093	25,203
Proportionate share in jointly controlled entity	120	29
TOTAL:	101,485	42,692

* Includes provision no longer required Rs.62.13 million (Rs.5.51 million)

SCHEDULE "L"

CONSUMPTION OF RAW MATERIALS, STORES, SPARE

PARTS & COMPONENTS AND PURCHASES FOR TRADING

Raw material, stores and Components	6,294,564	3,513,704
Purchases for Trading	88,596	355,718
	6,383,160	3,869,422
Deduct : Increase in stocks		
Stocks at Close		
Process stocks	516,113	261,151
Trading and finished goods	265,010	139,335
Scrap	1,149	4,377
	782,272	404,863
Less : Stocks at commencement		
Process stocks	261,151	283,493
Trading and finished goods	139,335	170,463
Scrap	4,377	1,678
Taken over from LDW/ KPEL		
Process stocks	28,253	
Finished goods	34,002	
	467,118	455,634
	(315,154)	50,771
Inventories written off	21,629	
Less: Provision withdrawn	21,629	
	-	-
	6,068,006	3,920,193

* Value of stores and spares not separately ascertained

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT AS AT 31ST MARCH 2008

SCHEDULE "M"

(Rs in 000's)

	Current Year	Previous Year
OPERATING & OTHER EXPENSES		
Power & Fuel	84,736	71,055
Expenses relating to Employees :		
Salaries, Wages & Bonus	548,304	383,151
Contribution to Employees PF, Family Pension Scheme and Superannuation Fund	41,316	35,364
Gratuity as per actuarial valuation	29,807	22,526
Workmen and Staff Welfare Expenses (includes contribution to employees' State insurance & PF Administration Charges	75,072	50,523
	694,499	491,564
Rent	34,214	15,589
Repairs		
Buildings	13,780	12,001
Machinery	19,198	22,961
Others	34,267	14,942
	67,245	49,904
Selling Expenses	108,921	55,861
Commission	9,184	5,471
Cash Discount	4,294	2,471
Additional Sales Tax	1,070	1,133
Maintenance of Vehicles	1,778	1,219
Insurance	5,555	4,621
Rates and Taxes	18,724	7,036
Advertisement	9,231	3,964
Printing & Stationery	9,615	9,348
Travelling Expenses	81,715	50,013
Postage, Telegrams and Telephones	18,509	14,474
Auditors Remuneration	4,029	3,436
Tech. Consultancy & Professional Charges	49,427	29,214
Bank Charges (Net off exchange fluctuation difference of Rs.2.645 million Cr. previous year Rs.2.992 million Dr.)	39,484	33,489
Subscription to technical associations,		
Journals and Magazines	894	1,238
Computer hire, Software development and date preparation charges	265	298
Manufacturing expenses and sundries	14,217	8,365
Bad debts & disallowance written off	45,298	23,942
Less : Provision for doubtful debts withdrawn	43,649	22,822
	1,649	1,120
Directors' sitting fees	501	355
Remuneration to whole-time directors	4,744	5,889
Capital work in progress written off	7,881	-
Less : Provision withdrawn	7,881	-
	-	-
Proportinate share of expenses of jointly controlled entity	18	14
	1,264,518	867,141

SCHEDULE "N"

DEPRECIATION, AMORTISATION AND PROVISIONS

1 Depreciation	110,532	106,185
2 Amortisation of Voluntary Retirement Scheme	-	24,072
3 Doubtful debts	15,000	71,770
4 Doubtful advances	-	31,047
5 Diminution in value of uninstalled machinery	-	60,800
6 Diminution in the value of inventories / assets	-	2,380
7 Warranty claim	8,606	7,759
	134,138	304,013

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O"

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

1. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION:

In respect of KEC North America Inc, a subsidiary, the audited financial statements for the calendar year ended 31st December 2005 has been adopted. This Company has been wound up. However, the approval of the Reserve Bank of India in this respect has not been received. The financial statements of KEASI Robicon Industrial System Ltd used are as received from it and is unaudited. Intra group balances have not been reconciled and differences to the extent identified have been treated as intra group suspense, pending reconciliation.

Basis of presentation of Financial Statements:

The financial statements of the Company have been prepared under historical cost convention, in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India and the provisions of the Companies Act, 1956. The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. The accounting policies adopted by KEC North America Inc, KEASI Robicon Industrial Systems Private Limited and an associate has not been compared and harmonized with the accounting policies used by the company. The proportion of items in the consolidated financial statements to which different accounting policies have been applied is not expected to be material.

