

KIRLOSKAR ELECTRIC COMPANY LTD.

64th ANNUAL REPORT

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(ABRIDGED)



End to end presence in Electrical Engineering

Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended 31st March, 2011



KIRLOSKAR ELECTRIC COMPANY LIMITED

BOARD OF DIRECTORS

Vijay R.Kirloskar

Chairman & Managing Director

Anuj Pattanaik

Dy. Managing Director w.e.f.23.9.2010

P.S. Malik

Jt. Managing Director upto 11.10.2010

A.S. Lakshmanan

S.N. Agarwal

Anil Kumar Bhandari

Sarosh J Ghandy

V.P. Mahendra

Kamlesh Gandhi

Berthold Groeneveld

D. Devender Singh

LIC Nominee

Meena Kirloskar

VICE PRESIDENT (LEGAL) & COMPANY SECRETARY

P.Y. Mahajan

AUDITORS

B.K. Ramadhyani & Co.

Bangalore

BANKERS

Axis Bank

Bank of India

ICICI Bank Ltd.

State Bank of Hyderabad

State Bank of Mysore

State Bank of Travancore

Bank of Commerce

Kualalumpur (Malaysia)

REGISTERED OFFICE

Industrial Suburb, Rajajinagar

Bangalore – 560 010

FACTORIES

Govenahalli, Thyamagondlu, Bangalore

Gokul Road, Hubli

Belvadi Industrial Area, Mysore

Kachenahalli, Bangalore

Hirehalli, Tumkur

Tumkur Road, Bangalore

Gabbur, Hubli

Kondhapuri, Pune

Nagar Road, Pune

Jaladulagarh, Kolkatta

BOARD OF DIRECTORS



Vijay R. Kirloskar
Chairman & Managing Director



Anuj Pattanaik
Deputy Managing Director



A. S. Lakshmanan



S. N. Agarwal



Anil Kumar Bhandari



Sarosh J. Ghandy



V. P. Mahendra



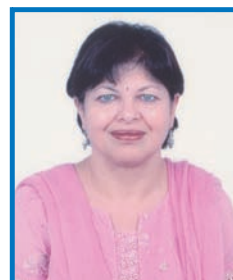
Kamlesh Gandhi



Berthold Groeneveld

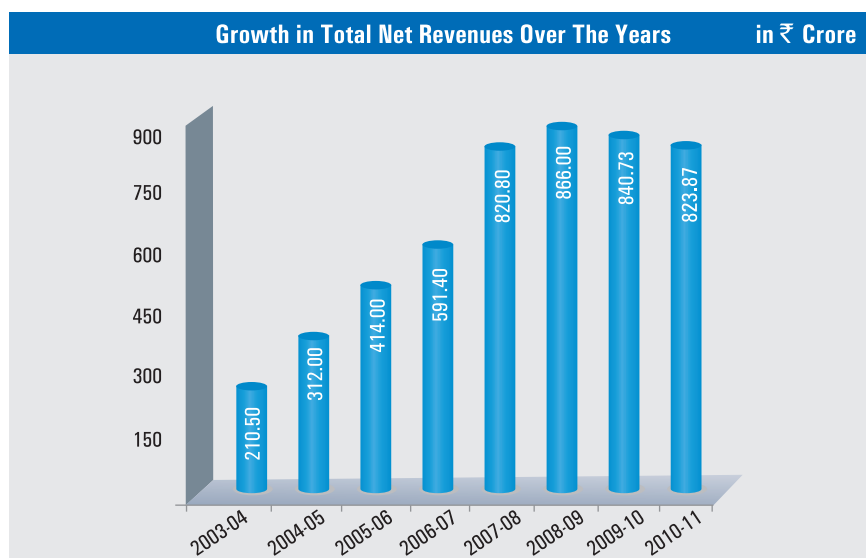
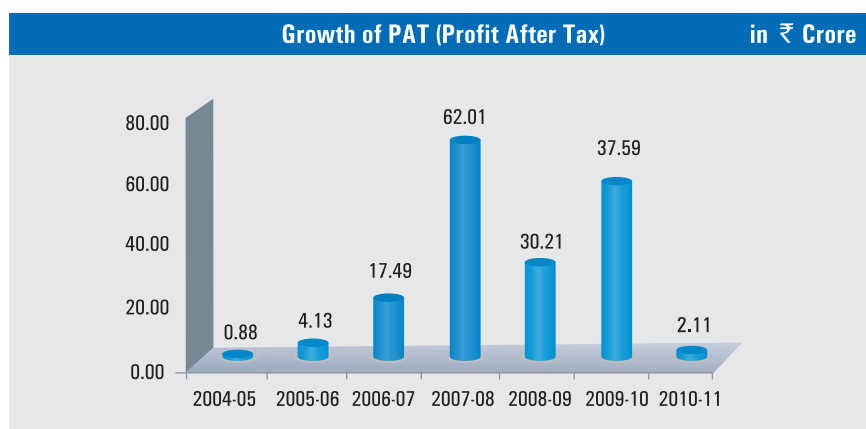
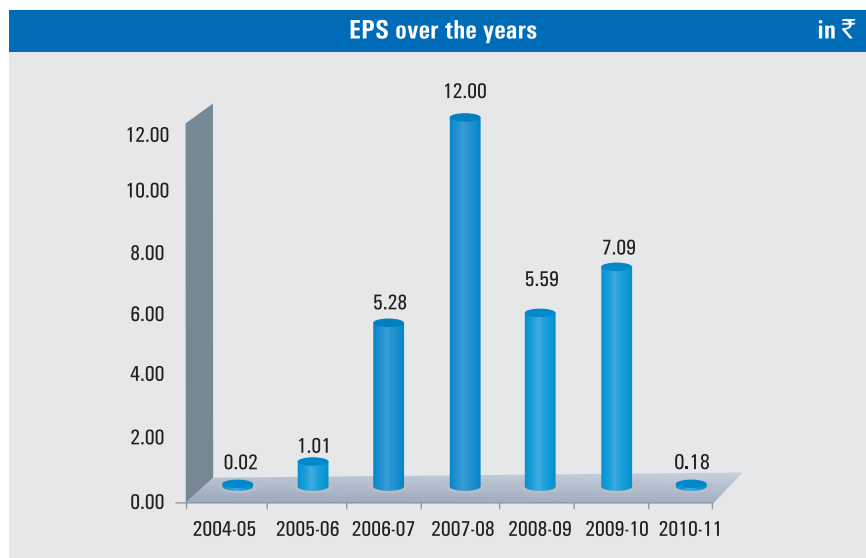


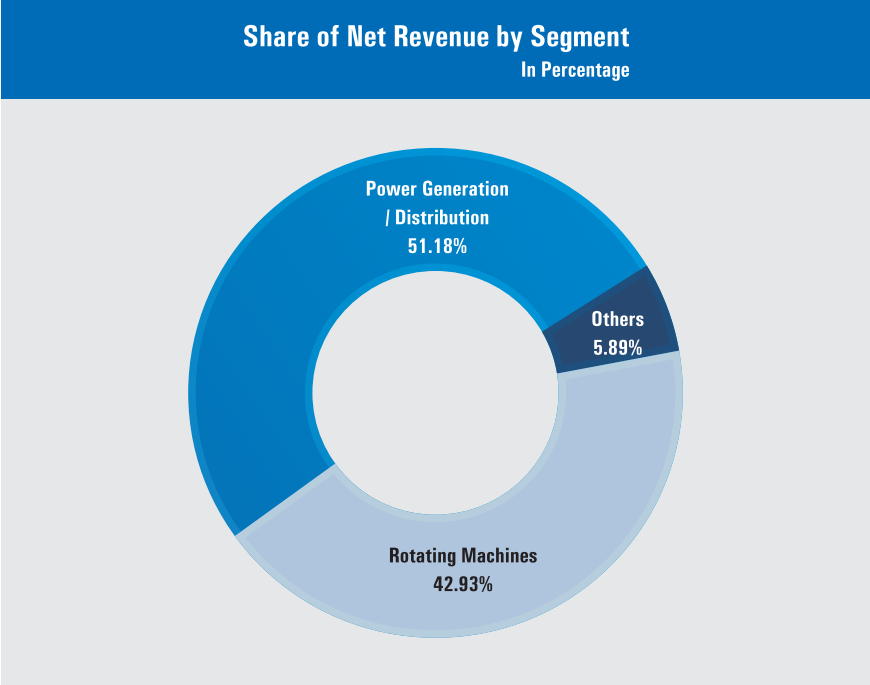
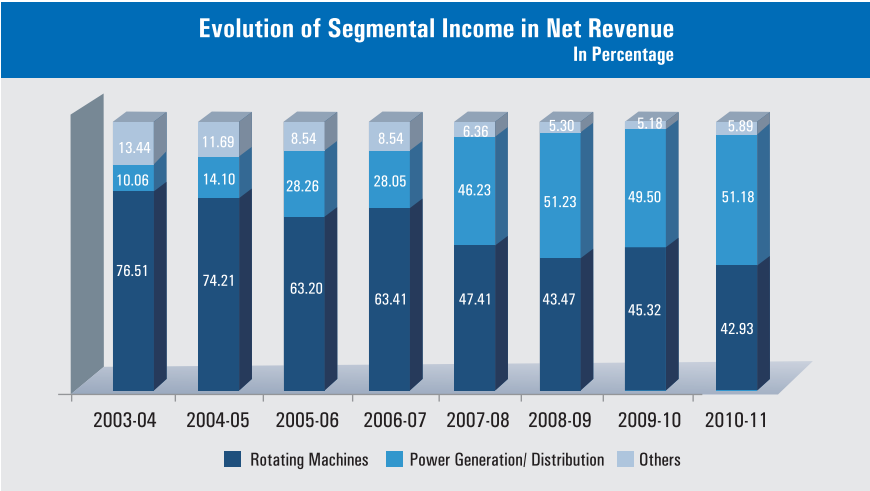
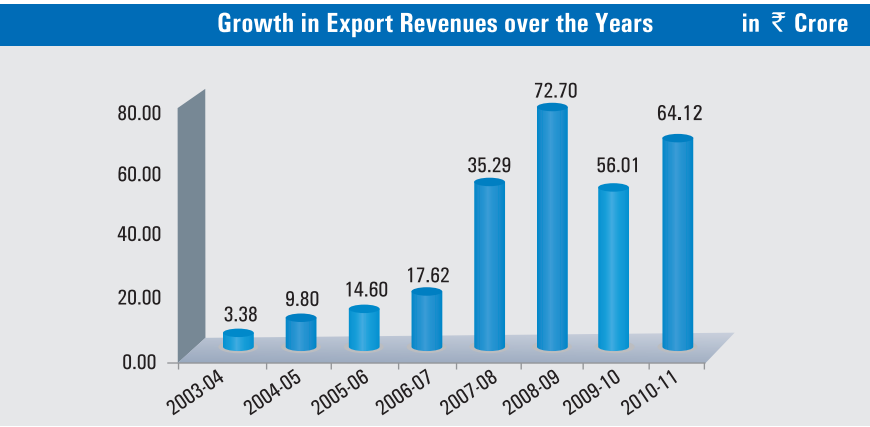
D. Devender Singh
LIC Nominee



Meena Kirloskar

FINANCIAL SUMMARY







Ladies and Gentlemen,

I am pleased to present the
64th Annual report of your company.

I wish to begin presenting this Annual Report by thanking Mr. P.S Malik, former Joint Managing Director of your company who retired in October 2010 after 13 years of service. Mr. Malik contributed significantly to turn the company around after we faced intense challenges due to adverse market conditions. His competence and commitment saw us through the existential crisis we faced.

I would also like to take this opportunity to welcome Mr. Anuj Pattanaik, who has been appointed as the DMD of your company. He has a wealth of experience in marketing and manufacturing and I am sure with his experience and ability will see KEC take its rightful place in the industry landscape.

Operating in an increasingly borderless marketplace and economy, the world's economic health does impact us. The global economic output which had almost shrunk in 2009 registered a growth of 5% in 2010. IMF foresees a 4.5% growth in world economy in 2011 and 2012. The GDP of India which was 6.7% in 2008-09 and 8% in 2009-10 was around 8.6% in 2010-11. The GDP growth rate is expected to be maintained in 2011-12 with a satisfactory monsoon predicted for the year.

As you will see from the Directors' Report alongside, the turnover of the Company during the year 2010-11 amounted to Rs.823.87 crores and net profit was Rs.2.11 crores. On a consolidated basis, the turnover was Rs.1087 crores with a net profit of Rs.6.91 crores.

Kirloskar Electric participated in India Engineering Trade Fair held in New Delhi held from 10-12 February 2011



Higher raw material prices, increased interest costs and reduced margins have had an adverse impact on the profitability of the Company. Going forward, we are determined to boost our profitability as good turnover in itself does not imply greater shareholder value. Special attention is being paid towards that and we have initiated several measures across board - cutting costs, reducing overheads and taking an overall disciplined approach, rationalizing and streamlining operations to enhance efficiency.

Coming to current issues, change is the mantra at KEC this year. As you are aware, change is the only constant in today's marketplace and we need to adapt to this dynamic paradigm to sustain, grow and increase our market share. Reflecting this, we have initiated several systems and processes to ensure we are more assertive in the marketplace, more supportive to our partners, and more responsive to our customers.

On the market side, we also have started the process of mapping key customers across segments, potential channel partners and products/ solutions that bring in healthy margins. The sales organization is being recast to enhance the company's reach and our product lines are being analysed for market demand and profitability.

We are looking at increasing our presence in markets in Middle East. We have secured orders for INR 4 Crores based on our efforts in the previous year. We are also looking at the CIS countries and Europe for our next foray.

Our indigenously developed Coolant Pump Motors for Nuclear Power Corporation of India are scheduled for delivery in 2012 and the project is on schedule.

This year, we have officially entered the fast-growing Electric Vehicle segment, by launching a range of special Induction Motors used for the electric and hybrid motor vehicles both in the personal transportation and Commercial Vehicle segment. I am proud to say that your company is working with every leading car maker in India in this segment as an OEM and also in offering a retrofit option to customers.

We launched our range of Induction Motors for Electric Vehicles. These are designed for Full Electric and Hybrid models of Personal and Commercial vehicles.



Considering the unprecedented increases in the prices of petroleum products in recent times and with more such moves anticipated, we expect huge demand for this range of products. We have supplied over 2000 AC Motors to Reva Electric cars, functioning to complete customer satisfaction for over 5 years now. This gives us the motivation to enter the global market as a chosen supplier for leading brands in the near future.

As part of our modernization program, we have implemented SAP across all our manufacturing units and envisage benefiting from the synergies of a common platform for a smooth operation across the organization. We want to exploit these synergies for all functional areas.

We have also acquired a state-of-the-art 3D modeling software for our Design and Engineering functions to enhance efficiency and reduce errors in the design/production of components.

Our German company LDW has been performing as expected despite the German economy continuing to remain sluggish with no significant improvement since the previous year. LDW had a turnover of INR 263 crores (€ 43.509 million) in 2010-11 with a net profit of INR 9.06 crores (€1.270 million). We are confident that this operation would contribute to our profitability in the coming years.

As for the update on our activities in India, we have settled all pending labour issues with the unions and they proactively participating in our initiatives.

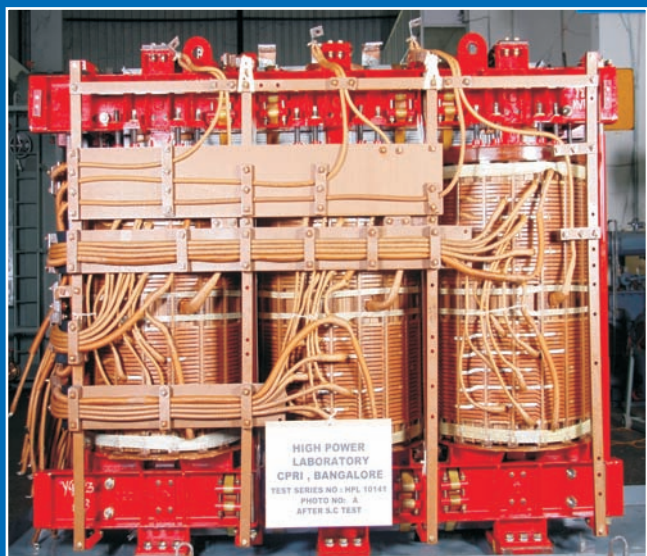
Continuing on our last year's plan of reactivating the training efforts for our employees, we have decided to make Hubli our center for this. We plan to conduct sessions imparting technical and managerial skills on various aspects enabling our employees to deliver effectively in a competitive business ecosystem. We plan to recruit a team of young professionals to effectively address emerging market requirements and take on competitors aggressively.

Increasing investments in domains like Sugar, Steel, Cement and Fertilizers will see a rising demand for our products - from Motors, Transformers and switchgear, to Power Generation Equipment. We are foraying into newer markets like Infrastructure with our current products and also have several newer ones on the anvil, and plan to benefit from the massive growth being experienced by this sector.

Photo of 20 MVA / 33 kv Transformer core coil assembly after Successfully passing ShortCircuit Test at CPRI Bangalore.

The tank was specially designed and fabricated to withstand full vacuum & 20 psi pressure.

We have manufactured and supplied 3 such Transformers to Kolkata International airport.

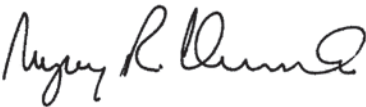


Considering our excellent track record and unique technical edge, we also envisage increasing our presence in the Defence sector by developing specialized products to address their unique needs. We also expect to benefit from the investments in Power Sector from the Government of India.

Considering our own commitment to gender equality and women empowerment, we plan to offer more opportunities to women in our organization.

I would like to sign off by stating that I have received unstinted support from all investors and would again like to take this opportunity to express my gratitude to the Board, Banks and Financial Institutions, Shareholders, and Customers for their continued confidence in Kirloskar Electric. I would also like to take this opportunity to thank all our employees for their commitment, dedication and support, to the management team in this hour of transition and change.

On behalf of the management team, I wish to reiterate that we will do what it takes to ensure KEC retains its rightful place to soon become a brand cherished by all associated stakeholders and the community we live in.



Vijay R Kirloskar
Chairman and Managing Director

Two of the many new designs developed during the year

Hoist motor for DEMAG – This motor is for Hoist application on account of DEMAG. The motor is designed especially for low vibration and noise level with 4.5kW, 6 pole output. This also contains special mounting flange and shaft design.



Textile motor – This motor is on account of SAPRU, Surat. This is 0.37kW, 2 pole, 185 Hz motor. The motor is designed to run up to maximum 9000 rpm. Noise and Vibration parameters throughout the speed range were critical.





PRODUCT RANGE

Motors

AC Motors	
Range	: 0.37KW to 6MW
Frame Size	: 63 to 1120
Standards	: IEC/BS/IS/VDE/JIS
Supply Voltage	: 415V/3KV/3.3KV/6KV/6.6KV/10KV/11KV
Frequency	: 25/50/60Hz
DC Motors	
Frame Size	: 80 to 1000 mm by IEC center height: Up to 3100 mm by Rotor Diameter
Output	: 0.5 kW to 6000 kW

Switchgear

Indoor VCB and Panel up to 11kv,25KA	SF6 CB & panel up to 12kv, 2500A, 40KA
Indoor VCB up to 12KV,2500A,40KA	SF6 CB & Panel 24kv & 36kv, 1250A, 25KA
Indoor VCB 33kv, 1600A, 26.2KA	Unitized package sub-station with CRT, OFT
Outdoor PC VCB up to 36KV,1600A, 26.2KA	

Transformers

Oil Cooled Distribution Type	: 160kVA 11kV Class to 10MVA 33kV Class
Cast Resin Dry Type	: 160kVA 11kV Class to 10MVA 33kV Class
Oil Cooled Power Type	: 5MVA 66kV Class to 100MVA 220kV Class
Special Transformers	
Neutral Grounding/Earthing	: 8000AMPS, 33kV Class
Convertor Duty	: 25MVA 66kV Class
Furnace Duty	: 36kA, 33kV Class

DG Sets

12.5-34kVA	: Freedom Series
35-160kVA	: Republic Series
180-500kVA	: Independence Series

AC Generators

Range	: 1kVA to 20 MVA
Standards	: IEC / BS / IS
Supply Voltage	: 220V to 11000V
Synchronous Speed	: 3000 to 500 rpm

Electronics

DC Drive : 10000Amps – Variable speed control of DC Motor Shunt Wound and Separately Exited

AC Drive - 2000KW @ 415V, 2800KW @ 690V – Variable Speed control of AC Squirrel cage induction motor

UPS – 160 KVA Conditioned Power supply with data back-up for data processing equipment, machines etc.

Battery Charger – 500 Amps – For charging battery bank, supply of DC load requirements

NOTICE

NOTICE is hereby given that the SIXTY FOURTH ANNUAL GENERAL MEETING of the Members of KIRLOSKAR ELECTRIC COMPANY LIMITED will be held at Chowdiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore-560 003 on Wednesday, the 3rd August, 2011 at 10.00 A.M. to transact the following business:

1. To consider and adopt the Directors' Report, Audited Balance Sheet as at 31st March, 2011 and the Profit and Loss Account for the year ended 31st March, 2011 together with the Auditors' Report thereon.
2. To appoint a Director in place of Mr. A.S.Lakshmanan, who retires by rotation. Being eligible, he has conveyed his intention in writing to seek re-appointment.
3. To appoint a Director in place of Mr. S.N.Agarwal, who retires by rotation. Being eligible, he has conveyed his intention in writing to seek re-appointment.
4. To appoint a Director in place of Mr. Sarosh J Ghandy, who retires by rotation. Being eligible, he has conveyed his intention in writing to seek re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration. M/s. B K Ramadhyani & Co., Chartered Accountants, Bangalore (Registration No. 002878S) and M/s. Sundar & Associates, Chartered Accountants, Selangor Darul Ehsan, Malaysia, are the retiring Auditors.

SPECIAL BUSINESS

6. To appoint a Director in place of Mr. Anuj Pattanaik who was appointed by the Board as an Additional Director of the Company. He is eligible for appointment. The Company has received a notice in writing from a member signifying his intention to propose the candidature of Mr. Anuj Pattanaik as a Director of the Company.
7. To consider and if thought fit, to pass with or without modification/s, the following Resolution as a Special Resolution:
RESOLVED THAT pursuant to Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act and Schedule XIII thereto and subject to such other approvals as may be necessary, consent of the Company be and is hereby accorded to the appointment of Mr. Anuj Pattanaik as Dy.Managing Director of the Company for a period of 5 (Five) years with effect from 23rd September, 2010 on the remuneration and on the terms and conditions as set out in the Explanatory Statement.
RESOLVED FURTHER THAT pursuant to Section 198 and all other applicable provisions of the Companies Act, 1956 and subject to such other approvals as may be necessary, the minimum remuneration as set out in the Explanatory Statement be paid to Mr. Anuj Pattanaik, in the event of loss or inadequacy of profit in any financial year during the term of his office.
8. To consider and if thought fit, to pass with or without modification/s, the following Resolution as a Special Resolution:
RESOLVED THAT pursuant to the provisions of section 314 and other applicable provisions, if any, of the Companies Act, 1956 and further subject to such other approvals as may be necessary, the consent of the Company be and is hereby accorded to the continuance of Ms. Janaki Kirloskar, daughter of Mr. Vijay R Kirloskar, Chairman & Managing Director and Mrs.Meena Kirloskar, Director of the Company as an Executive of the Company from 16th July, 2011 on a remuneration of ₹ 1.67 lakhs per month (i.e. ₹ 20 lakhs per annum) inclusive of payment towards various benefits and perquisites including contribution to staff superannuation fund, retiring gratuity and provident fund as applicable, with power to the Board and to the Dy. Managing Director, severally for increasing the remuneration upto 20% of immediately preceding remuneration (Cost to the Company) annually, as set out in the explanatory statement.

By Order of the Board of Directors,
for KIRLOSKAR ELECTRIC COMPANY LIMITED,

P.Y. MAHAJAN
Vice President (Legal) &
Company Secretary

Bangalore,
Date : May 28, 2011

NOTES:

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE COMPANY'S REGISTERED OFFICE NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- (b) The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, is annexed hereto.
- (c) Documents relating to any of the items mentioned in the Notice and the Explanatory Statement thereto, are open for inspection at the Registered Office of the Company on any working day during business hours.
- (d) Members requiring information on the accounts and operations of the Company are requested to write to the Company at least seven days before the date of the meeting to enable the Company to furnish the information.
- (e) Members holding shares either singly or jointly in identical order in more than one folio are requested to write to the Company enclosing the share certificates to enable the Company to consolidate their holdings in one folio.

SIXTY FOURTH ANNUAL REPORT 2010-11

- (f) Members are requested to notify immediately of any change in their address to the Company. Members holding shares in the electronic form are advised to notify any change in their address to the concerned depository participants.
- (g) Pursuant to Section 205 A of the Companies Act, 1956, unpaid dividend for the financial year upto 31.3.1998 has been transferred to the Investor Education and Protection Fund. The Company has not declared any dividend thereafter.
- (h) Members desirous of making a nomination in respect of their shareholdings in the Company, as permitted under Section 109 A of the Companies Act, 1956, are requested to submit the prescribed Form 2B duly completed to the Secretarial Department of the Company.
- (i) As the members would be aware, the Ministry of Corporate Affairs has confirmed that sending of various notices/documents by a company to its shareholders through electronic mode is permissible. This move by the Ministry is highly welcome. Keeping in mind the underlying idea the Company would henceforth like to send the various notices/documents, including the notices calling meetings, Annual Reports – Balance Sheet, Profit & Loss Account, Auditors Report, Directors' Report, etc., to its shareholders through Electronic mode at their e-mail addresses. This is to request the members to register their e-mail addresses and changes therein from time to time, with the Company by communicating at the following email address: sna@vrkec.com or at kecshares@vrkec.com. Kindly quote your Registered Folio No./Client ID – DP ID, while conveying the email address. In case the members are agreeable to receive the various documents from the Company in Electronic Mode henceforth, please inform us.

It may please be noted that the documents will also be displayed on the Company's website www.kirloskar-electric.com. The physical copies of the documents will also be sent by post free of cost to the shareholders who have not registered email ids with the Company for the purpose.

- (j) Information about Directors proposed to be appointed/re-appointed :-

- A. Mr.A.S.Lakshmanan, a graduate in Electrical Engineering from Loughborough University, London, who is 80 years of age, has been the Chairman and Managing Director of Senapathy Whiteley Pvt. Ltd. since 1964. He was nominated by the Indian Standards Institution as an Indian Delegate to attend the International Electro-technical Commission held in Stockholm in 1977. As Chairman of the Karnataka Industries Advisory Board, he led a delegation of Industrialists to South East Asia and Far East in 1979 for promotion of Small Scale Industries. He is a "Fellow" member of the Institution of Engineers, India. He was the Chairman of Bureau of Indian Standards (ETDC 63) and also the Chairman of National Safety Council (Karnataka Chapter). He is a member of CII (Karnataka Region). He is a recipient of "Best Industrialist in Karnataka" award from the State Government (Rajyotsava Award) in 1976.

Mr. A.S.Lakshmanan is holding 19934 equity shares of ₹ 10/- each of the Company.

He is Director of the following companies :

Toyama Electric Limited
NTTF Industries Limited
Lakshmanan Isola Pvt. Ltd.
Infogix (India) Private Limited
Senapathy Symons Insulations (P) Ltd.
Golden Kitchens Pvt.Ltd.
Senapathy Whiteley Pvt. Ltd.
Barton Son & Co. Pvt. Ltd.
R.B.Associates Pvt. Ltd.
John Fowler (India) Private Limited

- B. Mr. Sarosh J Ghandy, a graduate from Carnegie Institute of Technology, USA, who is 73 years of age, joined Tata Engineering & Locomotive Co.Ltd, Jamshedpur in 1958. He held various positions in TELCO, Jamshedpur and joined the Board of Directors of TELCO in 1976 and was on the Board of TELCO till 1999. Mr Ghandy was Managing Director of Telco Construction Equipment Company Ltd from 1999 to 2002. Mr. Ghandy was also a Special Advisor to the Chairman of Telco Construction Equipment Company Limited for a year.

Mr. Sarosh J Ghandy is holding 615 equity shares of the Company.

He is Director of the following companies :

TRF Limited
RAPSRI Engineering Industries Ltd.
Servion Global Solutions Ltd.
Bhuruka Gases Limited.
Dutch Lanka Trailer Manufacturers Ltd
Edutech - NTTF Pvt. Ltd.
Nettur Technical Foundation Pvt Ltd
York Transport Equipment (Asia) Pte Ltd
Janaadhar Constructions Pvt. Ltd
Parinaam Foundation

- C. Mr. S.N. Agarwal, a graduate engineer and an alumni of Harvard Business School (AMP- 1985), who is 66 years of age, is the Chairman of Bhuruka Group which has diversified interests in core industries like Transportation, Steel, Power, Industrial Gases etc. He is a Member of Executive Committee – Federation of Indian Chambers of Commerce & Industry (FICCI); Member, Management Board – Indian Institute of Health Management & Research, (IIHMR), Jaipur; Member, Court – Indian Institute of Science and Member, Board of Governors – Indian Institute of Management, Bangalore. Mr. S.N. Agarwal has served as Chairman of Steel Furnace Association of India; Confederation of Indian Industry (CII), Karnataka Region and Bangalore Chamber of Industry and Commerce (BCIC).

Mr. S.N. Agarwal is holding 500 equity shares of the Company.

He is Director of the following companies:

Bhuruka Gases Limited
Transport Corporation of India Ltd.
TCI Industries Limited
Bhuruka Power Corporation Ltd.
Riverina Oil and Bio Energy Pty Ltd
Iruppu Power Private Ltd.
Bhuruka Steel Investments India Private Ltd.
Bhuruka Realty Investments Private Limited
Bhuruka Park Holdings Private Limited
Bhuruka Gases Investments India Private Limited
Bhuruka Power Investments India Private Limited
Bhuruka Steel Holdings Private Limited
Bhuruka Cogen Power Pvt. Ltd.
Bhuruka Infratech Investments India Pvt Ltd
Bhuruka Park Investments India Pvt Ltd

- D. Mr. Anuj Pattanaik a B.Tech in Metallurgical Engineering from Indian Institute of Technology, Kanpur, who is 57 years of age, has rich and varied experience of over three decades in the Industry having worked with well known national and international companies at senior levels. Immediately prior to joining Kirloskar Electric, he was on the Board of Tecumseh India Pvt. Limited, a global manufacturer of hermetically sealed compressors for residential and specialty air conditioning, household refrigerators and freezers. There he also held the functional responsibilities of, inter alia, Global Marketing & Sales. Earlier he was Vice President (Marketing & Sales) reporting to Corporate Leadership at USA (2001-2009). Earlier he had held Senior Positions in various other companies including Daewoo Motors Ltd (General Manager), Bhartia Cutler Hammer Ltd.(Executive Director) and Usha International Ltd (Executive Director). He had also worked with Philips India and TELCO.

Mr. Anuj Pattanaik is holding 1000 equity shares of the Company.

Mr. Anuj Pattanaik is not holding directorship of any company other than Kirloskar Electric Company Ltd.

- E The share transfer books and Register of Members of the Company will remain closed from Wednesday, the 27th July, 2011 to Wednesday, the 3rd August, 2011 (both days inclusive).

ANNEXURE TO THE NOTICE

Explanatory Statement as required by Section 173 (2) of the Companies Act, 1956

The following Explanatory Statement sets out all material facts relating to the Special Business mentioned in the accompanying notice of the Annual General Meeting of the Company.

1. Item No .6 of the Notice

Pursuant to Article 153 of the Articles of Association of the Company Mr. Anuj Pattanaik was appointed by the Board of Directors as an Additional Director of the Company effective from 23rd September, 2010. He holds office upto the date of this meeting and is eligible for appointment. The member who has given notice proposing the candidature of Mr. Anuj Pattanaik as a Director has complied with the requirements of Section 257 of the Companies Act, 1956.

Except Mr. Anuj Pattanaik, who is interested in the Resolution, as the same relates to his appointment, none of the other Directors is in any way concerned or interested in the said Resolution.

The Board recommends the Resolution for approval by the members.

2. Item No .7 of the Notice

Pursuant to Articles 153 and 159 of the Articles of Association of the Company, the Board of Directors have, on 23rd September, 2010 co-opted Mr. Anuj Pattanaik as Additional Director of the Company and appointed him as Deputy Managing Director effective from that date, for a period of five years. The appointment of Mr. Anuj Pattanaik has also been approved by the Remuneration Committee.

Mr. Anuj Pattanaik is a B.Tech in Metallurgical Engineering from IIT Kanpur and has rich and varied experience of over three decades in the Industry having worked with well known national and international companies at senior levels.

The Directors have taken into account Mr. Pattanaik's qualification, experience and financial position and ability of the Company, the remuneration that was being paid to Mr. Pattanaik, what a similar industry would pay at the present level of performance of the Company and the current and expected performance of the Company, while approving the remuneration to be paid to Mr. Pattanaik.

The terms of remuneration payable to Mr. Pattanaik are as under:-

PROPOSED REMUNERATION

I SALARY

Salary of ₹ 3,92,000 (Rupees three lakhs ninety two thousand only) per month.

II. PERQUISITES

In addition to salary, Mr. Anuj Pattanaik will be entitled to the following perquisites :

a. Residential Accommodation :

Fully furnished residential accommodation. If no accommodation is provided by the Company, suitable House Rent Allowance will be paid for a fully furnished residential accommodation as the Board of Directors may determine.

b. Medical Reimbursement :

Reimbursement of expenses incurred for the appointee and the family as per the Rules of the Company, subject to a ceiling of ₹ 15,000/- per annum.

c. Leave Travel Allowance:

Reimbursement of Leave Travel Expenses incurred for self and family, once in a year, subject to a limit of one month's salary.

d. Personal Accident Insurance :

A suitable Personal Accident Insurance coverage shall be taken by the Company at a premium not exceeding ₹ 4,000/- (Rupees four thousand only) per annum.

e. Leave :

Privilege leave and other leaves as applicable to other Executives of the Company.

Leave may be accumulated and encashed as per the rules of the Company.

f. Car :

Free use of Company's car with driver for Company's work.

g. Telephone, Tele-fax and other communication facilities :

Telephone, tele-fax and other communication facilities shall be provided at the residence for Company's work.

h. Provident Fund etc.

The Company's contribution to Provident Fund at 12% of the salary and to Superannuation Fund at 15% of the salary.

i. Gratuity :

Gratuity at the rate of fifteen days salary for each completed year of service or part thereof in excess of six months.

III. Entertainment Expenses

Mr. Pattanaik will be reimbursed upto ₹ 10 lakhs (Rupees ten lakhs only) per annum for the entertainment expenses actually and properly incurred by him in the course of legitimate business of the Company.

Explanation:

1. Wherever the context demands, 'family' means the spouse, dependant children and parents.
2. Perquisites shall be evaluated as per Income Tax Act and Rules, wherever applicable and in the absence of any such Rule, perquisites shall be evaluated at actual cost.

MINIMUM REMUNERATION

The aggregate of the salary and perquisites payable to Mr. Anuj Pattanaik as aforesaid, shall not exceed 5% of the net profits of the Company subject however to the condition that the aggregate of the remuneration payable to all the whole-time Directors together shall not exceed 10% of the net profits of the Company calculated in accordance with the provisions of Sections 198 and 309 of the Companies Act. However, where in any financial year during the currency of tenure of the appointment, the Company has no profits or its profits are inadequate, remuneration as above shall be payable to Mr. Pattanaik as minimum remuneration.

Entertainment Expenses

Mr. Pattanaik will be reimbursed upto ₹ 10 lakhs (Rupees ten lakhs only) per annum for the entertainment expenses actually and properly incurred by him in the course of legitimate business of the Company.