PRINCIPLES OF CONSOLIDATION:

- A) The Company's interest in KEASI Robicon Systems Ltd, a jointly controlled entity has been accounted as per the proportionate consolidation method envisaged in Accounting Standard 27. In terms of this method, the venture's share of assets, liabilities, income and expenses of a jointly controlled entity is reported as separate line items in the consolidated financial statements.
- B) Investment in an associate has been accounted under the equity method as per Accounting Standard 23. Under the equity method of accounting, the investment is initially recorded at cost, identifying any goodwill / capital reserve arising at the time of acquisition. The carrying amount of investment is adjusted thereafter for post acquisition changes in the investor's share of net assets of the investee. The consolidated statement of profit and loss reflects the investor's share of the results of operations of the investee. Calculation of goodwill/ capital reserve as well as post acquisition changes has been made based on available information. Comprehensive information was not available.
- C) In the absence of necessary information, unrealized profits and losses from intra group transactions either relating to the year or previous years has not been eliminated.
- E) KEC North America Inc, an erstwhile subsidiary was dissolved during the previous year. The financial statements prepared and audited upto 31st December 2005 has been used for the purpose of consolidation. Further all the assets and liabilities of this company have been written off/back and the financial statements has been computed on that basis.

1.1 ACCRUAL SYSTEM OF ACCOUNTING:

The Company follows the accrual system of accounting in respect of all items of expenditure and income.

1.2 FIXED ASSETS:

(i) Tangible Assets

Fixed Assets (other than land which were revalued) are stated at cost of acquisition inclusive of freight, duties, taxes and incidental expenses relating to the acquisition, installation, erection and commissioning less depreciation. A portion of the land owned by the company has been revalued. Internally manufactured assets are valued at works cost.

(ii) Intangible Assets

Intangible assets are accounted at cost of acquisition.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**SCHEDULE "O" (Contd.,)**

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

1.3 INVESTMENTS:

Investments unless otherwise stated are considered as long term in nature and are valued at acquisition cost less provision for diminution, if any.

1.4 INVENTORIES:

Raw materials, stores, spare parts and components are valued on first in first out basis/ weighted average basis at net landed cost except for stocks purchased in prior years at switchgear division, which are valued at estimated cost due to non-availability of adequate data or net realizable value whichever is lower. Work in progress is valued at works cost or net realizable value whichever is lower. Finished goods are valued at works cost or net realizable value whichever is lower.

1.5 DEPRECIATION:

- a) Depreciation is charged on the written down value of assets at the rates specified in schedule XIV to the Companies Act, 1956 or Income Tax Act, 1961, whichever is higher on assets as on 31st March 1994.
- b) In respect of other additions after 1st April 1994, depreciation on straight-line basis at the rates specified in schedule XIV to the Companies Act 1956 has been charged, except otherwise stated.
- c) Depreciation on furniture and fixtures above Rs. 5,000/- provided at the residences of the employees has been charged at the rate of 33.33% on the straight-line method irrespective of the quarter of addition. Furniture and fixtures whose cost is Rs.5,000/- or below are fully depreciated in the year of addition.
- d) Depreciation on assets taken on finance lease is charged over the primary lease period.
- e) Depreciation on software is provided at 33.33% per annum.
- f) Depreciation on Technical Know-how is written over a period of six years.
- g) Depreciation on assets (other than Furniture and Fixtures provided to employees and assets taken on finance lease) bought / sold during the year is charged at the applicable rates on a quarterly basis, depending upon the quarter of the financial year in which the assets are installed / sold.

1.6 AMORTISATION OF EXPENDITURE ON VOLUNTARY RETIREMENT SCHEME:

- a) Expenditure incurred under the voluntary retirement scheme, providing for lump sum benefits at the time of retirement is amortized over a period of 4 / 5 years.
- b) Liability in respect of other voluntary retirement schemes providing for payment of benefits in installments over specified periods is amortized over 5 years.

1.7 RESEARCH AND DEVELOPMENT EXPENDITURE:

Revenue expenditure in carrying out research and development activity is charged to the Profit and Loss Account of the year in which it is incurred. Capital expenditure in respect of research and development activity is capitalized as fixed assets and depreciation provided as detailed above.

1.8 REVENUE RECOGNITION:

Sale of goods is recognized on shipment to customers and excludes recovery towards sales tax.

1.9 EMPLOYEE BENEFITS:**(i) Short Term Employee Benefits:**

Employee benefits payable wholly within twelve months of rendering the service are classified as short term. Benefits such as salaries, bonus, leave travel allowance etc. are recognised in the period in which the employee renders the related service.

(ii) Post Employment Benefits:**a) Defined Contribution Plans:**

The Company has contributed to provident, pension & superannuation funds which are defined contribution plans. The contributions paid/ payable under the scheme is recognised during the year in which employee renders the related service.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**SCHEDULE "O" (Contd.,)**

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

b) Defined Benefit Plans:

Employees' gratuity and leave encashment are defined benefit plans. The present value of the obligation under such plan is determined based on actuarial valuation using the Projected Unit Credit Method which considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gain and losses are recognized immediately in the statement of profit and loss account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the balance sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation. Gratuity to employees is covered under Group Gratuity Life Assurance Scheme of the Life Insurance Corporation of India.

1.10 FOREIGN CURRENCY TRANSLATION ON OVERSEAS BRANCH ETC:

The financial statements of foreign branches have been translated in accordance with Accounting Standard 11.