Information as required under para II B (iv)(I) (II) and (IV) of Schedule XIII

Your Company is engaged in Electrical Industry which has various groups such as Rotating Machines Group, Static Equipment Group, Switchgear Group, Cable Group, Transformers Group, Capacitors Group, Transmission Line Group, etc. Each product group is having its different products within its broad range.

Your Company has been in operation for over six decades now and it was performing well till about 1998. Thereafter its performance was adversely affected on account of various factors like industrial recession in user industries resulting in poor offtake, unremunerative prices, high interest burden, lack of working capital etc. The sales declined due to working capital paucity. Intense competitions squeezed margins. All these factors pushed the Company into losses. The Company has improved its working and financial position substantially thereafter. The Company has now wiped out all accumulated losses and the Company has been making profits continuously since 2004-05..

The Company has investments in the following companies abroad :

Kirloskar (Malaysia) SDN BHD	₹ 5.29 lakhs for ₹ 3,00,000 shares
Kirloskar Kenya Ltd.	₹ 8.52 lakhs for 1272 shares
Kirsons Trading Pte.Ltd.	₹ 11.20 lakhs for 56250 shares
KEC North America Inc, USA	₹ 129.36 lakhs for 210 common stock.
Kirsons B.V.	₹ 10778.06 lakhs for 1353 shares

The investments made in Companies other than KEC North America have fetched returns. KEC North America suffered losses due to unfavourable market conditions. The operations of KEC North America have been closed.

The Company has achieved a profit of ₹ 21.1 million for the year 1.4.2010 to 31.3.2011 on a turnover of ₹ 8238.7 million. The profit for the year 1.4.2009 to 31.3.2010 was ₹ 375.9 million. The Company's exports for the year 1.4.2010 to 31.3.2011 were at ₹ 641.2 million. The exports for the year 1.4.2009 to 31.3.2010 were at ₹ 560.1 million

The Company has already taken measures for improving its working, such as cutting costs at all levels, reduction in manpower, product development, improving working capital management etc. and the performance is getting improved. Consequent to the approval of the Scheme of Arrangement and Amalgamation by the Hon'ble High Court of Karnataka under sections 391-394 of the Companies Act, for merger of operating business of Kirloskar Power Equipments Limited and amalgamation of Kaytee Switchgear Limited, there is considerable increase in sales of the Company. Profitability of the Company has also improved over the period of time.

Except Mr. Anuj Pattanaik, who is interested individually in the Resolution, as the same relates to his appointment and remuneration, none of the other Directors is in any way concerned or interested in the said Resolution.

Government Approval

Subsequent to Mr. Anuj Pattanaik's appointment as Dy. Managing Director by the Board, the Company had applied for approval of the Central Government for appointment of Mr. Pattanaik as the Dy. Managing Director and payment of remuneration to him. Government have approved appointment and payment of remuneration to Mr. Anuj Pattanaik as proposed above as per Government Letter No. SRN No.B00476424/2/2010-CL-VII dated 13th April, 2011. The approval is for a period of three years from 23.9.2010. Approval for the balance period will be sought.

The Board recommends the Resolutions for approval by the members.

3 Item No .8 of the Notice

Under section 314 of the Companies Act, 1956, a special resolution is required if any relative of a Director of a company is to hold any office or place of profit under the Company drawing remuneration beyond the stated limit. Under a Special Resolution passed by the Members of the Company at the Annual General Meeting held on 17th September, 2008, Ms. Janaki Kirloskar, who is daughter of Mr. Vijay R Kirloskar, Chairman & Managing Director and Mrs. Meena Kirloskar, Director of the Company, has been appointed as an Executive in the Company, on remuneration and other terms and conditions, as per the resolution passed. The period of approval comes to end on 15.7.2011. It is proposed to continue Ms. Janaki Kirloskar in employment further and the Board of Directors at their meeting held on 28th May 2011 have decided to pay her remuneration of ₹ 1.67 lakhs per month - i.e. ₹ 20 lakhs per annum - with a provision to increase the remuneration annually w.e.f. 16th July, 2012, upto 20%, over the immediate previous remuneration (cost to the Company) keeping in view her contribution, performance, responsibilities taken up by her and other relevant factors.

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The payment will include apart from salary, payment towards perquisites and benefits including contribution to staff superannuation fund, retiring gratuity and provident fund as applicable.

The remuneration is being fixed for a period of three years w.e.f. 16th July 2011.

The Board or the Dy. Managing Director may fix up the actual remuneration to be paid to Ms. Janaki Kirloskar from time to time upto the above amount/limits.

The appointment will be from 16th July, 2011 till 57 years of age, like for other employees.

Except Mr. Vijay R Kirloskar and Mrs.Meena Kirloskar, who have no pecuniary interest, none of the other Directors is in any way concerned or interested in the said Resolution.

The Board recommends the Resolution for approval by the members.

By Order of the Board of Directors,
For KIRLOSKAR ELECTRIC COMPANY LIMITED,

P.Y. MAHAJAN

Vice President (Legal) &
Company Secretary

Bangalore
Date: May 28, 2011

DIRECTORS' REPORT
TO THE SHAREHOLDERS FOR THE YEAR ENDED 31ST MARCH, 2011

To

The Shareholders

Your Directors present the Company's 64th Annual Report with the Audited Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended 31st March, 2011.

Results of Operations

₹ in million

	2010-11	2009-10
Income	8238.7	8407.3
Expenditure	6330.9	6151.3
Gross Profit	1907.8	2256.0
Operating expenses	1482.3	1499.7
Operating Profit before interest and depreciation	425.5	756.3
Interest	257.6	225.7
Depreciation, amortisation and provisions	182.5	175.6
Operating profit before tax and extraordinary items	(14.6)	355.0
Other income (net)	36.9	119.5
Net profit before tax and extraordinary items	22.3	474.5
Extraordinary Income (Expenditure)	(1)	6.4
Net profit before tax and after extraordinary items	21.3	480.9
Provision for taxation	0.2	105.0
Net profit after tax and after extraordinary items	21.1	375.9

Company Performance

During the year under report, your Company has achieved a turnover (Gross) of ₹ 8.24 billion (previous year ₹ 8.41 billion). The operations have resulted in a net profit of ₹ 21.1 million (previous year ₹ 375.9 million).

Industry Outlook

The Electrical Industry has been witnessing consistent growth during last few years but for a lull during 2008-09 on account of worldwide recession, which affected all industries. The performance of the industry is directly related to the country's GDP growth. If the monsoon is good, forecast for which is "normal", the Electrical Industry should perform well in 2011-12 also.

Appropriations

Dividend

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

Subsidiary – Kirsons B.V.

The operations of Kirsons B.V., your subsidiary have resulted in net profit of Euro 3.947 million after accounting for profits of its subsidiaries.

Subsidiary Companies

The Company as of March 31, 2011 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, 2011 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 Statement presented by the Company includes financial information about its subsidiaries.

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. However having regard to the provisions of section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report is being sent to all members of the Company, excluding the aforesaid information. Any member interested in obtaining these particulars may write to the Company Secretary at the Registered Office of the Company.

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

The Board of Directors have at their meeting held on 23rd September, 2010 appointed Mr.Anuj Pattanaik as additional director and have also appointed him as Deputy Managing Director for a period of five years from 23.9.2010, subject to approval of shareholders and such other approvals as may be required.

Mr.Anuj Pattanik is a B.Tech in Metallurgical Engineering from Indian Institute of Technology, Kanpur with rich experience of over three decades of working with well known national and international organizations.

Mr.P.S.Malik, Joint Managing Director, retired from the services of the Company during the year under review, after over 13 years of service in the Company. Your Directors place on record their appreciation of the valuable services rendered by Mr.Malik during his tenure as a Director of the Company.

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, 2011 and of the Profit and Loss Account for the year ended 31st March, 2011.
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

Employees at all levels have put in their best to the services of the Company and the Board puts on record the sincere appreciation of their dedication and loyalty. 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.

Mr.R.K.Gupta, CFO, left the services of the Company during the year under review for personal reasons, after a long distinguished service.

Segmentwise Operational Performance

Rotating Machines Group

During the year under review the sales under Rotating Machines Group amounted to ₹ 6401.65 million as against ₹ 7536.26 million in 2009-10.

Power Generation and Distribution Group

During the year under review the sales under Power Generation and Distribution Group amounted to ₹ 4646.76 million as against ₹ 4496.14 million in 2009-10.

Others

During the year under review the sale of other Electrical Products amounted to ₹ 535.90 million as against ₹ 444.49 million in 2009-10.

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

As you are aware the Company holds approximately 95% stake in Lloyd Dynamowerke GmbH & Co. KG, Germany and the entire shareholding 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, 2011 Lloyd Dynamowerke GmbH & Co. KG, had turnover of Euros 43.509 million (₹ 263 crores) with a net profit after tax of Euros 1.270 Million (₹ 9.06 crores).

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 10 (i) of the Auditors Report and Para 4 of the Annexure to the Auditors Report

Confirmations have been received from some parties and from some they are expected. Confirmation is ongoing process. However, this has no impact on financial results of the Company.

Para 8 and Para 10 (ii) of the Auditors Report

This has no 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 from time to time initiated steps to bring the valuation of inventory at all units in line with Accounting Standard-2 (Valuation of Inventory).

Para 10 (iii) of the Auditors Report

The Company has used and relied upon its internal market intelligence to estimate the realizable value of assets held for sale. The estimated realizable value is judged to be in line with the market valuation.

Para 10 (iv) of the Auditors Report

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

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

Para 2 b of the Annexure to the Auditors' Report

The Company has already identified the key focus areas and has started taking the necessary steps to make the inventory verification reasonable and adequate.

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

During the year, the Company has completed implementation of SAP ECC 6 System at certain units and it will implement it at the remaining units in phased manner in the current year. SAP is an integrated software where all the inventory records are maintained. The Company has from time to time taken physical inventory at all locations. Since the valuation of inventory was done on the basis of physical inventory count performed as at 31st March 2011, the discrepancies, if any, have been properly dealt with in the books of accounts. The discrepancies were not material in nature.

Para 7 of the Annexure to the Auditors' Report

The Company has started the initiatives to strengthen the internal audit system to make it commensurate with the size and nature of its business.

Para 9 b of the Annexure to the Auditors' Report

The Company has made necessary arrangements to pay these dues.

Auditors

M/s. B. K. Ramadhyani & Co., Chartered Accountants and 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

7 persons had not claimed repayment of their matured deposits amounting to ₹. 2.44 lakhs as at 31st March, 2011.

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 : May 28, 2011

Vijay R Kirloskar
Chairman

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 31.3.2011 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

Place : Bangalore
Date : May 28, 2011

CA. SHYAM RAMADHYANI
Partner

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 conserves 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.
- 5) Optimum utilisation of high energy consuming electrical equipments like ovens, winding machines.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy;

- 1) Implementation of induction brazing processes.
- 2) Optimization of varnish impregnation process
- 3) Installation of system to ensure uniform temperature.

c) Impact of the measures at (a) and (b) 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.

d) 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 and development of energy efficient products 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. 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. Extension of range of its products.
- c. Development of new processes.
- d. Applied research and value engineering.

4. Expenditure on R & D

(₹ in 000's)

Capital	-
Recurring	5622
	<hr/>
Total	5622
	<hr/>
Total R & D Expenditure	5622
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
- 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 Activities relating to export; initiatives to increase exports; development of new export markets for products and services; and Export Plan;**

The Company has continued to maintain focus and avail of export opportunities based on economic considerations. During the year, the Company has exports (FOB Value) worth ₹ 64.12 crores. The Company's exports are growing steadily.

2 total foreign exchange used and earned.

a) Foreign Exchange earned	(₹ in 000's)
(i) FOB value of goods exported (net) inclusive of sales within India eligible for export incentives.	641196
(ii) Dividend on shares (net of tax)	352
(iii) Repatriation of Profit	Nil
(iv) Others	27901
b) Foreign Exchange Used	
Value of imports calculated on the CIF basis.	
(i) Raw materials & Components and spare parts.	656632
(ii) Capital Goods	3370

For and on behalf of the Board of Directors

Bangalore

Date : May 28, 2011

Vijay R Kirloskar

Chairman

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, seven Non - Executive – Independent Directors and two Directors are Non-Executive - Non Independent Directors. The percentage of Non-Executive Independent Directors to the total number of Directors is 63%.

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, seven Board Meetings were held. The meetings were held on 15.5.2010, 10.7.2010, 14.8.2010, 23.9.2010, 12.11.2010, 14.2.2011 and 23.03.2011.

The information about composition of Board of Directors and Directors' attendance at the Board Meetings and the number of other directorships and Committee Memberships held by them is given below.

SI No.	Name of Director	Category of Directorship	No. of Board Meetings Attended	Attendance at last AGM	No. of other Directorships@	No. of other committee Memberships
1	Mr. Vijay R Kirloskar	Executive Chairman & Managing Director Promoter	7	Yes	5	Nil
2	Mr. Anuj Pattanaik#	Executive - Deputy Managing Director	4	NA	Nil	Nil
3	Mr. P. S. Malik*	Executive - Joint Managing Director	4	Yes	NA	NA
4	Mr. A. S. Lakshmanan	Non Executive - Independent Director	7	Yes	2	Member-2
5	Mr. S. N. Agarwal	Non Executive - Independent Director	4	Yes	4	Member-2
6	Mr. Anil Kumar Bhandari	Non Executive - Independent Director	6	Yes	2	Nil
7	Mr. Sarosh J Ghandy	Non Executive - Independent Director	4	No	6	Chairman-3 Member-1
8	Mr. V. P. Mahendra	Non Executive - Independent Director	5	Yes	5	Chairman-1 Member-1
9	Mr. Kamlesh Gandhi	Non Executive - Independent Director	6	Yes	5	Chairman-1 Member-2
10	Mr. D. Devender Singh	Non Executive - Independent Director	3	No	Nil	Nil
11	Mr. Berthold Groeneveld	Nominee – LIC	5	Yes	Nil	Nil
12	Mrs. Meena Kirloskar	Non Executive - Non Independent Director	5	Yes	Nil	Nil

* Ceased to be a Director of the Company w.e.f. 11.10.2010

@ as on 31.3.2011 - of Public Limited Companies only – for Directors who continue on the Board.

Appointed on 23.9.2010.

The list of present directors is given in the beginning of the Annual Report.

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 consists of five independent Non-Executive Directors.

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 15.5.2010, 10.7.2010, 14.8.2010, 23.9.2010, 12.11.2010, 14.2.2011 and 23.03.2011

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

Name of Director	No. of Meetings Attended	
Mr. S. N. Agarwal	4	Chairman
Mr. A. S. Lakshmanan	7	Member
Mr. Anil Kumar Bhandari	6	Member
Mr. Sarosh J Ghandy	4	Member
Mr. V. P. Mahendra	5	Member

Shareholders/Investors Grievances Committee :

The Shareholders/Investors Grievances Committee consists of three Directors. During the year under review, the Committee met on 7.3.2011 and reviewed the status of shareholders' grievances, approved share transfers, etc.

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.

The Shareholders/Investors Grievances Committee at the beginning of the year consisted of

Mr. Anil Kumar Bhandari - Chairman

Mr. Vijay R Kirloskar

Mr. P.S. Malik

Mr. Malik ceased to be a member of the Committee with effect from 11.10.2010.

The Shareholders/Investors Grievances Committee has the following members now:-

Mr. Anil Kumar Bhandari - Chairman

Mr. Vijay R Kirloskar

Mr. Anuj Pattanaik

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. Anuj Pattanaik*	1	Member

*appointed as member w.e.f 12.11.2010.

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, Vice President (Legal) & Company Secretary is the Compliance Officer.

Remuneration Committee

During the year under review, the Committee met on 10.7.2010, 13.8.2010 and 23.9.2010.

The Remuneration Committee consists of following Directors : -

Mr. S.N. Agarwal - Chairman

Mr. A.S. Lakshmanan - Member

Mr. Anil Kumar Bhandari - Member

Mr. Sarosh J Ghandy - Member

Mrs. Meena Kirloskar - Member

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

Name of Director	No. of Meetings Attended	
Mr. S.N. Agarwal	1	Chairman
Mr. A.S. Lakshmanan	3	Member
Mr. Anil Kumar Bhandari	3	Member
Mr. Sarosh J Ghandy	2	Member
Mrs. Meena Kirloskar	2	Member

Committee formed to consider and approve the financial results

The Committee consists of following Directors : -

Mr. A.S. Lakshmanan - Chairman

Mr. Vijay R Kirloskar - Member

Mr. Anuj Pattanaik* - Member

Mr. V.P. Mahendra - Member

*appointed as member w.e.f. 12.11.2010.

During the year under review, the Committee did not meet at any time.

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 31.3.2011 was 1823.

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

Executive Directors:

(₹ in Lakhs)

Name	Salary	Contribution to PF and other Funds	Total Amount
Mr. Vijay R Kirloskar Chairman & Managing Director	108.00	29.16	137.16
Mr. P.S.Malik * Joint Managing Director	37.04	24.69@	61.73
Mr.Anuj Pattanaik # Dy. Managing Director	32.16	6.60	38.76

*Ceased to be Director w.e.f. close of office hours of 11.10.2010

Appointed as Director w.e.f. 23.9.2010

@ includes ₹.16.97 lakhs towards gratuity

The Managing Director has been appointed for a period of 5 years w.e.f. 17th August, 2010. 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. Anuj Pattanaik has been appointed for a period of five years with effect from 23rd September 2010 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. Pattanaik, if his agreement is terminated before the contractual period,

Non Executive Directors :

Name of the Director	Fees paid for attending Board/Committee Meetings ₹
Mr. A.S. Lakshmanan	1,65,000
Mr. S.N. Agarwal	1,13,000
Mr. Anil Kumar Bhandari	1,72,000
Mr. Sarosh J Ghandy	82,000
Mr. V.P. Mahendra	1,21,000
Mr. Kamlesh Gandhi	85,000
Mr. Berthold Groeneveld	55,000
Mr. D. Devender Singh	35,000*
Mrs. Meena Kirloskar	73,000

*Sitting Fees paid to Life Insurance Corporation of India

Shareholdings of Non Executive Directors as on 31.3.2011

Name of the 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
Mrs. Meena Kirloskar	95360

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 2010-11.

Bangalore
May 28, 2011

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
61 st	Apr 2007- Mar 2008	Chowdaiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003.	17.09.2008	10.00 A.M
62 nd	Apr 2008- Mar 2009	Chowdaiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003.	24.09.2009	10.00 A.M
63 rd	Apr 2009- Mar 2010	Chowdaiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003.	23.09.2010	10.00 A.M

Special Resolutions passed in the previous three Annual General Meetings :

Year	Special Resolution
2007-08	<ol style="list-style-type: none"> 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. Approval for the continuing services of Ms. Janaki Kirloskar and increase in her remuneration Appointment of Ms.Rukmini Kirloskar, Daughter of a Director to hold an office or place of profit under the Company.
2008-09	<ol style="list-style-type: none"> Payment of remuneration to Mr. P.S.Malik, Joint Managing Director from 17th October, 2008 upto 9th October, 2009. Appointment of Mr. P.S.Malik as Joint Managing Director from 10th October, 2009 till 9th October, 2012. Approval for the continuing services of Ms. Rukmini Kirloskar and increase in her remuneration
2009-10	<ol style="list-style-type: none"> Re-appointment of Mr. Vijay R Kirloskar as Managing Director from 17th August, 2010 till 16th August, 2015.

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 30 of the Notes forming part of the 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

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.

Cost Audit

M/s. Rao, Murthy & Associates, Cost Accountants, Basavanagudi, Banaglore – 560 004, have been appointed as Cost Auditors of the Company for the financial year 2011-12, under Section 233B of the Companies Act, 1956. The Company has made application to Central Government for appointment of M/s. Rao, Murthy & Associates, as Cost Auditors.

Cost Audit Report for the financial year 2009-10 was filed with Ministry of Corporate Affairs on 29th September 2010 (due date 30th September, 2010). Cost Audit Report for the financial year for 2010-11 will be filed on or before the due date.

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 Executive Chairman, the provision is not applicable.

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Shareholder 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 : 3rd August, 2011

Time : 10.00 A.M.

Venue : Chowdiah Memorial Hall

Gayathri Devi Park Extension

Vyalikaval, Bangalore 560 003

Financial Year 1st April, 2010 to 31st March, 2011

Date of Book Closure : 27th day of July, 2011 to 3rd day of August, 2011 (both days inclusive)

Financial Calendar

Un-audited Results for the quarter ended	Approved on	Published in
30.06.2010	14.08.2010	Business Standard / Samyuktha Karnataka
30.09. 2010	12.11.2010	Business Standard / Samyuktha Karnataka
31.12. 2010	14.02.2011	Business Standard / Samyuktha Karnataka
31.03.2011	28.05.2011	Business Standard / Samyuktha Karnataka

Financial Calendar for the period till 31.3.2012.

Un-audited results for the quarter ending 30 th June, 2011	by 14 th August, 2011.
Un-audited results for the quarter ending 30 th September, 2011	by 14 th November, 2011.
Un-audited results for the quarter ending 31 st December, 2011	by 14 th February, 2012.
Un-audited results for the quarter ending March, 2012	by 15 th May, 2012, unless the Company decides to publish audited results directly as per Listing Agreements

Dividend Payment Date : *The Company has not declared any equity dividend for the financial year 2010-11.*

Listing on Stock Exchanges : Bangalore Stock Exchange Ltd.

Madras Stock Exchange Ltd.

Bombay Stock Exchange Ltd

National Stock Exchange of India Ltd

Stock Code : Bangalore Stock Exchange Ltd. – KIRELECTRI

Madras Stock Exchange Ltd. –KRL

Bombay Stock Exchange Ltd. – 533193

National Stock Exchange - KECL

ISIN Number : INE 134B01017

The listing fees for 2011-12 have been paid to the Stock Exchanges where the shares are listed .

KIRLOSKAR ELECTRIC COMPANY LTD.

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. The shares were traded at Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd.

The prices at Bombay Stock Exchange were as follows:

Month	Monthly High (₹)	Monthly Low (₹)	Monthly Volume (Nos.)
April, 2010	106.00	91.00	276989
May, 2010	95.90	67.50	1033743
June, 2010	84.85	68.40	1023747
July, 2010	88.50	77.55	878746
August, 2010	81.85	63.20	975996
September, 2010	91.10	63.00	2019983
October, 2010	95.55	79.25	581367
November, 2010	93.35	65.60	481649
December, 2010	74.00	58.00	639774
January, 2011	76.95	57.00	394626
February, 2011	58.50	47.50	531867
March, 2011	50.95	42.30	1042551

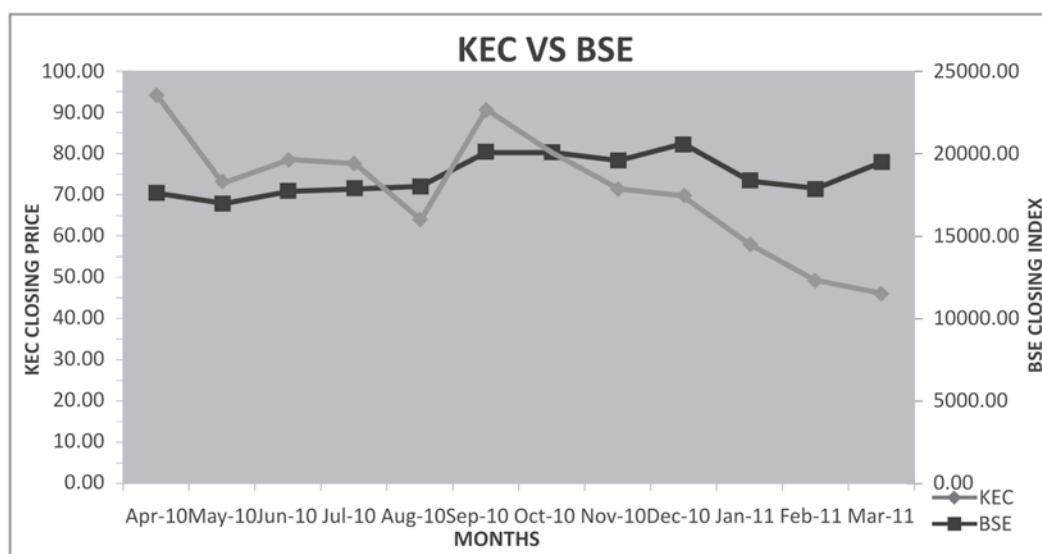
The prices at National Stock Exchange of India Ltd. were as follows

Month	Monthly High (₹)	Monthly Low (₹)	Monthly Volume(Nos.)
April, 2010	101.95	86.00	439253
May, 2010	94.65	68.00	349443
June, 2010	84.90	67.50	375160
July, 2010	88.50	77.15	538955
August, 2010	81.80	62.15	397999
September, 2010	91.55	63.05	1446562
October, 2010	94.80	78.00	249492
November, 2010	93.60	64.60	234305
December, 2010	75.95	60.00	131737
January, 2011	77.45	57.00	226103
February, 2011	60.40	47.00	121232
March, 2011	58.65	42.50	191557

Share Price Movements :

Share Price Movements for the period 1st April, 2010 to 31st March, 2011

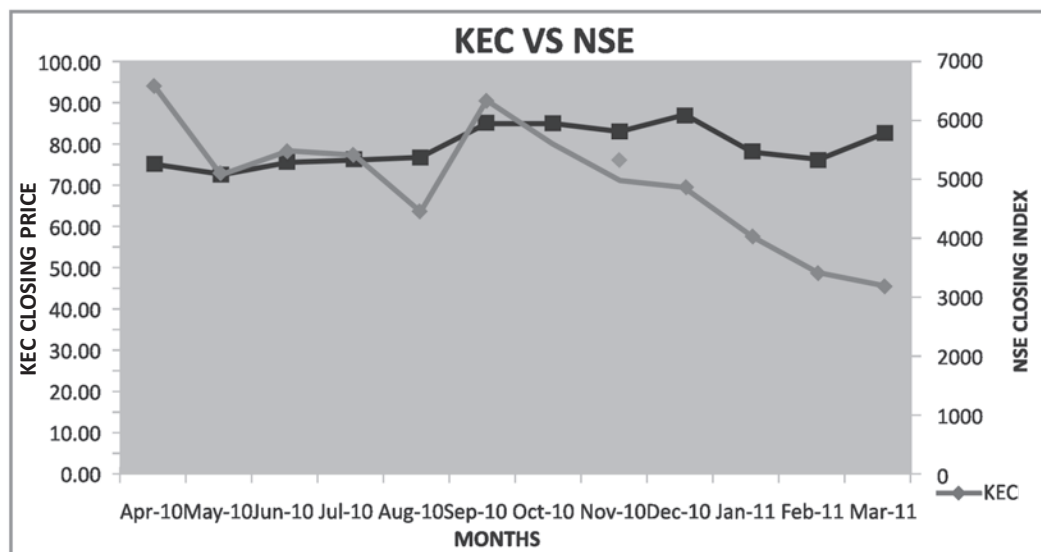
Kirloskar Electric Company Limited (KEC) vs BSE Sensex



SIXTY FOURTH ANNUAL REPORT 2010-11

Share Price Movements for the period 1st April, 2010 to 31st March, 2011 -

Kirloskar Electric Company Limited (KEC) vs NSE Sensex



Registrar and Share Transfer Agents

M/s. Integrated Enterprises (India) Ltd, are the Registrar and Share Transfer Agents of the Company for both the physical and the dematerialised shares. Their address is:

M/s. Integrated Enterprises (India) Ltd

30, Ramana Residency, 4th Cross,
Sampige Road, Malleswaram,
Bangalore 560 003.

Telephone No : 23460815,23460816,23460817 and 23460818

Fax No. 23460819

Website :www.123alpha.com

All applications for transfer/demat/realisation 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 cases of transfer of shares in the physical form, option is given to transferees 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 31.3.2011. The number of physical transfers pending as on 31.3.2011 was 7 transfer applications for 581 shares and there were no dematerialisation requests pending as on 31.3.2011. The transfers pending on 31.3.2011 have since been effected. The Company has not received any request for rematerialisation during the year.

Distribution of Shareholding as on 31.3.2011

Shareholding 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 holdings
1-500	14726	1786133	22580	994602	37306	93.11	2780735	5.50
501-1000	1052	865977	275	200721	1327	3.31	1066698	2.11
1001-2000	506	777909	146	201754	652	1.63	979663	1.94
2001-3000	223	575896	47	115692	270	0.67	691588	1.37
3001-4000	95	339638	22	76126	117	0.29	415764	0.82
4001-5000	91	427801	15	64957	106	0.27	492758	0.98
5001-10000	138	1049328	17	118198	155	0.39	1167526	2.31
10001 & above	124	34595718	9	8330917	133	0.33	42926635	84.97
TOTAL	16955	40418400	23111	10102967	40066	100.00	50521367	100.00

Pattern of Equity Shareholding as on 31.3.2011

Category	No. of Shares held	Percentage of Shareholding
Promoters	24862628	49.21
Banks, Financial Institutions	4102889	8.12
Foreign Investment Institutions	850	0.00
Private Corporate Bodies	4332388	8.58
Indian Public	15240192	30.17
NRI/OCBs	1982420	3.92
TOTAL	50521367	100.00

Dematerialisation of Shares

The paid up equity capital of the Company as on 31.3.2011 was ₹ 50,52,13,670 (50521367 shares of ₹.10/- each). Out of the total Equity paid up share capital of ₹ 50,52,13,670, 4,04,18,400 equity shares representing 80.01% of the Equity Capital were held in dematerialised form as on 31.3.2011.

Shareholders complaints received during te period 1.4.2010 to 31.3.2011

Type of Complaint	Number of Complaints Received	Number of Complaints	Redressal under process
Letters regarding Non receipt of Annual Reports	10	10	Nil
Letters or Complaints regarding shares (Non-receipt of shares after transfer/transmission, deletion of names consolidation/sub-division of shares and general transfer correspondence)	4	4	Nil
Miscellaneous Letters or complaints received other than of above categories.	13	13	Nil

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.

Plant Locations

Govenahalli	Hubli	Mysore	Kachenahalli	Tumkur	Tumkur 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	Survey No.81/3, Kachenahalli (Budihal) Nelamangala Taluk Bangalore Rural 562 123	Hirehalli Industrial Area, Hirehalli Tumkur 572 168	JD Royalite Building Tumkur Road Bangalore 560 022

Hubli	Nagar Road	Kondhapuri	Andul Mauri
Sy. No.16/1 Gabbur Village P B Road, Hubli 580 028	5/4 Nagar Road Pune 411014	GAT No. 309, 315, 317 and 318 Opp Govt Milk Dairy Kondhapuri Dt. Pune 412 209	Cal-Mumbai Truck Terminal Ltd. East Wing - 14, Jala Dhulagori Sankrail, Andul Mauri, Howrah 711302

Address for Correspondences :

Kirloskar Electric Company Limited

Post Box No.5555, Malleswaram West, Bangaore 560 055

Telephone : 080-23374865, 23378735 Fax: 080-23377706

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 an 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 Meeting.

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

Industry

Your Company is engaged in Electrical Industry, which has various groups such as Rotating Machines Group, Static Equipments Group, Switchgears Group, Transformers Group, Capacitors Group, Transmission Lines Group, etc., Each product group is having its different products within its broad range. The industry is further divided into Organised Sector and Unorganised Sector. Your Company manufactures and deals in major products in the industry.

Opportunities

The GDP growth expected in the current year is around 8.6%. With the expected capital investments by the private sector as well as the public sector the demand for the Electrical Industry is expected to appreciate in the near future and as such the high growth exhibited a couple of years back is expected again and demand is expected to pick up. With consistent GDP growth the Country continues to require power on growing scale. There is considerable energy deficit. This provides significant opportunities for private companies to share in the chain of power business. The infrastructure development is enabling developments in places away from cities where power availability is poor which provides good opportunity for genset business. The growth of Hospitality and Entertainment industries also augurs well for genset business. 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.

Threats

Delays in supply of raw materials and fluctuations in prices thereof are a matter of concern. Rising diesel prices could bear on genset business. The industry is becoming highly competitive. The long term outlook appears to be bright. The actual performance may differ, as it is dependent on several factors beyond control of the Company.

Performance Overview

During the year the Company has achieved a turnover of ₹ 8.24 billion as against ₹ 8.41 billion in the previous year. The profit after tax for the year is ₹ 21.1 million as against a profit of ₹ 375.9 million in the previous year.

Segmentwise or productwise performance

The Company has identified the reportable segments as Rotating Machines Group, Power Generation and Distribution Group 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: -

(₹ in 000's)

Products	2010-11	2009-10
Rotating Machines Group	6401652	7536264
Power Generation and Distribution Group	4646760	4496139
Others	535905	444497
TOTAL	11584317	12476900

Future Outlook

As has been mentioned earlier in the Report, the Indian Industry is set to perform well. It appears that the economy will have GDP growth of about 8.6% in 2011-12. The various industries to which the Company caters to are expected to do well and demand from them is expected to be good. The power deficit provides opportunity to share in the chain of power business. The outlook appears to be good at this juncture.

Risks & Concerns

The rise in prices of raw materials, supply uncertainties and tighter monetary conditions are a matter of concern.

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

Employees at all levels have put in their best to the services of the Company. Industrial relations during the year were cordial and the Company continued to have good support of all its employees at all levels. The Company is focusing on Employee Retention, Development, Recognition and Performance management.

For and on behalf of the Board

Bagalore

Date : May 28, 2011

Vijay R Kirloskar
Chairman

CEO & CFO CERTIFICATION

We have reviewed financial statements and the cash flow statement for the year ended 31st March, 2011 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 : May 28, 2011

Vijay R Kirloskar
Chairman & Managing Director

CA Vinayak N Bapat
Vice President &
Chief Financial Officer

**AUDITORS' REPORT ON ABRIDGED FINANCIAL STATEMENTS
TO THE MEMBERS OF KIRLOSKAR ELECTRIC COMPANY LIMITED, BANGALORE**

We have audited the attached abridged Balance Sheet of Kirloskar Electric Company Limited, Bangalore as at March 31, 2011, the abridged Profit and Loss Account and also the abridged Cash Flow statement for the year ended on that date annexed thereto together with notes thereon.

These abridged financial statements have been prepared by the Company pursuant to Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956 and are based on the financial statements of the Company for the year ended March 31, 2011 prepared in accordance with Schedule VI of the Companies Act, 1956 and is covered by our report of even date to the members of the Company which report is attached herewith.