1.11 TAXES ON INCOME:

Provision for current tax for the year is after taking cognizance of excess / short provision in prior years. Deferred tax assets/liability is recognized, subject to consideration of prudence, on timing differences.

1.12 BORROWING COSTS:

Interest and other borrowing costs on specific borrowings relating to qualifying assets are capitalized up to the date such assets are ready for use / intended to use. Other interest and borrowing costs are charged to Profit & Loss Account.

1.13 CONTINGENT LIABILITIES:

Financial effect of contingent liabilities is disclosed based on information available upto the date on which financial statements are approved. However, where a reasonable estimate of financial effect cannot be made, suitable disclosures are made with regard to this fact and the existence and nature of the contingent liability.

1.14 USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. The consolidation of financial statement(CFS) present the consolidated accounts of Kirloskar Electric Company Limited with its following subsidiaries, Associate and Joint Venture:

Name of the company	Ownership Percentage	Country of Incorporation
Kaytee Switchgear Limited *(upto 01.04.2007)	76.34	India
Associate		
Kirloskar (Malaysia) Sdn.Bhd	40.00%	Malaysia
Joint Venture		
KEASI Robicon Industrial System Pvt, Ltd	50%	India
Has merged with the Company pursuant to the orders of the honorable high court of Karnataka referred to in note 5 below		

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

3(a) CONTINGENT LIABILITIES ETC

(Rs. In '000's)

	As at 31.03.2008	As at 31.03.2007
i) Letter of Credit, Guarantees, Corporate and Counter guarantees given on Import and Sale contracts etc.	912,935	202,109
ii) Bills discounted with bank	174,558	-
iii) Central excise and customs authorities have issued notices and raised certain demands, which are pending in appeal before various authorities, not acknowledged as debt by the Company	6,834	15,395
iv) Sales tax demanded under appeal	19,104	8,309
v) Claims against the Company not acknowledged as debt. The Company has made counter claim against one of the parties amounting to Rs.12.944 million (Previous year Rs. 12.944 million)	251,046	246,078
vi) The Company has furnished guarantees for the credit facilities of Rs. 128.50 million (Previous year: Rs.128.50 million) interest and other costs to Kirloskar Batteries Limited (KBTL) and redemption of Preference shares issued by Kirloskar Investment and Finance Ltd. (KIFL) Rs. 20 million (Previous year Rs. 20 million) and has obtained counter guarantees from the said Companies. The preference shareholder of KIFL has claimed an amount of Rs.20 million along with dividends in arrears of Rs.20.56 million and interest from the Company, before the Debt Recovery Tribunal. The Company does not acknowledge this liability.		
vii) Sales tax liabilities in respect of pending assessments, C forms have not been received from several customers. Continuing efforts are being made to obtain them.	Not Ascertainable	Not Ascertainable
viii) Income tax demand under appeal, either by the company or revenue department.	139,038	132,911
ix) Interest and penalty if any, on account of delays/default in payment of statutory/ suppliers dues not ascertainable. The Company has made waiver petition where ever such interest / penalty has been levied.	Not Ascertainable	Not Ascertainable
x) Sales tax on equipment procured on hire/ lease and on computer software charges is contested by the suppliers – amount not ascertainable and will be charged to revenue in the year of final claim.	Not Ascertainable	Not Ascertainable
xi) Certain industrial disputes are pending before various judicial authorities – not acknowledged by the Company	Amount not ascertainable	Amount not ascertainable
xii) The Company had imported certain capital equipments without payment of customs duty under the Export Promotion Capital Goods Scheme subject to exporting Rs.3,887.63 million within 8 years starting from the financial year 1996-97. Estimated amount of customs duty payable on capital goods imported (excluding interest and penalty).	198,331	198,331

The shortfall in export performance as pf 31st March 2008 in relation to commitments is Rs. 3,138 million.

The Company has requested the Director General of Foreign Trade to refix the export obligation at 8 times of the duty saved in terms of current norms as well extent time to meet the balance export obligation. If this request is acceded to, the balance export obligation of the Company will stand reduced to Rs.247.36 million. The Company is confident that its request will be acceded to and that it will meet the same within the extended period sought.

xiii) Arrears of dividend on cumulative preference shares for the period from October 1, 2001 to March 31, 2008 (including tax thereon).	92,079	61,832
--	--------	--------

In terms of the scheme of arrangement approved by the honorable High Court of Karnataka, dividend on the said preference shares with effect from October 1st, 2001 are payable cumulatively out of the profits of the company and the said dividend for the period from October 1st, 2001 to September 30th, 2003 are to be funded and converted to Zero Coupon Debentures (ZCDs). The Board of Directors vide their meeting held on September 26th, 2003 allotted ZCD's to

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SCHEULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

(Rs. In '000's)