For B.K.RAMADHYA NI & CO.
Chartered Accountants
Firm Registration No 002878S

CA SHYAM RAMADHYANI
Partner
Membership number 019522

Bangalore
Date: May 28, 2011

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, 2011, 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 referred to in subsection (3C) of section 211 of the Companies Act, 1956 as applicable, subject to *note 22 (b) of Schedule 'O' (valuation of Inventories) (AS 2)*.
- 9 On the basis of written representations received from directors as on March 31, 2011 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 Attention of the members is invited to:
 - i) Note 21 of schedule 'O' regarding accounts of certain debtors, creditors, loans and advances, reconciliation of balances between the Company, its erstwhile subsidiary KSL and operating business of KPEL being under review/reconciliation. The relevant accounts are subject to adjustments, if required after completion of review, reconciliation and identification of further doubtful debts/advances.
 - ii) Note 22 of schedule 'O' regarding SAP ECC 6 systems implemented being subject to stabilization/cleansing of data and modifications required in the processes to bring the determination of cost and net realizable value of inventories at certain units in line with Accounting Standard 2. Accordingly, value of inventories adopted in the financial statements is as assessed by the management and not verified by us.
 - iii) Note 24 of schedule 'O' regarding realizable value of assets held for sale being assessed by management without the support of an external valuation or quotations from prospective buyers
 - iv) Note 25 of schedule 'O' regarding amounts due from certain companies of Rs.23.692 million, which have incurred losses and whose net worth has been partially or wholly eroded.
- 11 In all cases referred to above, effect on revenue is not ascertainable. We do not express any independent opinion in these matters.
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 of schedule 'O' to the financial statements 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 *paragraph 10 above, 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, 2011
 - 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.RAMADHYA NI & CO.
Chartered Accountants
Firm Registration No 002878S

CA SHYAM RAMADHYANI
Partner
Membership number 019522

Bangalore
Date: May 28, 2011

ANNEXURE TO AUDITORS' REPORT

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

1.
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - 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 are subject to confirmation.*
 - b. *The procedures of physical verification of inventories followed by the management need to be improved to make them reasonable and adequate in relation to the size of the Company and the nature of its business.*
 - c. *The Company has implemented SAP ECC 6 systems at certain units. Certain mistakes and omissions noticed during the year have been corrected based on physical inventory taken from time to time (refer note 22(a) of schedule O). The Company is in the process of quantifying the excess and shortages adjusted in the book of account. Stock records at certain units are under updation. Accordingly, we are unable to state whether the discrepancies between book records and inventory are material and have been properly dealt with in the books of account*
 - 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.
 - a. The terms and conditions on which two fixed deposits were accepted from a director and a relative of a director are prima facie not prejudicial to the interest of the Company. The maximum amount involved during the year and the amount outstanding as at the end of the year were ₹ 3.500 million.
 - b. The Company has not granted any loans to companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. For this purpose, we have relied on the representations of the management that monies due from parties referred to in note 19 & 25(a) 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 *notes 21 & 22 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. We have not observed during the course of our audit any continuing failure to correct major weaknesses in internal controls, subject to *note 21 of Schedule 'O'*.
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 ₹ 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.
7. The Company's internal audit system needs to be strengthened in terms of coverage and periodicity to make the same 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 paragraph 2(c) above regarding inventory records*. 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 and non payment of certain dues detailed in paragraph 9(b) below. Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.
 - b. We have been informed by the management that the customs duty payable of ₹ 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. Matured deposits aggregating to ₹ 244,000 have not been remitted to Investor Protection Fund, pending resolution of disputes regarding beneficiaries. According to the information and explanations given to us, the following undisputed statutory dues were outstanding as at March 31, 2011 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 it relates	Due Date	Date of Payment
The Maharashtra VAT Act, 2002	MVAT	784,648	2008 – 2009	March 31, 2010	Unpaid as on date
The Service Tax Act	Service tax on Goods Transport Agency	5,503	April 2010 to August 2010	5 th of subsequent month	Unpaid as on date

- 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, 2011 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	1,596,910	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	1,178,688	1999 to 2000	Joint Commissioner of Sales tax
Central Sales Tax	Sales tax demand.	4,532,781	2002 to 2005	Commissioner of Sales Tax (A)
Bombay Sales Tax Act	Sales tax demand	505,585	2002 to 2005	Commissioner of Sales Tax (A)
Central Sales Tax	Sales tax demand.	54,648,404	1999-2000, 2001-2002 & 2002-2003	Maharashtra Sales Tax Tribunal, Mumbai
Bombay Sales Tax Act	Sales tax demand	334,085	1999-2000, 2001-2002 & 2002-2003	Maharashtra Sales Tax Tribunal, Mumbai
Works Contract Tax Act	Sales tax demanded	1,004,030	2001-2002 & 2002-2003	Maharashtra Sales Tax Tribunal, Mumbai
Karnataka Sales Tax Act	Resale tax demanded	36,906,894	2002 – 2005	High Court of Karnataka
Karnataka Value Added Tax Act, 2003	VAT penalty demanded	38,051,249	2005 – 2008	High Court of Karnataka
The Customs Act, 1962.	Customs demand	5,154,369	1994 to 1999	Asst. Commissioner of Customs
The Central Excise, 1944	Excise demand	217,927	April 1993	High Court of Karnataka
The Central Excise, 1944	Excise demand	129,023	September 2006	Central Excise and Service Tax Appellate Tribunal
The Central Excise, 1944	Excise demand	133,370	September 2007	Central Excise and Service Tax Appellate Tribunal
The Central Excise, 1944	Cenvat credit demand	574,282	April 2008 to June 2009	Commissioner of Central Excise (Appeals)
The Income Tax Act, 1961	Income tax demand	9,306,736	Assessment year 2008-2009	Commissioner of Income Tax (Appeals)

10. In our opinion, the Company does not have accumulated losses. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year. This is without taking cognizance of our comments in paragraph 10 of our report.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks & financial institutions except for delays 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 guarantee for loan 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 not taken any terms loans during the year and hence clause 4 (xvi) of the Order is not applicable.
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.498.785 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 debentures issued by the Company 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 stand redeemed.
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.

B. K. Ramadhyani & Co.,
4B, Chitrapur Bhavan
8th Main, 15th cross, Malleswaram,
Bangalore - 560 055
Date: May 28, 2011

For B. K. Ramadhyani & Co.,
Chartered Accountants
Firm Registration No 002878S

CA SHYAM RAMADHYANI
Partner
Membership No.019522

SIXTY FOURTH ANNUAL REPORT 2010-11

ABRIDGED BALANCE SHEET AS AT 31st MARCH 2011.

[Statement containing salient features of Balance Sheet as per Section 219(1)(b)(iv) of the Companies Act, 1956]

(₹ in 000's)

	As at 31st March 2011	As at 31st March 2010	
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
a) Capital			
(i) Equity	505,214	505,214	
(ii) Preference	77,359	154,718	
	582,573		659,932
b) Reserves & Surplus			
(i) Capital Reserve	1,806	1,806	
(ii) Revaluation Reserve	48,041	48,041	
(iii) Capital Redemption Reserve	240,175	162,816	
(iv) Debenture Redemption Reserve	49,400	49,400	
(v) Reconstruction Reserve Account	64,167	64,167	
(vi) Profit & Loss Account	901,293	957,599	
(vii) Reserve for Doubtful Debts	9,000	9,000	
	1,313,882		1,292,829
LOAN FUNDS			
a) Secured Loans			
(i) Zero Coupon Debentures	-	16,466	
(ii) Others	1,003,997	1,024,651	
b) Unsecured Loans			
(i) Public Deposits	316,194	180,994	
(ii) Others	194,821	180,128	
	1,515,012		1,402,239
	3,411,467		3,355,000
TOTAL			
APPLICATION OF FUNDS			
FIXED ASSETS			
a) Net Block	1,614,192	1,685,509	
b) Capital Work in progress/ assets held for sale (net of provision ₹ 7,791 (As at March 31, 2010 ₹ 7,841)	53,947	73,209	
	1,668,139		1,758,718
INVESTMENTS			
a) Investment in Subsidiary Companies			
(i) Unquoted	1,090,742	855,898	
b) Others			
(i) Quoted	100	100	
(ii) Unquoted	5,446	5,446	
c) Share application money pending allotment	2,249	9,435	
	1,098,537	870,879	
Less: Provision for diminution in value of Investments	12,936	12,936	
	1,085,601		857,943
Market value of quoted investments	1,203		1,036
CURRENT ASSETS, LOANS & ADVANCES			
a) Inventories	1,161,719	912,182	
b) Sundry Debtors	1,963,307	2,000,512	
c) Cash & Bank Balances	557,023	444,919	
d) Loans & Advances			
(i) To subsidiaries	1,833	6,358	
(ii) To others	480,437	335,802	
	4,164,319	3,699,773	
Less : CURRENT LIABILITIES & PROVISIONS			
a) Current Liabilities	3,263,687	2,614,420	
b) Provisions	242,905	347,014	
	3,506,592	2,961,434	
NET CURRENT ASSETS	657,727		738,339
TOTAL	3,411,467		3,355,000
REFER NOTES FORMING PART OF THE ABRIDGED FINANCIAL STATEMENTS			

Compiled from the audited Financial Statements of the Company referred to in our Report dated May 28, 2011

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

ANUJ PATTANAIK
Deputy Managing Director

CA SHYAM RAMADHYANI

Partner

P Y MAHAJAN
Vice President (Legal) &
Company Secretary

CA VINAYAK N BAPAT
Vice President &
Chief Financial Officer

Bangalore

Date : May 28, 2011

KIRLOSKAR ELECTRIC COMPANY LTD.

ABRIDGED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011.

[Statement containing salient features of Balance Sheet as per Section 219(1)(b)(iv) of the Companies Act, 1956]

(₹ in 000's)

	Current Year		Previous Year	
INCOME				
Sales	8,952,198		9,055,707	
Less: excise duty	713,444	8,238,754	648,377	8,407,330
Interest		14,684		14,464
Dividend		366		149
Rent received		5,106		4,020
Provision no longer required withdrawn		3,972		98,632
Other Income		12,791		2,264
Profit on sale of fixed assets		78		40
TOTAL		8,275,751		8,526,899
EXPENDITURE				
Cost of goods consumed/ sold:				
(i) Opening stock	912,182		736,238	
(ii) Add: Purchases	6,580,421		6,327,205	
	7,492,603		7,063,443	
Less: Closing Stock	1,161,719		912,182	
		6,330,884		6,151,261
Manufacturing Expenses (including power & fuel)		86,027		87,172
Selling Expenses		173,557		258,396
Salaries, Wages and other employees benefits		759,725		754,007
Remuneration to whole-time directors		23,765		28,411
Directors' sitting fees		901		319
Interest and Finance Charges		257,578		225,674
Depreciation		161,881		153,604
Provisions:				
(i) Provision for doubtful debts & advances	15,000		25,000	
(ii) Warranty	5,590		(3,002)	
		20,590		21,998
Auditors Remuneration		6,171		6,370
Loss on sale of fixed assets		467		32
Other operating expenses		432,469		365,948
		8,254,015		8,053,192
Less: Expenses Capitalised		569		886
TOTAL		8,253,446		8,052,306
PROFIT BEFORE PRIOR PERIOD & EXTRAORDINARY ITEMS		22,305		474,593
Add:				
Prior period Income/(Expenses) (net)	(1,025)		(2,016)	
Extraordinary income - remission of liability	-	(1,025)	8,382	6,366
PROFIT BEFORE TAX EXPENSE		21,280		480,959
Less: Provision for current tax	227		85,031	
Provision for current tax - previous years	-		20,000	
Provision for Fringe Benefit Tax	-	227	-	105,031
PROFIT AFTER TAX EXPENSE		21,053		375,928
Add: Profit brought forward from Previous Year		957,599		718,453
		978,652		1,094,381
Less:				
Transfer to Debenture Redemption Reserve	-		16,466	
Transfer to Capital redemption Reserve	77,359		120,316	
		77,359		136,782
Balance of Profit Carried to Balance Sheet		901,293		957,599
Earning per Share (Face Value ₹ 10 per share)				
Before considering extraordinary items				
Basic & Diluted		0.18		6.95
After considering extraordinary items				
Basic & Diluted		0.18		7.09

REFER NOTES FORMMING PART OF THE ABRIDGED FINANCIAL STATEMENTS

Compiled from the audited Financial Statements of the Company referred to in our Report dated May 28, 2011

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

ANUJ PATTANAIAK
Deputy Managing Director

CA SHYAM RAMADHYANI

Partner

P Y MAHAJAN
Vice President (Legal) &
Company Secretary

CA VINAYAK N BAPAT
Vice President &
Chief Financial Officer

Bangalore

Date : May 28, 2011

SIXTY FOURTH ANNUAL REPORT 2010-11

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

		(₹ in 000's)
	Current Year	Previous Year
A CASH FLOW FROM OPERATION ACTIVITIES		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	22,305	474,593
DEPRECIATION (INCLUDING GOODWILL)	161,881	157,944
AMORTISATION & PROVISIONS (NET)	(98,423)	4,830
(PROFIT)/LOSS FROM SALE OF FIXED ASSETS (NET)	389	(8)
EXTRAORDINARY/ PRIOR PERIOD ITEMS	(1,025)	6,366
INTEREST AND DIVIDEND (NET)	242,528	211,061
	305,350	380,193
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	327,655	854,786
ADJUSTMENT FOR		
TRADE & OTHER RECEIVABLES	(28,173)	112,400
INVENTORIES	(249,537)	(175,944)
TRADE & OTHER PAYABLES	643,685	23,587
	365,975	(39,957)
	693,630	814,829
CASH GENERATED FROM OPERATIONS		
DIRECT TAXES PAID	(84,037)	(67,327)
	(84,037)	(67,327)
NET CASH FROM OPERATING ACTIVITIES	609,593	747,502
B CASH FLOW FROM INVESTING ACTIVITIES		
PURCHASE OF FIXED ASSETS (INCLUDING CWIP)	(74,390)	(211,787)
PURCHASE OF INVESTMENTS	(227,658)	(189,258)
SALE OF FIXED ASSETS	2,699	108
INTEREST RECEIVED	18,076	9,499
DIVIDEND RECEIVED	366	149
NET CASH USED IN INVESTING ACTIVITIES	(280,907)	(391,289)
C CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM TERM BORROWING	135,867	250,000
REPAYMENT OF TERM BORROWINGS/DEBENTURES/ FINANCE LEASE OBLIGATIONS	(158,294)	(495,835)
PROCEEDS FROM FIXED DEPOSITS FROM PUBLIC	207,230	192,405
REPAYMENT OF FIXED DEPOSITS FROM PUBLIC	(72,030)	(6,720)
REPAYMENT OF PREFERENCE SHARE CAPITAL	(77,359)	(82,956)
DIVIDEND PAID	-	(32,349)
INTEREST PAID	(251,996)	(220,069)
NET CASH USED IN FINANCING ACTIVITIES	(216,582)	(395,524)
D NET INCREASE IN CASH & CASH EQUIVALENTS	112,104	(39,311)
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	444,919	484,230
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	557,023	444,919
	112,104	(39,311)

As per our report of even date

For B.K. RAMADHYANI & CO.
Chartered Accountants

CA SHYAM RAMADHYANI
Partner

Bangalore

Date : May 28, 2011

For and on behalf of Board of Directors

VIJAY R KIRLOSKAR
Chairman & Managing Director

P Y MAHAJAN
Vice President (Legal) &
Company Secretary

ANUJ PATTANAIK
Deputy Managing Director

CA VINAYAK N BAPAT
Vice President &
Chief Financial Officer

1. SIGNIFICANT ACCOUNTING POLICIES**1.1 BASIS OF PREPARATION 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 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.

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.

(iii) Assets Held for Sale:

Assets held for sale are stated at the cost or estimated net realizable value whichever, is lower.

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:

1. Raw materials, stores, spare parts and components are valued on first in first out basis/ weighted average at net landed cost or net realizable value whichever is lower.
2. Work in progress is valued at works cost or net realizable value whichever is lower.
3. Finished goods are valued at works cost or net realizable value whichever is lower.

Material cost of work in progress and finished goods have been computed based on the weighted average/ average price/ latest estimated purchase price. At certain units, cost of finished goods has been computed by subtracting an estimated percentage from selling price to cover margins, further cost to be incurred to make the sale and excluded cost.

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 ₹ 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 ₹ 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 ₹ 5,000/- is depreciated fully. However, in certain units where SAP ERP software has been implemented depreciation has been provided on monthly prorata basis.

1.6 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.

1.7 REVENUE RECOGNITION:

- a) Sale of goods is recognized on shipment to customers and excludes recovery towards sales tax.
- b) Interest income is recognized on time proportion basis.
- c) Dividend income is recognized, when the right to receive the dividend is established.

1.8 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.

1.9 FOREIGN CURRENCY TRANSACTIONS:

- a) Foreign currency transactions are translated into rupees at the exchange rate prevailing on the date of the transaction.
- b) Monetary foreign currency assets and liabilities outstanding as at the year-end are restated at the exchange rates prevailing as at the close of the financial year. All exchange differences are accounted for in the profit and loss account.
- c) Non monetary items denominated in foreign currency, are valued at the exchange rate prevailing on the date of transaction.
- d) In respect of branches, which are integral foreign operations are translated as if the transactions of those foreign operations were the transactions of the Company itself.

1.10 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.

1.11 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.

1.12 IMPAIRMENT OF ASSETS:

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss, if any, is charged to profit and loss account, in the year in which an asset is identified as impaired.

1.13 PROVISIONS & CONTINGENT LIABILITIES:

A provision is recognized when the group has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. 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.

(₹. In '000's)

2(a)	CONTINGENT LIABILITIES ETC	As at 31.03.2011	As at 31.03.2010
i)	Letter of Credit, Guarantees, Corporate and Counter guarantees given on Import and Sale contracts etc.	1,240,929	1,507,553
ii)	Bills discounted with bank	261,512	200,425
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	6,209	12,158
iv)	Sales tax demanded under appeal. The Company has paid an aggregate amount of ₹ 70,194 against the demand which has been included in Loans & advances under schedule "H (B)".	212,194	212,544
v)	Claims against the Company not acknowledged as debt. The Company has made counter claim against one of the parties amounting to ₹ 12,944 (Previous year ₹ 12,944)	256,491	241,532
vi)	The Company had furnished a guarantee for the redemption of preference shares issued by Kirloskar Investment and Finance Ltd to an extent of ₹ 20,000 (Previous year ₹ 20,000) and had obtained counter guarantee from the said Company. The preference shareholder has claimed a sum of ₹ 20,000 along with dividends in arrears of ₹ 20,560 and interest from the Company. This claim has been upheld by the Debt Recovery Tribunal (DRT). The Company has preferred an appeal before the Debt Recovery Appellate Tribunal to set aside the orders passed by the DRT. The Company does not acknowledge this liability.	40,560	40,560
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)	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)	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
x)	Certain industrial disputes are pending before various judicial authorities – not acknowledged by the Company	Amount not ascertainable	Amount not ascertainable
xi)	Arrears of dividend on cumulative preference shares for the period from April 1, 2004 to March 31, 2011 (as at March 31, 2010 for the period from April 1, 2004 to March 31, 2010) (including tax thereon).	107,174	95,643
xii)	Penal damages levied by the Regional Provident Fund commissioner and subject to writ before the High Court of Karnataka, Bangalore. An amount of ₹ 4,618 paid has been included in loans and advances	9,154	9,154
xiii)	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 issued by them to Kirsons BV. SBLC is secured by mortgage of certain immovable properties of the Company and shares of Kirsons BV.	803,125	932,147
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	Not ascertained
xv)	Income tax demands under appeal	9,307	Nil
xvi)	Show cause notices raised by the Income Tax Department for short and non remittances of tax deduction at source – matter under examination	4,599	Nil

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.	104,787	44,943
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3. Capacities and Production: (Note 13 of Schedule 'O' of financial statements)

Item No.	Class of Goods	Capacities			
			Licensed	Installed @	Production
1.	Motors/ Alternators/ Generators	MW	2,806*	2,806*	1,933 (2,198)
2.	FHP Motors	Nos.	Not ascertained	Not ascertained	6,859 (12,900)
3.	Engines	Nos.	Not ascertained	Not ascertained	3,003 (2,793)
4.	Transformers	Kva	2,060,000	2,060,000	4,725,735# (4,849,015)
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*	1,232 (897)
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	₹ in million	100*	80	Nil
10.	Industrial Electronic Voltage Regulators	Nos.	20,000	8,000	675 (848)
11.	Uninterruptible Power Systems	Nos.	5,000*	500	468 (582)
12.	Metal Cutting including Grinding Machines (**)	Nos.	300*	150	Nil
13.	Machine tool accessories including digital readouts (**)	Nos.	550*	550	Nil (2)
14.	Printed Circuit Boards (**)	Sq. Mtrs	2,500*	2,500*	Nil
15.	Alternators	Nos.	191,500	78,000	Nil
16.	D.G. Sets	Nos.			2,944 (2,738)
17.	Circuit Breakers/ Starters/ Contactors/ Switchboard*	Nos	\$		680 (800)
18.	Electricity generated using wind energy.	Units			Nil (12,500)

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. December 01, 2004.
- # includes production at the subcontractors facility.

4. Details of Sale of Manufactured / Trading goods during the year: (Note 15 of Schedule 'O' of financial statements)

Item No.	Class of Goods	Turnover of Finished Goods			
		Current Year		Previous Year	
		Qty. Nos.	Value ₹ In 000's	Qty. Nos.	Value ₹ In 000's
1.	Motors/ Alternators/ Generators	118,209	3,414,311	94,943	3,682,002
2.	Transformers	2,756	2,981,323	2,287	3,168,845
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	1,257	134,245	873	105,758
4.	Uninterruptible Power Systems	481	35,972	593	25,419
5.	Metal Cutting including Grinding Machines	Nil	Nil	Nil	Nil
6.	Machine tool accessories including digital readouts	-	-	2	29
7.	Industrial Electronic Voltage Regulators	675	Nil	848	Nil
8.	Circuit Breakers/ Starters/ Contactors/ Switchboard	703	269,137	777	309,880
9.	D G Sets	2,935	1,107,918	2,735	891,127
10.	Electricity (in Units)	Nil	Nil	12,500	54
11.	Engines	3003	Nil	2,793	Nil
12.	Others		1,009,292		872,593
	TOTAL		8,952,198		9,055,707

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

5 (Note 17 of Schedule 'O' of financial statements)

- a. The order of the honorable High court of Karnataka according approval for the scheme of arrangement and amalgamation under sections 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. The Company has provisionally accounted for stamp duty liability estimated at ₹ 58,922 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.
- c. 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. (Note 18 of Schedule 'O' of financial statements)

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.

7. (Note 19 of Schedule 'O' of financial statements)

- a. ₹ 28,412 (as at March 31, 2010 ₹ 33,015) due from private limited companies in which directors are interested.
- b. ₹ 1,833 (as at March 31, 2010 ₹ 6,358) due from a wholly owned subsidiary of the Company.

8. (Note 20 of Schedule 'O' of financial statements)

The details of amounts outstanding to Micro, Small and Medium Enterprises under Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act), based on the available information with the Company are as under:

SI No	Particulars	Amount in (₹ 000's)	
		As at March 31, 2011	As at March 31, 2010
1.	Principal amount due and remaining unpaid	21,648	4,562
2.	Interest due on (1) above and the unpaid interest	Not Ascertained	Not Ascertained
3.	Interest paid on all delayed payments under the MSMED Act.	Nil	Nil
4.	Payment made beyond the appointed day during the year	Not Ascertained	Not Ascertained
5.	Interest due and payable for the period of delay other than (3) above	Nil	Nil
6.	Interest accrued and remaining unpaid	Nil	Nil
7.	Amount of further interest remaining due and payable in succeeding years.	Not Ascertained	Not Ascertained

9. (Note 21 of Schedule 'O' of financial statements)

- 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, collector of customs and creditors, are under review and reconciliation. Against aggregate debts outstanding as at March 31, 2011 for more than 2 years of ₹ 180,346, the Company holds a provision of ₹ 116,533. Adjustments, if any will be made on completion of review/reconciliation/ identification of further doubtful debts. 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 ₹ 52,879 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.

10. (Note 22 of Schedule 'O' of financial statements)

- a. The Company has implemented SAP ECC 6 systems at certain units during the year. Various mistakes and omissions noticed during the year have been corrected based on physical inventory taken from time to time. Continuing steps are being taken to cleanse data and stabilize systems. The effect of unrectified mistakes and omissions is not expected to be material.
- b. The Company has initiated steps to bring the valuation of inventories in line with Accounting Standard – 2. However, the processes followed for determination of cost and net realizable value needs to be uniform across units and refined/improved to bring it in line with the requirements of the said standard. Continuing steps are being taken by the management in this respect.

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11. (Note 23 of Schedule 'O' of financial statements)

- During the year, the Company has implemented SAP ECC 6 Systems in certain units. Inventory at these units as at March 31, 2011 have been based on moving weighted average and labor/ overheads absorption methods configured in the said system as against other cost basis used in the previous year. Effect of such change on the revenue for the year is not ascertained.
- Depreciation on additions has been calculated on monthly prorata basis instead of quarterly basis, in certain units where SAP ECC 6 system has been implemented. Effect of such change on the revenue for the year is not ascertained.

12. (Note 24 of Schedule 'O' of financial statements)

Assets held for sale has been recognized at realizable value estimated by the management. No external valuation or quotations from prospective buyers have been obtained.

13. (Note 25 of Schedule 'O' of financial statements)

- Current Assets, Loans & Advances include ₹ 23,692 (as at March 31, 2010 ₹ 22,718) being rescheduled advances from certain other Companies.
- The above companies have incurred losses and their net worth is partially 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.

14. (Note 26 of Schedule 'O' of financial statements)

Remuneration to Managing Director & other whole time directors:

(₹ in 000's)

	Current Year	Previous Year
a) Managing Director Salary & Perquisites Contribution to Provident & Other Funds	10,800 2,916	16,463 4,445
TOTAL	13,716	20,908
b) Joint Managing Director Salary & Perquisites Contribution to Provident & Other Funds Gratuity paid	3,704 772 1,697	5,912 1,591
TOTAL	6,173	7,503
c) Deputy Managing Director Salary & Perquisites Contribution to Provident & Other Funds	3,216 660	- -
TOTAL	3,876	-
GRAND TOTAL	23,765	28,411

Liability in respect of accrued gratuity & leave encashment to Managing Director and Deputy Managing Director are not ascertainable separately. Remuneration to Joint Managing Director includes gratuity and leave encashment paid during the year. In addition, all the directors referred to above are entitled to free use of Company car and communication facilities.

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 whole time directors of the Company.

The appointment of Mr. Anuj Patnaik as Deputy Managing Director from September 23, 2010 and the remuneration paid/provided amounting to ₹ 3,876 is subject to the approval of the members of the Company.

The members of the Company have approved payment of higher remuneration to the Chairman and Managing Director amounting to ₹ 2,000 per month plus benefits and perquisites with effect from August 17, 2010. Pending reconsideration of the approval granted, no provision has been made in the financial statements for differential remuneration payable estimated at ₹ 10,455.

15. (Note 28 of Schedule 'O' of financial statements)

Disclosures as per Accounting Standard 15 "Employee Benefits":

Defined Contribution Plan:

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

(₹ in 000's)

	Current Year	Previous Year
Employer's Contribution to Provident Fund & Pension Scheme	35,329	35,070
Employer's Contribution to Superannuation Fund	11,395	12,696

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.

(₹ In 000's)

		Current Year		Previous Year	
		Gratuity (Funded)	Leave (Funded)	Gratuity (Funded)	Leave (Unfunded)
1.	Reconciliation of opening and closing balances of defined benefit obligation:				
	Defined Benefit obligation at beginning of the year	225,643	42,469	210,190	38,747
	Current Service Cost	11,913	7,650	9,971	7,431
	Interest Cost	16,502	3,009	14,672	2,603
	Additional provision for increase in limit of gratuity/ in excess of limit	18,138	-	14,139	-
	Actuarial (gain)/ loss	(1,812)	(3,709)	5,071	99
	Benefits Paid	(22,681)	(6,211)	(28,400)	(6,411)
	Defined Benefit obligation at end of the year	247,703	43,208	225,643*	42,469
2.	Reconciliation of opening and closing balance of fair value of plan assets:				
	Fair value of plan assets at beginning of the year	118,963	-	99,706	
	Expected return on plan assets	12,236	206	9,725	
	Employer Contribution	45,433	4,387	38,258	
	Benefits paid	(22,681)	-	(28,400)	
	Actuarial gain/(loss)	(156)	(183)	(326)	
	Fair value of plan assets at year end	153,795	4,410	118,963	
3.	Reconciliation of fair value of assets and obligations:				
	Fair value of plan assets	153,795	4,410	118,963	-
	Present value of obligation	247,703	43,208	225,643*	42,469
	Amount recognized in Balance Sheet under liabilities:	93,908	38,798	106,680	42,469
4.	Expense recognized during the year: (under "Schedule – M" Operating & Other expenses of the Profit and Loss account)				
	Current Service Cost	11,913	7,650	9,971	7,431
	Interest Cost	16,502	3,009	14,672	2,603
	Expected return on plan assets	(12,236)	(206)	(9,725)	-
	Additional provision for increase in limit of gratuity/ in excess of limit	18,138	-	14,139	
	Actuarial (gain)/ loss	(1,656)	(3,526)	4,745	99
	Net Cost	32,661	6,927	33,802*	10,133
5	Actuarial assumptions:				
	Mortality Table (LIC)	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)	1994–96 (Ultimate)
	Discount rate (per annum)	7.70%	7.70%	7.70%	7.70%
	Expected rate of return on plan assets (per annum)	9.25% to 9.40%	9.40%	9.25% to 9.40%	Nil
	Rate of escalation in salary (per annum)	7%	7%	7%	7%

*Based on the notification dated May 18, 2010 issued by the Government of India, enhancing the maximum limit of gratuity payable to employees, the Company has provided an additional liability amounting to ₹ 14,139.

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 as certified by the actuary.

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16. Segment Reporting: (Note 29 of Schedule 'O' of financial statements)

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.

17. Related Parties Disclosure: (Note 30 of Schedule 'O' of financial statements)

Sl. No	Name of the related party	Relationship
1	Kirsons BV	Subsidiary (Wholly owned)
2	Lloyd Dynamowerke GmbH & Co. KG (LDW) Lloyd Beteiligungs GmbH	Step down Subsidiaries
3	Mr. Vijay R Kirloskar Mr. P S Malik (upto October 11, 2010) Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar Mr. Anuj Pattanaik (from September 23, 2010)	Key management personnel and their Relatives.
4	Kirloskar (Malaysia) Sdn. Bhd Electrical Machines Industries (Bahrain) W.L.L	Associates
5	Kirloskar Computer Services Limited Kirloskar Batteries Private Limited Kirloskar Power Equipments Limited Ravindu Motors Private Limited Vijay Farms Private Limited Sri Vijaydurga Investments and Agencies Private Limited Vijayjyothi Investments and Agencies Private Limited Abhiman Trading Company Private Limited Vimraj Investments Private Limited Vijaykirti Investments and Agencies Private Limited Kirloskar Software Services	Enterprises over which key management personnel and their relatives are able to exercise significant influence

DETAILS OF TRANSACTIONS:

(₹ In 000's)

Nature of transactions	Subsidiary	Step down subsidiaries (LDW)	Key management personnel and their Relatives	Associates	Enterprises over which key management personnel and their relatives are able to exercise significant influence
Purchases of goods /services	Nil (Nil)	2,675 (13,388)	Nil (Nil)	Nil (Nil)	23,613* (47,749)
Sale of goods/fixed assets/ services	3,918 (5,012)	2,458 (2,846)	Nil (Nil)	25,986# (17,134)	5,486 ^ (10,536)
Purchase of Motor vehicles from Ravindu Motors Private Limited	Nil	Nil	Nil	Nil	4,514 (1,999)
Purchase of leasehold interest in Land & Building from Kirloskar Batteries Pvt Limited subject to registration of sale deed pending	Nil	Nil	Nil	Nil	Nil (150,000)
Purchase of plant & machinery from Kirloskar Batteries Pvt Ltd	Nil	Nil	Nil	Nil	5,233 (Nil)
Rent received from Ravindu Motors Pvt Limited	Nil	Nil	Nil	Nil	2,400 (2,647)
Dividend received	Nil	Nil	Nil	Nil # (137)	Nil (Nil)
Rent paid	Nil	Nil	1,595! (1,600)	Nil	39,687 ## (41,622)
Investments as at March 31, 2011	1,077,806\$\$\$ (842,962)	-Nil	Nil	529 + (529)	2,817++ (2,817)
Investments made during the year	225,392 (189,258)	Nil	Nil	Nil	Nil
Share application money pending allotment	2,249 (9,435)	Nil	Nil	Nil	Nil
Investments written off during the year	Nil	Nil	Nil	Nil @@ (5,000)	Nil @@ (2,380)
Irrecoverable advances written off during the year	Nil	Nil	Nil	Nil	32,246 \$ (Nil)
Provision for doubtful advances as at March 31, 2011	Nil	Nil	Nil	Nil	Nil\$ (32,246)

KIRLOSKAR ELECTRIC COMPANY LTD.

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
Amount due to Company as at March 31, 2011	1,833 (6,358)	Nil	Nil ! (2,700)	4,394# (9,712)	59,456!! (92,695)
Amount due from Company as at March 31, 2011	Nil	13,405 (10,539)	Nil (Nil)	Nil	6,746 \$\$ (21,231)
Remuneration paid	Nil	Nil	24,638 ^^^ (29,979)	Nil	Nil
Fixed deposit accepted from Rukmini Kirloskar	Nil	Nil	1,000 (Nil)	Nil	Nil
Fixed deposit outstanding as at March 31, 2011	Nil	Nil	3,500** (2,500)	Nil	Nil
Interest on fixed deposit paid to Meena Kirloskar	Nil	Nil	433*** (65)	Nil	Nil
Redemption of Preference Shares to Abhiman Trading Company	Nil	Nil	Nil	Nil	467 (467)
Guarantees given by the Company and outstanding at the end of the year.	803,125 (932,147)	Nil	Nil	Nil	Nil (Nil)
Guarantees given on behalf of the Company and outstanding at the end of the year by Vijay R Kirloskar	Nil	Nil	897,087 (881,560)	Nil	Nil

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 ₹ 4,771 (previous year ₹ 26,641), Vijay Farms Limited ₹ 6,371 (Previous year ₹ 5,918), Sri Vijaydurga Investments and Agencies Private Limited ₹ 8,646 (Previous year ₹ 9,595), Vijayjyothi Investments and Agencies Private Limited ₹ 284 (Previous year ₹ 68) and Abhiman Trading Company Private Limited ₹ 3,541 (Previous year ₹ 5,527).

Represents transaction with Kirloskar (Malaysia) Sdn Bhd.

^ Includes sales to Kirloskar Batteries Private Limited ₹ Nil (Previous year ₹ 9,449) and Ravindu Motors Private Limited ₹ 5,486 (Previous year ₹ 1,087).

Includes rent paid to Kirloskar Power Equipments Limited ₹ 22,200 (Previous year ₹ 21,600), Vijay Jyothi Investment and Agencies Pvt Ltd ₹ 15,600 (Previous year ₹ 15,600), Sri Vijaydurga Investments and Agencies Private Limited ₹ Nil (Previous year ₹ 1,800) and Kirloskar Batteries Pvt Ltd ₹ 1,887 (Previous year ₹ 2,622).

+ Investments in Kirloskar (Malaysia) Sdn Bhd. ₹ 529 (as at March 31, 2010 ₹ 529).

++ Investments in Kirloskar Power Equipments Limited ₹ 2,817(as at March 31, 2010 ₹ 2,817)

\$\$ Represents due to Kirloskar Batteries Private Limited.

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

\$ Represents Kirloskar Computer Services Limited

!! Includes due from Kirloskar Power Equipments Limited ₹ 31,246 (as at March 31, 2010 ₹ 27,630), Kirloskar Computer Services Limited ₹ Nil (as at March 31, 2010 ₹ 32,246), Vijay Farms Private Limited ₹ 17,848 (as at March 31, 2010 ₹ 17,707), Vijayjyothi Investments and Agencies Private Limited ₹ 4,410 (as at March 31, 2010 ₹ 10,480), Abhiman Trading Company Private Limited ₹ 3,405 (as at March 31, 2010 ₹ 3,607), Vijaykirti Investments and Agencies Private Limited ₹ Nil (as at March 31, 2010 ₹ 60), Sri Vijaydurga Investments and Agencies Pvt Ltd ₹ 2,439 (as at March 31, 2010 ₹ 865) and Ravindu Motors Private Limited ₹ 108 (as at March 31, 2010 ₹ 100).

! Represents due from Meena Kirloskar

** Represents deposits accepted from Meena Kirloskar ₹ 2,500 (Previous year ₹ 2,500) and Rukmini Kirloskar ₹ 1,000 (Previous Year ₹ Nil)

*** Represents interest paid to Meena Kirloskar ₹ 379 (Previous year ₹ 65) and Rukmini Kirloskar ₹ 54 (Previous year ₹ Nil)

\$\$\$ Includes expenses incurred in connection of acquisition of subsidiary ₹ 88,249.

^^^ Includes paid to Vijay R Kirloskar ₹ 13,716 (Previous year ₹ 20,908), P S Malik ₹ 6,173 (Previous year ₹ 7,503), Anuj Pattanaik ₹ 3,876 (Previous year Nil) Meena Kirloskar ₹ 73 (Previous year ₹ 25), Janaki Kirloskar ₹ 240 (Previous year ₹ 1,007) and Rukmini Kirloskar ₹ 560 (Previous year ₹ 536).