	As at 31.03.2009	As at 31.03.2008
an extent of Rs. 2,345 crores representing dividends on the said preference shares from October 1 st , 2001 to September 30 th , 2003. However, on subsequent reexamination of the matter, the Board of Directors held that the said allotment was contrary to the scheme since in terms of the same, dividends with effect from October 1 st , 2001 were payable only out of profits and in as much as there were no profits, the allotment would be violative of section 205 of the Companies Act, 1956. Accordingly your Board of Directors vide their meeting held on January 17 th , 2004 proceeded to annual the said allotment. The preference shareholder has requested the Company to evolve an alternate mechanism to compensate them. Pending finalization of the matter, no provision has been made in the books of account for the same.		
xiv) Penal damages levied by the Regional Provident Fund commissioner and subject to writ before the High Court of Karnataka, Bangalore. An amount of Rs.4.618 million paid has been included in loans and advances	9,154	9,154
In respect of items above, future cash outflows in respect of contingent liabilities is determinable only on receipt of judgments pending at various forums/ settlement of matter. The management believes that, based on legal advice or internal assessment, the outcome of these contingencies will be favorable and that loss is not probable. Accordingly, no provisions have been made for the same.		
(b) Estimated amount of contracts remaining to be executed on capital account and not provided for.	66,771	41,284

4. SECURED LOANS

A Loans and Advances from banks and financial institutions :

i) From Bank of Commerce (M) Bhd, Selangor, Malaysia - Secured by a floating charge in respect of property situated, kept, placed or stored at any place in Malaysia, both present and future, including all stocks in trade, goodwill and book debts to an extent of RM 550,000.	Nil	29 RM 2
ii) a) Secured against letter of credits issued by other banks	80,946	Nil
ii) b) Working capital term loan & funded interest term loans from consortium banks and financial institutions are secured by first pari passu charge on certain fixed assets along with the holders of zero coupon debentures and second pari passu charge on current assets and the said credit facilities have been guaranteed by the Chairman & Managing Director.	421,890	365,936
c) Other working capital facilities - First pari passu charge on all current assets and second pari passu charge on certain fixed assets along with the holders of zero coupon debentures and the said credit facilities have been guaranteed by the Chairman & Managing Director of the Company.	495,228	626,563
d) Against pledge of fixed deposits	11,454	62,364
e) Against security of Motor Cars	886	-
iii) Term loan from a Company – First pari passu charge on residential property at Nandidurg Road, Bangalore.	-	10,274
B) Loans and Advances from Financial Institutions :		
Zero Coupon Debentures (IDBI) – First pari passu charge on fixed assets pari passu along with banks referred to in para A (ii) above.	49,400	58,928

5. a. The order of the Honorable High court of Karnataka according approval for the scheme of arrangement and amalgamation under section 391 to 394 of the Companies Act, 1956 ("Scheme") was received in September 2008 with April 1, 2007 as the appointed date. This scheme of arrangement and amalgamation interalia involved transfer of operating business of Kirloskar Power Equipment Limited ("KPEL") and amalgamation of Kaytee Switchgear Limited ("KSL") with the Company. The Scheme was registered with the Registrar of Companies on October 17, 2008.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

- b. Decree in Form 42 of the Companies (Court) Rules, 1949 is yet to be passed by the Honorable high court of Karnataka pending assessment and payment of stamp duty in respect of which no provision has been made in the books of account.
- c. In terms of the Scheme, all the profits and losses of KSL and the operating business of KPEL from April 1, 2007 are to the account of the Company.
- d. Disclosures in terms of Accounting Standard – 14:
 - i) Name and general nature of business of amalgamating Company: Kaytee Switchgear Limited, manufacture & sale of motors and alternators.
 - ii) Effective date of amalgamation for accounting purposes : April 1, 2007
 - iii) Method of accounting to reflect amalgamation: Pooling of interest method read with order dated September 4, 2008 passed by honorable high court of Karnataka.
 - iv) Particulars of scheme sanctioned under statute: All the assets and liabilities of KSL as on appointed date have vested with Company in as is where is condition. All the employees of KSL have become employees of the Company without no break of service. Refer Scheme for full details.
 - v) Description and number of shares issued:
 - a) Preference shares of Rs.100 each of the Company for every 1 preference share of Rs.100 each. Total number of preference shares to be issued 1,176,746 shares.
 - b) 1 equity shares of the Company for 4 equity shares of Rs.10/- each held in KSL. Total number of shares to be issued 6,752,550
 - vi) The amount of any difference in consideration and the value of net of identified assets acquired and treatment thereof: The difference between the net identified value of assets acquired, debit balance in profit & loss account and the face value of shares to be issued has been credited to reconstruction reserve account. Refer note 6.
- e. Accounting for assets and liabilities taken over from KPEL have been done as per treatment stipulated in para 12.2 of the Scheme.
- f. The financial statements approved by board of directors on June 27, 2008 has now been amended in the wake of the Scheme.
- g. The assets & liabilities so transferred to the Company are continuing in the name of the respective companies. Necessary action is being taken by the company to obtain the consent/ approvals of the various regulatory authorities.

6. Reconstruction reserve account has been arrived as under:

	Amount (Rs. 000's)
Surplus of assets over liabilities of the operating business of KPEL in excess of share capital to be issued, pursuant to the Scheme	791
Surplus of assets over liabilities of the erstwhile KSL in excess of share capital to be issued, pursuant to the Scheme	642,576
	643,367
Less: Book value of shares held by the Company in KSL as at 31/03/2007	579,200
	64,167

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

7. The Company has preferred a suit for various claims against Deutsche Bank, one of the members of the consortium of bankers for breach of trust for withholding of monies belonging to the company and freezing sanctioned working capital limits.
8. Current assets, loans and advances include Rs. Nil million (Rs. 53.875 million) due from a private limited company in which a director is interested.
9. The Company has initiated the process of obtaining confirmation from suppliers regarding the registration under the Micro Small and Medium Enterprises Development Act 2006. The suppliers are not registered wherever confirmations are received and in other cases, the Company is not aware of their registration status and hence information relating to outstanding balance or interest due is not disclosed as it is not determinable. However the amount due to small-scale industries, which is more than 30 days, is Rs. 768.202 million (to the extent ascertained). Further no interest has been provided for such dues in the books of account.
10.
 - a. Confirmation of balances from certain sundry debtors, deposit accounts, loans and advances, creditors etc are awaited. Accounts of certain sundry debtors, loans and advances, deposits/ margin money with banks, certain inter unit accounts, collector of customs and creditors, are under review and reconciliation. Adjustments, if any will be made on completion of review/ reconciliation. Effect on revenue is not expected to be material.
 - b. Balances between the Company and the erstwhile KSL and the operating business of KPEL have not been comprehensively identified and reconciled and balances to the extent identified and reconciled have been eliminated, while preparing these financial statements. In the absence of necessary information, unrealised profits and losses from such inter unit transactions, may not have been comprehensively eliminated. Effect on revenue not ascertainable.
11. Prior period income / expenditure has not been separately ascertained and disclosed in terms of Accounting Standard - 5 but have been added/ netted off under their natural heads. This has no effect on the working results of the Company.
12.
 - a. The accounts of the one of the units of the Company have been maintained in SAP R3 system, which envisages an integrated system of materials, production, sales and financial accounting. Various errors and inconsistencies mainly in the areas of production and material accounting, valuation of inventories, creation of masters etc have crept in. These are interalia on account of inaccurate definition of master information as well as change in material codes. The closing stocks of all inventories have been adopted as per physical inventory taken by the management at the end of the year, pending identification of mistakes, differences, reconciliation and consequential corrections. Consequently, the impact of these differences is not quantifiable.
 - b. The company has initiated steps to bring the valuation of work in progress and finished goods at all units in line with Accounting Standard – 2. However, the process followed in determination of cost and net realizable value need to be further refined/ improved to bring it in line with the requirements of the Company.
13.
 - a. The Company holds unquoted investments with books value of Rs. 1.972 million in M/s Kirsons Trading Pte Ltd and Kirloskar Kenya Limited. Current Assets, Loans & Advances include Rs. 134.409 million (previous year Rs. 46.923 million) being rescheduled advances from these and certain other Companies.
 - b. All the above companies have incurred losses and their net worth is substantially eroded. Having regard to the long term association with these companies, their revival plans as communicated to the Company and other factors, no provision either for diminution in value of investments or the value of receivables is considered necessary. The diminution in the value of the said investments is considered temporary by the management.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

- 14. Remuneration to Managing Director & other whole time directors (excludes remuneration to whole time directors of KSL) :**

(Rs. 000's)

	Current Year	Previous Year
a) Managing Director		
Salary	3,837	3,837
Contribution to Provident & Other Funds	907	922
TOTAL	4,744	4,757
b) Other Whole Time Directors (Including Joint Managing Director)		
Salary	Nil	999
Contribution to Provident & Other Funds	Nil	133
TOTAL	Nil	1,132
Grand Total	4,744	5,889

Liability in respect of accrued gratuity is not ascertainable separately.

In the absence of adequate profits in terms of section 349 of the Companies Act, 1956, minimum remuneration as stated above has been paid/ provided to the Managing & whole time director of the Company.

- 15. Disclosures as per Accounting Standard 15 "Employee Benefits":**

Defined Contribution Plan:

Contribution to Defined Contribution, recognised as expense for the year are as under:

(Rs. 000's)

	Current Year
Employer's Contribution to Provident Fund & Pension Scheme	31,451
Employer's Contribution to Superannuation Fund	9,865

Defined Benefit Plan:

The employees' gratuity fund scheme managed by a trust is a defined benefit plan. The Present value of obligation is determined based on actuarial valuation using the projected unit credit method.