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18. Finance Leases: (Note 31 of Schedule 'O' of financial statements)

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.

Particulars	Total minimum lease payments outstanding as at 31.03.2011	Future interest on outstanding Lease Payments	Present value of minimum lease payments outstanding as at 31.03.2011
Within One year	26,255 (26,225)	4,801 (7,347)	21,454 (18,908)
Later than one year but not later than five years	28,885 (56,998)	2,171 (8,204)	26,714 (48,794)
Total	55,140 (83,253)	6,972 (15,551)	48,168 (67,702)

19. (Note 32 of Schedule 'O' of financial statements)

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 ₹ 69,380 (₹ 71,567).

20. Earnings per share: (Note 33 of Schedule 'O' of financial statements)

₹ In 000's

PARTICULARS	Current Year	Previous Year
BASIC & DILUTED :		
After extraordinary items		
Profit for the year after tax expense	21,058	375,928
Less:		
Preference Dividend including dividend tax	12,055	17,733
	8,998	358,195
Weighted No. of Equity Shares for Basic EPS	50,521,367	50,521,367
Basic EPS (₹)	0.18	7.09
Before extraordinary items		
Profit for the year after tax expense	21,053	375,928
Less: extraordinary item (net of tax)	-	6,957
	21,053	368,971
Less:		
Preference Dividend including dividend tax	12,055	17,733
	8,998	351,238
Weighted No. of Equity Shares for Basic EPS	50,521,367	50,521,367
Basic EPS (₹)	0.18	6.95

21. (Note 34 of Schedule 'O' of financial statements)

₹ In 000's

DETAILS OF DEFERRED TAX LIABILITY		
	As at 31.03.2011	As at 31.03.2010
Liability relating to value of fixed assets	204,303	222,359
Asset relating to Disallowance and Unabsorbed loss & depreciation under the Income Tax Act, 1961 (recognized only to the extent of net liability)	204,303	222,359
Net amount	Nil	Nil

22. (Note 35 of Schedule 'O' of financial statements)

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

₹ in 000's

Particulars	Wage Arrears	Stamp Duty	Warranty Claims
Balance outstanding at the beginning of the year	7,000 (-)	72,036 (65,000)	43,000 (46,002)
Provision for the year (net)	-7,000 (7,000)	-6,078 (7,036)	1,241 (-3,002)
Balance outstanding at the end of the year	- (7,000)	65,958 (72,036)	44,241 (43,000)

KIRLOSKAR ELECTRIC COMPANY LTD.**23. (Note 36 of Schedule 'O' of financial statements)**

The Company has entered into forward contracts outstanding as on March 31, 2011 for Euro 250,000 to hedge future contractual obligation.

The foreign currency exposures that have not been hedged by any derivative instrument or otherwise as on March 31, 2011 are as under:

₹ in 000's

Particulars	As at 31.03.2011	As at 31.03.2010
Assets (Receivables)	40,979	31,585
Liabilities (Payables)	44,111	22,189

24. Key Ratios:	Current Year	Previous year
a) Total Income/ Total Assets	1.20	1.35
b) Net profit before interest and tax/ capital employed at the end of the year %	8.17	21.06*
c) Return on Networth %	1.18	20.44*
d) Net Profit/ Total Income %	0.25	4.41

* Recast

25 Figures have been rounded off to the nearest "000's" as permitted by Government of India Notification No.GSR: 14(E) dated December 23, 1978. Figures in Schedule 'O' are in ₹.000's unless otherwise stated.

26. Previous year figures have been regrouped wherever required in conformity with presentation this year. Figures in brackets represents previous year figures.

As per our report of even date

For B.K. RAMADHYANI & CO.

Chartered Accountants

CA SHYAM RAMADHYANI

Partner

Bangalore

Date : May 28, 2011

For and on behalf of Board of Directors

VIJAY R KIRLOSKAR

Chairman & Managing Director

P Y MAHAJAN

Vice President (Legal) &
Company Secretary

ANUJ PATTANAIK

Deputy Managing Director

CA VINAYAK N BAPAT

Vice President &
Chief Financial Officer

**Statement Pursuant to Part of IV of Schedule VI to the Companies Act, 1956
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 - 2011		

II. CAPITAL RAISED DURING THE YEAR (Rupees in Thousands)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement (Including premium)	Nil

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

Total Liabilities	3411467	Total Assets	3411467
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Sources of Funds

Paid up Capital	582573	Reserves & Surplus	1313882
Secured Loans	1003997	Unsecured Loans	511015

Application of Funds

Net Fixed Assets	1614192	Capital Work In Progress	53947
Investments	1085601	Net Current Assets	657727

IV. PERFORMANCE OF COMPANY (Rupees in Thousands)

Turnover (including other Income)	8275751	Total Expenditure	8253446
Profit before Tax	22305	Profit after Tax	21053
Earning per share in Rs. (After Tax)	0.18	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

For and on behalf of Board of Directors

VIJAY R KIRLOSKAR
Chairman & Managing Director

P Y MAHAJAN
Vice President (Legal) &
Company Secretary

ANUJ PATTANAIK
Deputy Managing Director

CA VINAYAK N BAPAT
Vice President &
Chief Financial Officer

Bangalore
Date : May 28, 2011

**Consolidated
Financial Statements 2010-11**

**AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS
OF KIRLOSKAR ELECTRIC COMPANY LIMITED**

1. We have audited the attached consolidated Balance Sheet of Kirloskar Electric Company Limited ("the Company"), its subsidiaries and other consolidating entities (collectively referred as "the KEC group") as at March 31, 2011, the consolidated Profit and Loss Account of the KEC group and the consolidated Cash Flow Statement of the KEC group 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 ₹3,019.83 million (March 31, 2010 ₹ 3,112.94 million) and total revenues for the year of ₹2,690.47 million (March 31, 2010 ₹ 3,535.84 million). 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. The proportion of items in the consolidated financial statements to which different accounting policies have been applied are not ascertained.*
 - 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, 2011. Consequently, the Company's share in the profits/losses of associates 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, 2011, notes forming part of the financial statements of the said associates 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 consolidated financial statements 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 and AS 23 - Accounting for Investments in Associates 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 for the year ended March 31, 2011.
5. *Attention is invited to the following: -*
 - a) Note 8 of schedule 'O' 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 22 of schedule 'O' regarding SAP ECC 6 systems implemented being subject to stabilization/cleansing of data and modifications required in the processes to bring the determination of cost and net realizable value of inventories at certain units in line with Accounting Standard 2. Accordingly, value of inventories adopted in the financial statements is as assessed by the management and not verified by us.*
 - c) *Note 11 of schedule 'O' regarding realizable value of assets held for sale being assessed by management without the support of an external valuation or quotations from prospective buyers*
 - d) *Note 12 of schedule 'O' regarding amounts due from certain companies of ₹23.692 million, which have incurred losses and whose net worth has been partially or wholly eroded.*

In all cases referred to above, effect on revenue is not ascertainable. We do not express any independent opinion in these matters.
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 KEC group as at March 31, 2011
 - b. In the case of the profit and loss account, of the profits of the KEC group for the year ended on that date and
 - c. In case of the cash flow statement, of the cash flows of the KEC group for the year ended on that date.

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

Date: May 28, 2011

For B.K. RAMADHYANI & CO
Chartered Accountants
Firm Registration No 002878S

CA SHYAM RAMADHYANI
Partner
Membership No 019522

SIXTY FOURTH ANNUAL REPORT 2010-11

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2011

			(` in 000's)
	Schedule	As at 31st March 2011	As at 31st March 2010
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
a) Capital	A	582,573	659,932
b) Reserves & Surplus	B	1,657,597	1,332,084
		2,240,170	1,992,016
Minority Interest		22,559	10,798
LOAN FUNDS			
a) Secured Loans	C	2,111,308	2,490,017
b) Unsecured Loans	D	511,015	361,122
		2,622,323	2,851,139
FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE ACCOUNT (NET OF AMORTISATION)		-	36,181
TOTAL		4,885,052	4,890,134
APPLICATION OF FUNDS			
FIXED ASSETS			
a) Gross Block	E	3,701,432	3,521,829
b) Less : Depreciation		1,727,041	1,492,274
c) Net Block		1,974,391	2,029,555
d) Capital Work in progress/ assets held for sale	F	53,947	73,209
		2,028,338	2,102,764
INVESTMENTS	G	19,665	18,907
DEFERRED TAX ASSET - REFER NOTE 21 OF SCHEDULE 'O'		148,096	-
CURRENT ASSETS, LOANS & ADVANCES	H		
a) Inventories		1,650,539	1,558,335
b) Sundry Debtors		2,446,557	2,591,354
c) Cash & Bank Balances		730,278	627,115
d) Loans & Advances		531,575	409,998
		5,358,949	5,186,802
Less : CURRENT LIABILITIES & PROVISIONS	I		
a) Current Liabilities		3,730,345	3,311,745
b) Provisions		292,715	394,458
		4,023,060	3,706,203
NET CURRENT ASSETS		1,335,889	1,480,599
GOODWILL ON CONSOLIDATION (NET)		1,353,064	1,287,864
TOTAL		4,885,052	4,890,134
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 and on behalf of Board of Directors

For B.K. RAMADHYANI & CO.
Chartered Accountants

VIJAY R KIRLOSKAR
Chairman & Managing Director

ANUJ PATTANAİK
Deputy Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Vice President (Legal) &
Company Secretary

CA VINAYAK N BAPAT
Vice President &
Chief Financial Officer

Place : Bangalore

Date : May 28, 2011

KIRLOSKAR ELECTRIC COMPANY LTD.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011.

(' in 000's)

	Schedule	Current Year	Previous Year
INCOME			
Sales		11,584,317	12,476,900
Less: excise duty		<u>713,444</u>	<u>648,377</u>
Other Income	J	77,289	155,772
Profit on sale of fixed assets		78	40
TOTAL		<u>10,948,240</u>	<u>11,984,335</u>
EXPENDITURE			
Consumption of Raw Materials, Stores, Spares parts & Components and purchasing for Trading	K	7,534,517	7,818,212
Operating and Other Expenses	L	2,797,700	3,044,394
Interest and Finance Charges			
On Fixed Loans		186,352	142,667
On Other Accounts		<u>129,734</u>	<u>158,915</u>
		316,086	301,582
Loss on sale of fixed assets		467	32
Depreciation, Amortisations and Provisions	M	208,922	209,190
		<u>10,857,692</u>	<u>11,373,410</u>
Less: Expenses Capitalised		1,905	17,616
TOTAL		<u>10,855,787</u>	<u>11,355,794</u>
PROFIT BEFORE PRIOR PERIOD ADJUSTMENTS & EXTRAORDINARY ITEMS		92,453	628,541
Add:			
Prior period adjustment (net)	N	(1,878)	(3,857)
Extraordinary income		<u>18,462</u>	<u>8,382</u>
PROFIT BEFORE MINORITY INTEREST& SHARE OF INCOME FROM ASSOCIATES		109,037	633,066
Less/ (Add) : share of loss/ (profit) from associates (net)		429	2,584
Less: Minority interest		<u>4,574</u>	<u>6,331</u>
PROFIT BEFORE TAX EXPENSE		104,892	624,151
Less : Provision for current tax		16,049	-
Provision for current tax - previous years		31	-
Provision for Deferred Tax		<u>19,664</u>	<u>-</u>
PROFIT ATER TAX EXPENSE		69,148	509,608
Add: Profit brought forward from Previous Year		<u>1,121,921</u>	<u>749,095</u>
		1,191,069	1,258,703
Less:			
Transfer to Debenture Redemption Reserve		-	16,466
Transfer to Capital redemption Reserve		<u>77,359</u>	<u>120,316</u>
		77,359	136,782
Balance of Profit Carried to Balance Sheet		<u>1,113,710</u>	<u>1,121,921</u>
Earning per Share (Face Value Rs 10 per share)			
Before considering extraordinary items			
Basic & Diluted		0.82	9.59
After considering extraordinary items			
Basic & Diluted		1.13	9.73
NOTES ON ACCOUNTS	O		

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

ANUJ PATTANAIK
Deputy Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Vice President (Legal) &
Company Secretary

CA VINAYAK N BAPAT
Vice President &
Chief Financial Officer

Place : Bangalore

Date : May 28, 2011

SIXTY FOURTH ANNUAL REPORT 2010-11

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

(` in 000's)

	Current Year	Previous Year
A CASH FLOW FROM OPERATION ACTIVITIES		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	104,892	624,151
DEPRECIATION (INCLUDING GOODWILL)	218,822	214,270
AMORTISTION & PROVISIONS (NET)	(117,658)	23,213
(PROFIT)/LOSS FROM SALE OF FIXED ASSETS (NET)	389	(8)
EXTRAORDINARY INCOME	(18,462)	(8,382)
INTEREST AND DIVIDEND (NET)	297,408	285,876
	380,499	514,969
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	485,391	1,139,120
ADJUSTMENT FOR		
TRADE & OTHER RECEIVABLES	107,721	146,396
INVENTORIES	(92,204)	146,667
TRADE & OTHER PAYABLES	411,561	(282,456)
	427,078	10,607
	912,469	1,149,727
CASH GENERATED FROM OPERATIONS		
DIRECT TAXES PAID	(98,685)	(88,671)
	(98,685)	(88,671)
NET CASH FROM OPERATING ACTIVITIES	813,784	1,061,056
B CASH FLOW FROM INVESTING ACTIVITIES		
PURCHASE OF FIXED ASSETS (INCLUDING CWIP)	(147,484)	(266,659)
INCREASE IN GOODWILL ON CONSOLIDATION	(65,200)	155,188
DECREASE IN THE VALUE OF EQUITY IN ASSOCIATES	(758)	3,871
SALE OF FIXED ASSETS	2,699	2,015
INCREASE/(DECREASE) IN MINORITY INTEREST	11,761	3,644
INCREASE/(DECREASE) IN FOREIGN CURRENCY MONETARY		
ITEM TRANSLATION DIFFERENCE ACCOUNT	(36,181)	96,515
INCREASE/(DECREASE) IN FOREIGN CURRENCY	99,232	(239,279)
TRANSLATION RESERVE		
INTEREST RECEIVED	21,704	10,729
DIVIDEND RECEIVED	366	12
NET CASH USED IN INVESTING ACTIVITIES	(113,861)	(233,964)
C CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM TERM BORROWING	284,829	250,000
REPAYMENT OF TERM BORROWINGS/DEBENTURES/		
FINANCE LEASE OBLIGATIONS	(648,845)	(911,450)
PROCEEDS FROM FIXED DEPOSITS FROM PUBLIC	207,230	192,405
REPAYMENT OF FIXED DEPOSITS FROM PUBLIC	(72,030)	(6,720)
REPAYMENT OF PREFERENCE SHARE CAPITAL	(77,359)	(82,956)
EXTRAORDINARY INCOME	18,462	8,382
DIVIDEND PAID	-	(32,349)
INTEREST PAID	(309,047)	(295,977)
NET CASH USED IN FINANCING ACTIVITIES	(596,760)	(878,665)
D NET INCREASE IN CASH & CASH EQUIVALENTS	103,163	(51,573)
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	627,115	678,688
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	730,278	627,115
	103,163	(51,573)

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

ANUJ PATTANAIK
Deputy Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Vice President (Legal) &
Company Secretary

CA VINAYAK N BAPAT
Vice President &
Chief Financial Officer

Place : Bangalore

Date : May 28, 2011

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2011

	(₹ in 000's)	
	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE "A"		
Authorised :		
3,000,000 Preference Shares of ₹. 100/- each	300,000	300,000
60,000,000 Equity Shares of ₹. 10/- each	600,000	600,000
TOTAL	900,000	900,000
Issued, Subscribed and Paid-up :		
773,592 (1,547,182) Preference Shares of ₹. 100/- each	77,359	154,718
50,521,367 (50,521,367) Equity Shares of ₹. 10/- each	505,214	505,214
	582,573	659,932

NOTES :

- Equity Shares include:
 - 10,000 Shares of face value of ₹ 0.100 million allotted as fully paid up pursuant to a contract without payment being received in cash;
 - 6,679,572 Shares of face value of ₹ 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.
 - 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.
 - 2,000,000 equity shares of ₹ 10/- each aggregating to ₹ 20 million at a premium of ₹ 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.
 - 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 6,174,878 equity shares of ₹ 10/- each allotted to KECL Investment Trust, sole beneficiary of which is the Company.
- 1,176,746 preference shares of ₹ 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. 429,564 shares of ₹ 100/- each and 373,590 shares of ₹ 100/- each were redeemed during the year 2009 - 2010 and in the current year respectively and the balance shall be redeemed on April 1, 2012
- 400,000 (previous year 800,000) 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. These shares shall be redeemed on 30.9.2011

SCHEDULE "B"

RESERVES AND SURPLUS

Capital Reserve

As per last Balance Sheet

Add: On first time recognition of deferred tax asset by LDW

As at 31st March, 2011	As at 31st March, 2010
1,806	1,806
157,133	-
158,939	1,806

Revaluation Reserve

As per last Balance Sheet

48,041	48,041
--------	--------

Capital Redemption Reserve

As per last Balance Sheet

Add: Transferred from Profit & Loss account

162,816	42,500
77,359	120,316
240,175	162,816

Debenture Redemption Reserve

As per last Balance Sheet

Add: Transferred from Profit & Loss account

49,400	32,934
-	16,466
49,400	49,400

Reconstruction Reserve Account

As per last Balance Sheet

64,167	64,167
--------	--------

Profit & Loss Account

1,113,710	1,121,921
-----------	-----------

Foreign Currency translation Reserve

As per last Balance Sheet

Adjustments during the year (net)

(125,067)	114,212
(99,232)	(239,279)
(25,835)	(125,067)

Reserve for Doubtful Debts

As per last Balance Sheet

9,000	9,000
-------	-------

TOTAL

1,657,597	1,332,084
------------------	------------------

SCHEDULE "C"

Secured Loans - Refer note 4 of Schedule "O"

- From Banks
- Finance Lease obligations
- Zero coupon debentures

2,063,140	2,405,849
48,168	67,702
-	16,466

TOTAL

2,111,308	2,490,017
------------------	------------------

SCHEDULE "D"

UNSECURED LOANS

- Fixed Deposit
- SICOM Sales Tax loan
- From banks
- From companies

316,194	180,994
1,119	1,119
36,372	157,546
157,330	21,463

TOTAL

511,015	361,122
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NOTE :

Fixed Deposits include unclaimed deposits of ₹ 244 (as at March 31, 2010 ₹ 244)

and ₹ 2,500 (as at March 31, 2010 ₹ 2,500) from a director of the Company.