Rs. in 000s

	Gratuity (Funded)	Leave (Unfunded)
1. Reconciliation of opening and closing balances of defined benefit obligation :		
Defined Benefit obligation at beginning of the year*	159,825	30,381
Current Service Cost	8,522	6,421
Interest Cost	12,711	3,000
Acquisition adjustment		
Actuarial (gain)/ loss	13,670	1,353
Benefits Paid	14,016	3,483
Defined Benefit obligation at end of the year	180,712	37,672
2. Reconciliation of opening and closing balance of fair value of plan assets:		
Fair value of plan assets at beginning of the year *	50,150	
Expected return on plan assets	5,097	
Employer Contribution	34,948	
Benefits paid	14,016	
Fair value of plan assets at year end	76,179	
3. Reconciliation of fair value of assets and obligations:		
Fair value of plan assets	76,179	-
Present value of obligation	180,712	37,672
Amount recognised in Balance Sheet	104,533	37,672
4. Expense recognised during the year: (under "Schedule - M" Operating & Other expenses of the Profit and Loss account)		

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SCHEULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

		Rs. in 000s	
		Gratuity (Funded)	Leave (Unfunded)
Current Service Cost		8,522	7,139
Interest Cost		12,711	2,282
Expected return on plan assets		5,096	-
Actuarial (gain)/ loss		13,670	1,354
Net Cost		29,807	10,775
5 Actuarial assumptions:			
Mortality Table (LIC)		1994 – 96 (Ultimate)	1994 – 96 (Ultimate)
Discount rate (per annum)		8%	8.20%
Expected rate of return on plan assets (per annum)		9.25%	Nil
Rate of escalation in salary (per annum)		7%	7%
* Includes amounts taken over from KPTEL.			

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

There are no defined benefit plans at the foreign subsidiaries.

16. Segment Reporting:

The Company has identified the reportable segments as Power Distribution, Rotating machine group and others taking into account the nature of products and services, the different risks and returns and the internal reporting systems. The accounting policies for segment reporting are in line with the accounting policies followed by the Company

		Rs. in 000s		
	Particulars	Primary Segment		Total
		Power Distribution	Rotating Machines Group	
1	Segment Revenues			
	External Revenues	4,374,105 (1,735,300)	4,485,969 (4,008,817)	601,978 (528,519)
	Intersegment revenues	77,561 (25,394)	69,857 (87,505)	33,241 (25,622)
	Total Revenues	4,451,666 (1,760,694)	4,555,826 (4,096,322)	635,219 (554,141)
2	Segment Results: Profit			
	Before Taxation and Interest	399,931 (254,586)	560,910 (437,450)	186,311 (180,842)
	Less: Interest			150,219 (135,632)
	Less: Depreciation & Amortizations			134,138 (270,586)
3	Unallocable Expenditure			270,484 (171,004)
4	Unallocable & Other Income (including Extraordinary items)			103,589 (134,127)
5.	Share of Profits in the Associates (Net)			552 (117)
6.	Minority interest – Share of Profits			- (33,411)
	Less: Tax (including FBT)			75,759 (21,500)
	Total Profit			620,693 (341,562)

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

Rs. in 000s

	Particulars	Primary Segment		Others	Total
		Power Distribution	Rotating Machines Group		
7	Segment Assets	1,581,680 (543,689)	2,572,100 (2,381,805)	303,211 (248,867)	4,456,991 (3,174,361)
8	Unallocable Assets				1,245,145 (1,007,176)
9	Segment Liabilities	1,218,582 (344,459)	1,382,039 (665,922)	153,783 (110,595)	2,754,354 (1,120,976)
10	Unallocable Liabilities				1,551,604 (2,289,770)
11	Capital Expenditure	111,974 (2,784)	49,975 (20,623)	1,602 (371)	163,551 (23,778)

Note: The exports of the company are not a significant portion of its turnover. Accordingly, secondary segment information not been furnished.

17. Related Parties Disclosure:

Sl. No	Name of the related party	Relationship
1	Mr. Vijay R Kirloskar Mr. P S Malik Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar	Key management personnel and their Relatives.
2	Kirloskar Computer Services Limited Kirloskar Batteries Private Limited Kirloskar Power Equipment Limited Ravindu Motors Private Limited Vijay Farms Pvt. Ltd. Sri Vijayadurga Investments & Agencies Pvt. Ltd. Vijayjyothi Investments & Agencies Pvt. Ltd. Abhiman Trading Co. Pvt. Ltd. Vijayakirti Investments & Agencies Pvt.Ltd. Vimraj Investments & Agencies Pvt. Ltd. Kirloskar Software Services	Enterprises over which key management personnel and their relatives are able to exercise significant influence

DETAILS OF TRANSACTIONS:

(Rs In 000's)

Nature of transactions	Key management personnel and their Relatives	Enterprises over which key management personnel and their relatives are able to exercise significant influence
Purchases of goods/services	Nil	87,351* (92,271)
Sale of goods/fixed assets	Nil	18,184 \$ (48,248)
Purchase of Fixed Assets from Ravindu Motors Pvt Ltd	Nil	5,135 (-)
Rent received from Ravindu Motors Pvt Ltd	Nil	2,528 (2,442)
Dividend received	-	2,040 ^ (-)
Rent paid	5,100 @ (1,500)	10,750 ** (-)
Investments as on 31.03.2008	Nil	8,289 ## (8,289)

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SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

(Rs In 000's)

Nature of transactions	Key management personnel and their Relatives	Enterprises over which key management personnel and their relatives are able to exercise significant influence
Provision for diminution in value of investments as on 31.03.2008	Nil	2,380 @@ (2,380)
Amount due to Company as at 31.3.2008	2,700 + (2,700)	152,466 ^^^ (115,620)
Provision for doubtful advances as on 31.03.2008	Nil	25,847 \$ (25,847)
Amount due from Company as at 31.03.2008	3,133 ++ (125)	23,753 ### (20,401)
Remuneration paid	11,621 \$\$ (11,467)	Nil
Shares allotted during the year (Face Value & premium)	Nil	60,000 !! (-)
Guarantees given by the Company and outstanding at the end of the year	Nil	128,500 !!! (128,500)

KEC North America Inc has been dissolved. The investments in and dues from the said company have not been written off, pending receipt of approvals from Reserve Bank of India. However, full provision has been made for the same. Since the said company has been dissolved, the same has not been considered for related party disclosures.

* Includes Purchases of goods/ services from Kirloskar Batteries Private Limited Rs.69,415 (previous year Rs.63,153), Vijay Farms Limited Rs.5,174 (Previous year Rs.4938), Sri Vijaydurga Investments and Agencies Private Limited Rs.6,719 (Previous year Rs.3,537), Kirloskar Power Equipment Limited Rs.Nil (Previous year Rs.14,495), Abhiman Trading Company Limited Rs.6,043 (Previous year Rs.6,138) and Kirloskar Computer Services Limited Rs.Nil (Previous year Rs.10)

\$ Includes Sale of goods/ fixed assets to Kirloskar Batteries Private Limited Rs.17,995 (Previous year Rs.45,536) Kirloskar Power Equipment Limited Rs.Nil (Previous year Rs.2,712) and Ravindu Motors Private Limited Rs.189 (Previous year Rs. Nil).

^ Dividend received from Kirloskar Power Equipment Limited.

@@ Includes Rent paid to Meena Kirloskar Rs.1,500 (Previous year Rs.1,500) and Vijay R Kirloskar Rs.3,600 (Previous year Rs.Nil)

** Represents rent paid to Vijay Jyothi Investments and Agencies Private Limited

Includes investments in Kirloskar Power Equipments Limited Rs.5,909 (Previous year Rs.5,909) and Kirloskar Computer Services Limited Rs.2,380 (Previous year Rs.2,380)

@ @ Represents Kirloskar Computer Services Limited Rs.2,380 (Previous year 2,380).

+ Represents due from Meena Kirloskar (previous year 2,700)

^^ Includes due from Kirloskar Power Equipment Limited Rs.31,702 (previous year Rs.2,509), Kirloskar Computer Services Limited Rs.22,165 (Previous year Rs.18,773), Vijay Farms Limited Rs.18,660 (Previous year Rs. 18,374), Kirloskar Batteries Private Limited Rs. Nil (Previous year Rs.53,875), Vijay Jyothi Investments and Agencies Private Limited Rs.69,114 (Previous year Rs. 11,217), Abhiman Trading Company Limited Rs.7,372 (Previous year Rs. 7,372), Vijay Keerthi Investment and Agencies Private Limited Rs.60 (Previous year Rs.60), Ravindu Motors Private Limited Rs.Nil (Previous year 67) and Vijaydurga Investments and Agencies Limited Rs.3,393 (Previous year Rs. 3,373).

++ Includes due to Vijay R Kirloskar Rs.2,988 (Previous year Rs. Nil) and Meena Kirloskar Rs.125 (Previous year Rs.125).

\$ Represents Kirloskar Computer Services Limited.

\$\$ Includes paid to Vijay R Kirloskar Rs.4,744 (Previous year Rs.4,757), P S Malik Rs.5,689 (Previous year Rs. 4,650), Janki Kirloskar Rs.1,188 (Previous year Rs.928) and D R Venkatesh Murthy Rs. Nil (Previous year Rs.1,132).

!! Includes shares allotted to Kirloskar Power Equipment Limited Rs.33,990 (Previous year Rs. Nil) and Abhiman Trading Company Limited Rs.26,010 (Previous year Rs.Nil).!!! Represents issued on behalf of Kirloskar Batteries Private Limited.

Includes due to Kirloskar Batteries Limited Rs.13,087 (Previous year Rs.291), Ravindu Motors Private Limited Rs.146 (Previous year Rs.146), Vijay Farms Private Limited Rs.117 (Previous year Rs.44), Sri Vijayadurga Investments and Agencies Pvt Ltd Rs.1,900 (Previous year Rs.981), Vijay Jyothi Investment and Agencies Pvt Ltd Rs.5,037 (Previous year Rs.Nil), Abhiman Trading Company Limited Rs.3,466 (Previous year Rs. 3,811), Kirloskar Computer Services Rs.Nil (Previous year Rs.2,028) and Kirloskar Power Equipment Limited Rs. Nil (Previous year Rs.13,100).

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

18. Finance Leases:

Finance lease arrangements relate to Plant & Machinery. The lease period is for five years with interest rates ranging from 13% to 14% per annum. The Company pays fixed lease rentals over the period of the lease whereby the net present value of the minimum lease payments amount substantially to the cost of the assets.

Rs. in 000s

Particulars	Total minimum lease payments outstanding as at 31.03.2008	Future interest on outstanding Lease Payments	Present value of minimum lease payments as at 31.03.2008
Within One year	20,066	8,511	11,555
Later than one year but not later than five years	86,389	18,498	67,891
Later than five years	441	73	368
Amount disbursed for which installment schedule yet to be finalized	-		3,130
Total	106,896	27,082	82,944

19. The Company has various operating leases for office facilities, guesthouse and residential premises of employees that are renewable on a periodic basis, and cancelable at its option. Rental expenses for operating leases included in the financial statements for the year are Rs.34,214 (Rs.4,547).

20. Earnings per share:

Rs. in 000s

Particulars	As at 31.03.2008	As at 31.03.2007
BASIC :		
After extraordinary items		
Profit for the year after tax expense	620,693	341,562
Less:		
Preference Dividend including dividend tax @	19,796	19,796
	600,897	321,766
Weighted No. of Equity Shares for Basic EPS	50,021,367	31,268,817
Basic EPS (Rs.)	12.01	10.29
Before extraordinary items		
Profit for the year after tax expense	620,693	341,562
Less: extraordinary item (net of tax)	1,606	80,158
	619,087	261,404
Less:		
Preference Dividend including dividend tax @	19,796	19,796
	599,291	241,608
Weighted No. of Equity Shares for Basic EPS	50,021,367	31,268,817
Basic EPS (Rs.)	11.98	7.73
DILUTED :		
After extraordinary items		
Profit for the year after tax expense	620,693	341,562
Less:		
Preference Dividend including dividend tax	19,796	19,796
	600,897	321,766
No. of Equity Shares for Diluted EPS	50,521,367	33,268,817
Diluted EPS (Rs.)	12.01	9.67
Before extraordinary items		
Profit for the year after tax expense	620,693	341,562
Less: extraordinary item (net of tax)	1,606	80,158
	619,087	261,404

SIXTY FIRST ANNUAL REPORT 2007-08 (Revised)

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" (Contd.,)

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

Particulars	Rs. in 000s	
	As at 31.03.2008	As at 31.03.2007
Less:		
Preference Dividend including dividend tax	19,796	19,796
	599,291	241,608
Weighted No. of Equity Shares for Basic EPS	50,021,367	33,268,817
Basic EPS (Rs.)	11.98	7.26

@ Taking into account dividend relating to KSL

* Taking into account shares to be allotted to the shareholders of KSL & KPCL pursuant to Scheme.

21. Details of Deferred Tax Liability

Rs. in 000's

Particulars	As at 31.03.2008	As at 31.03.2007
Liability relating to value of fixed assets	282,913	234,019
Asset relating to Disallowance and Unabsorbed loss & depreciation under the Income Tax Act, 1961 (recognized only to the extent of net liability)	282,913	234,019
Net amount	Nil	Nil

22. During the year the company has made provisions towards warranty claims from the customers towards sales and leave to employees, the details of the same are as under:

Rs in 000's

Particulars	Leave	Warranty Claims*
Balance outstanding at the beginning of the year	4,445	10,417
Taken over pursuant to Scheme	20,228	25,336
Provision for the year (net)	16,498*	8,606
Amount paid	3,499	-
Balance outstanding at the end of the year	37,672	44,359

23. There were no derivative instruments outstanding as at March 31, 2008. Foreign currency exposures which have not been hedged by any derivative instruments or otherwise as at March 31, 2008 is as follows:

Rs. in 000's

	As at 31.03.2008
Assets (Receivables)	66,974
Liabilities (Payables)	7,741

24. Figures have been rounded off to the nearest "000's" as permitted by Government of India Notification No.GSR: 14(E) dated 23.12.1978.

25. The current year figures are combined figures of the Company, and operating business of KPCL taken over pursuant to Scheme and previous year figures are not comparable. Corresponding figures for the previous year have been regrouped and recast in order to be in conformity with current year's figures wherever necessary. Figures in brackets represent previous year figures.

For B.K. RAMADHYANI & CO.
Chartered Accountants

VIJAY R KIRLOSKAR
Chairman & Managing Director

P S MALIK
Joint Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Associate Vice President & Company Secretary

CA R.K. GUPTA
Vice President & Chief Financial Officer

Bangalore

Date : June 24, 2009

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