Amount falling due for payment within one year is ₹ 252,861 (as at March 31, 2010 ₹ 214,039).

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SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2011

SCHEDULE "E"

FIXED ASSETS

(` in 000's)

Particulars	GROSS BLOCK (AT COST)					DEPRECIATION					NET BLOCK	
	As at 1st April 2010	Additions for the year	Adjustment on account of exchange fluctuation	Deductions during the year	As at 31 st March 2011	As at 1 st April 2010	For the year	Adjustment on account of exchange fluctuation	Deductions during the year	As at 31 st March 2011	As at 31 st March 2011	As at 31 st March 2010
Tangible Assets												
Own Assets												
Land (*)	122,388	-	-	-	122,388	-	-	-	-	-	122,388	122,388
Buildings (\$)	630,049	10,827	6,575	-	647,451	124,151	23,192	762	-	148,105	499,346	505,898
Plant & Machinery	2,076,324	63,267	18,104	1,773	2,155,922	1,082,940	135,994	10,472	269	1,229,137	926,785	993,384
Furniture & Equipment	250,096	23,924	5,364	-	279,384	141,294	22,235	3,906	-	167,435	111,949	108,802
Vehicles	36,087	5,709	-	2,708	39,088	17,845	2,551	-	1,124	19,272	19,816	18,242
Leased Assets												
Land (#)	145,199	-	-	-	145,199	-	-	-	-	-	145,199	145,199
Plant & Machinery	64,996	38,565	-	-	103,561	16,137	15,849	-	-	31,986	71,575	48,859
Leasehold Improvements to buildings	29,377	-	-	-	29,377	2,488	1,047	-	-	3,535	25,842	26,889
Intangible assets												
Goodwill	42,346	-	-	-	42,346	42,346	-	-	-	42,346	-	-
Product development	3,731	-	-	-	3,731	1,244	-	-	-	1,244	2,487	2,487
Technical knowhow	11,063	-	-	-	11,063	9,877	1,186	-	-	11,063	-	1,186
Software	110,173	8,376	3,373	-	121,922	53,952	16,768	2,198	-	72,918	49,004	56,221
TOTAL	3,521,829	150,668	33,416	4,481	3,701,432	1,492,274	218,822	17,338	1,393	1,727,041	1,974,391	2,029,555
Previous Year	3,231,106	343,422	44,856	7,843	3,521,829	1,294,486	214,270	10,646	5,836	1,492,274		

(*) 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 ` 48,041.

(\$) Includes ` 3,337 being the cost of ownership premises taken in possession for which Society is to be formed.

(#) Land taken on lease from KIADB aggregates to ` 6,958. On expiry of lease period, payment of balance consideration if any, and execution of sale deed, the title will pass to the Company.

(\$ #) Leasehold land and buildings aggregating to ` 157,037 are subject to registration. However, the Company has taken possession of the said property. Provision has been made for estimated stamp duty and registration charges payable. Further, transfer of the said land is subject to approval of Uttar Pradesh State Industrial Development Corporation.

SCHEDULE "F"

(` in 000's)

	As at 31 st March 2011	As at 31 st March 2010
a. CAPITAL WORK IN PROGRESS/ASSETS HELD FOR SALE:		
1 Plant & Machinery taken on finance lease	-	38,565
2 Buildings	20,382	1,079
	20,382	39,644
b. Assets Held for Sale: (Refer note 11 of Schedule 'O')		
Plant & Machinery held for sale	33,565	33,565
(Net of provision of ` 7,791 (as at March 31, 2010 ` 7,841)		
TOTAL:	53,947	73,209

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2011

SCHEDULE "G"

(` in 000's)

Details of Investment	Name of the Company	Nos	Face Value	As at 31st March 2011	As at 31st March 2010
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	-	-
(ii) Debentures - Fully Paid-up					
The Mysore Kirloskar Ltd., @		30,000	44	-	-
(b) Unquoted :					
(i) Equity Shares - Fully Paid-up					
In Other Companies :					
Kirloskar Proprietary Ltd.,		26	100	128	128
(acquired 25 shares on rights issue)					
Kirloskar (Malaysia) Sdn. Bhd,		-			
Kuala Lumpur, Malaysia		300,000	MR 1	6,441	4,967
(includes 100,000 bonus shares)					
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
Electrical Machine Industries (Bahrain) WLL		180	BHD100	5,114	5,830
		TOTAL:		19,665	18,907

@ Matured and due for payment.

NOTES :

	<u>` in 000's</u>	<u>` in 000's</u>
1) Aggregate value of quoted investments		
Cost	100	100
Market Value	1,203	1,036
2) Aggregate value of unquoted investments		
Cost	19,565	18,807

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SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2011

SCHEDULE "H"

(` in 000's)

	As at 31st Mar 2011	As at 31st March 2010
CURRENT ASSETS, LOANS & ADVANCES		
A. Current Assets		
1. Inventories		
i. Raw Materials, stores, spares parts, components etc.,	525,465	353,934
ii. Stock in trade		
Finished goods (including trading stocks)	151,950	166,598
Process stock	960,894	1,016,948
iii. Others-Including material at port and scrap	12,230	20,855
	1,650,539	1,558,335
2. Sundry Debtors - (Unsecured)		
i. Debts outstanding for a period exceeding six months		
a) Considered good	581,291	453,086
b) Considered doubtful	133,002	188,264
ii. Other debts (Considered good)	1,865,266	2,138,268
	2,579,559	2,779,618
Less : Provision for doubtful debts	133,002	188,264
	2,446,557	2,591,354
3. Cash and Bank Balances		
a. Cash on hand	1,059	1,438
b. Amount in transit/ Cheques on hand	900	6,570
c. Balances with scheduled banks		
- On current accounts	258,598	173,349
- On short term deposit accounts	280,900	251,792
d. Balance with other banks:		
- On current accounts	12,663	9,080
- On short term deposit accounts	176,158	184,886
	730,278	627,115
B. Loans and Advances (Unsecured, Considered good unless otherwise stated):		
Advances recoverable in cash or in kind or for value to be received		
i) Sundry Advances & Deposits		
a) Considered good	440,494	358,252
b) Considered doubtful	85,032	121,514
	525,526	479,766
Less : Provision for doubtful advances	85,032	121,514
	440,494	358,252
ii) Central excise deposits	83,100	39,914
iii) Advance payment of tax (includes advance FBT and net of provision for tax)	7,981	11,832
	531,575	409,998
TOTAL:	5,358,949	5,186,802

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2011

SCHEDULE "I"

(` in 000's)

		As at 31st Mar 2011		As at 31st March 2010	
	CURRENT LIABILITIES & PROVISIONS				
A. Current Liabilities					
	Sundry Creditors	2,251,349		2,265,227	
	Acceptances	509,219		191,708	
	Trade Advances	853,868		796,727	
	Other liabilities (@)	103,253		52,466	
	Interest accrued but not due on loans and deposits	12,656		5,617	
			3,730,345		3,311,745
B. Provisions					
	For Taxation (including FBT & Net of advance tax)	-		75,829	
	For Earned Leave Encashment	61,405		64,162	
	For Wage arrears	-		7,000	
	For Stamp duty pursuant to Scheme	65,958		72,036	
	For Gratuity	93,908		106,680	
	For Warranties	71,444		68,751	
			292,715		394,458
	TOTAL:		4,023,060		3,706,203

(@) Includes ` 309 million due to Directors (Previous year ` 309).

SIXTY FOURTH ANNUAL REPORT 2010-11

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

SCHEDULE "J"

(` in 000's)

	Current Year	Previous Year
OTHER INCOME		
Interest (Gross) :		
from banks on deposits	11,921	13,683
from others	6,391	2,011
(Tax deducted at source ` 910, previous year ` 250)	18,312	15,694
Dividend from long term		
Investments : Trade	366	12
Commission on Sales	-	16343
Rent received	9,072	9,389
(Tax deducted at source ` 540, previous year ` 540)		
Miscellaneous*	49,539	114,334
TOTAL:	77,289	155,772

* Includes provision no longer required ` 13,025 million (previous year ` 90,310), Provision for non moving inventory withdrawn ` Nil (previous year ` 9,110), Provision for doubtful debts withdrawn ` 3,552 (previous year ` Nil) and Provision for doubtful advances withdrawn ` Nil (previous year ` 10,000).

SCHEDULE "K"

CONSUMPTION OF RAW MATERIALS, STORES, SPARE PARTS & COMPONENTS AND PURCHASES FOR TRADING

Raw material, stores and Components*	7,308,739	7,473,906	
Purchases for Trading	154,177	136,630	
	7,462,916		7,610,536
Deduct : Increase in stocks			
Stocks at Close			
Process stocks	960,894	1,016,948	
Trading and finished goods	151,950	166,598	
Scrap	342	1,241	
	1,113,186	1,184,787	
Less : Stocks at commencement			
Process stocks	1,016,948	1,204,100	
Trading and finished goods	166,598	165,778	
Scrap	1,241	954	
	1,184,787	1,370,832	
	71,601		186,045
Inventories written off	-		21,631
	7,534,517		7,818,212

* Value of stores and spares not separately ascertained

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

SCHEDULE "L"

	(` in 000's)	
	Current Year	Previous Year
OPERATING & OTHER EXPENSES		
Power & Fuel	138,620	135,621
Expenses relating to Employees :		
Salaries, Wages & Bonus - refer note 13 of Schedule 'O'	1,327,591	1,427,317
Contribution to Employees PF, Family Pension Scheme and Superannuation Fund	191,361	180,865
Gratuity as per actuarial valuation	32,661	33,802
Workmen and Staff Welfare Expenses (includes contribution to employees' State insurance & PF Administration Charges	87,473	142,329
	<u>1,639,086</u>	<u>1,784,313.</u>
Rent	80,722	81,766
Repairs		
Buildings	5,903	11,920
Machinery	27,941	27,191
Others	<u>72,260</u>	<u>90,284</u>
	106,104	129,395
Selling Expenses	209,214	230,082
Commission	39,787	92,955
Cash Discount	21,290	11,724
Additional Sales Tax	-	5,180
Maintenance of Vehicles	4,373	4,659
Insurance	36,389	70,106
Rates and Taxes	14,448	8,316
Advertisement	12,518	13,633
Printing & Stationery	9,891	12,173
Travelling Expenses	126,342	118,389
Postage, Telegrams and Telephones	20,755	21,084
Auditors Remuneration	8,823	11,358
Tech. Consultancy & Professional Charges	147,836	108,591
Accounting machinery	-	42,001
Bank Charges (includes exchange fluctuation difference of ` 45,258 Dr.previous year ` 380 Cr.)	113,816	94,423
Subscription to technical associations,		
General Expenses	37,961	3,966
Journals and Magazines	3,897	34,389
Donations	1,163	1,540
Directors' sitting fees	901	319
Remuneration to whole-time directors	23,765	28,411
Bad debts & disallowance written off	66,710	10,167
Less : Provision for doubtful debts withdrawn	<u>66,710</u>	<u>10,085</u>
	-	-
Advances written off	36,482	8,157
Less : Provision for doubtful advances withdrawn	<u>36,482</u>	<u>8,157</u>
	-	24,960
Investments written off	-	24,960
Less : Provision for diminution in value of Investments withdrawn	-	-
Uninstalled machinery written off	50	48,134
Less : Provision for uninstalled machinery withdrawn	<u>50</u>	<u>48,134</u>
	<u>2,797,700</u>	<u>3,044,394</u>

SIXTY FOURTH ANNUAL REPORT 2010-11

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

SCHEDULE “M”

(` in 000's)

	Current Year	Previous Year
DEPRECIATION, AMORTISATION AND PROVISIONS		
1 Depreciation	218,822	209,930
2 Doubtful debts	15,000	20,000
3 Doubtful advances	-	5,000
4 Warranty claim	11,281	10,441
5 Amortisation of Foreign Exchange Loss on Monetary item	(36,181)	(36,181)
	208,922	209,190

SCHEDULE “N”

(` in 000's)

	Current Year	Previous Year
PRIOR PERIOD ADJUSTMENT		
1 Depreciation	-	4,340
2 Bonus provision withdrawn	-	(431)
3 Finance Lease adjustment	-	(1,893)
4 Others	8,568	4,095
5 Other income related to prior periods	(6,690)	(2,254)
	1,878	3,857

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. BASIS OF CONSOLIDATION**

The financial statements of Kirloskar Electric Company Limited ("Parent Company"), subsidiary companies and associates ("the Group") used in the preparation of this consolidated financial statements have been drawn up on the same reporting date as that of the parent company i.e. year ended March 31, 2011. 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 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 assets relating to the year 2008 – 09 and 2009 – 10 were 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'.

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) 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.

1. SIGNIFICANT ACCOUNTING POLICIES**1.1 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.

(iii) Assets Held for Sale:

Assets held for sale are stated at the cost or estimated net realizable value whichever, is lower.

1.2 INVESTMENTS:

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

1.3 INVENTORIES:**(Parent Company)**

1. Raw materials, stores, spare parts and components are valued on first in first out basis/ weighted average at net landed cost or net realizable value whichever is lower.

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...)**

2. Work in progress is valued at works cost or net realizable value whichever is lower.

3. Finished goods are valued at works cost or net realizable value whichever is lower.

Material cost of work in progress and finished goods have been computed based on the weighted average/ average price/ latest estimated purchase price. At certain units, cost of finished goods has been computed by subtracting an estimated percentage from selling price to cover margins, further cost to be incurred to make the sale and excluded cost.

Lloyd Dynamowerke GmbH & Co. KG (LDW)

Inventories of 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.

1.4 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, which ever 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 ₹. 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 ₹.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 ₹.5,000/- is depreciated fully. However, in certain units where SAP ERP software has been implemented depreciation has been provided on monthly prorata basis.

LDW

- a) Intangible assets of fixed assets are recorded at historical cost less regular accumulated depreciation.
- b) 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 it is assumed useful lifetime between three and thirteen years. Low value assets with acquisition cost upto EUR 150 were fully depreciated in the year of acquisition. Additions to low value assets, 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. Since January 1, 2010 the additions with acquisition cost upto EUR 410 are fully depreciated in the year of acquisition.

1.5 IMPAIRMENT OF ASSETS:

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss, if any, is charged to profit and loss account, in the year in which an asset is identified as impaired.

1.6 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.

1.7 REVENUE RECOGNITION:

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

1.8 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: (Parent Company)**

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"

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

LDW

The Company has contributed certain percentage of salary of the employee to social securities as per the law of the land, such amount paid/payable during the year is accounted under employer contribution to social security.

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. LDW has a scheme of paying vacation pay to its employees. The methodology adopted for estimation of this liability has not been received from LDW.

1.9 FOREIGN CURRENCY TRANSLATION ON OVERSEAS BRANCH:

- Foreign currency transactions are translated into rupees at the exchange rate prevailing on the date of the transaction.
- Monetary foreign currency assets and liabilities outstanding as at the year-end are restated at the exchange rates prevailing as at the close of the financial year. All exchange differences are accounted for in the profit and loss account.
- Non monetary items denominated in foreign currency, are valued at the exchange rate prevailing on the date of transaction.
- In respect of branches, which are integral foreign operations are translated as if the transactions of those foreign operations were the transactions of the Company itself.

1.10 TAXES ON INCOME (Parent Company):

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.

LDW:

The Company took the option to capitalization the deferred taxes based on the changed regulations of the German commercial law. Mainly the assets of the supplementary tax balance sheet are considered. The first time recognition is carried out resulting in neither profit nor loss. Further a fiscal loss brought forward from previous account was activated. The recoverability was supported by a fiscal cost budget. The computation is the basis a trade fiscal load at a value of 15.4%.

1.11 BORROWING COSTS:

Interest and other borrowing costs on specific borrowings relatable 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.

1.12 PROVISIONS & CONTINGENT LIABILITIES:

A provision is recognized when the group has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

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.

- The consolidation of financial statement(CFS) present the consolidated accounts of Kirloskar Electric Company Limited with its following subsidiaries and associates:

Name of the company	Ownership Percentage	Country of Incorporation
Subsidiary		
Kirsons BV	100%	The Netherlands
Step down Subsidiaries		
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	30.00% (30.35%)	Malaysia

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...)**

		(C in 000's)	
3(a)	CONTINGENT LIABILITIES OF THE COMPANY AND ITS SUBSIDIARIES:	As at 31.03.2011	As at 31.03.2010
i)	Letter of Credit, Guarantees, Corporate and Counter guarantees given on Import and Sale contracts etc.	2,084,853	2,310,848
ii)	Bills discounted with bank	261,512	200,425
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	6,209	12,158
iv)	Sales tax demanded under appeal. The Company has paid an aggregate amount of ` 70,194 against the demand which has been included in Loans & advances under schedule "H (B)".	212,194	212,544
v)	Claims against the Company not acknowledged as debt. The Company has made counter claim against one of the parties amounting to ` 12,944 (Previous year ` 12,944)	256,491	241,532
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)	Interest if any, on account of delays in payment suppliers.	Not Ascertainable	Not Ascertainable
viii)	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
ix)	Certain industrial disputes are pending before various judicial authorities – not acknowledged by the Company	Amount not ascertainable	Not Ascertainable
x)	Penal damages levied by the Regional Provident Fund commissioner and subject to write before the High Court of Karnataka, Bangalore. An amount of ` 4,618 paid has been included in loans and advances	9,154	9,154
xi)	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	Not ascertained
xii)	Arrears of dividend on cumulative preference shares for the period from April 1, 2004 to March 31, 2011 (as at March 31, 2010 for the period from April 1, 2004 to March 31, 2010) (including tax thereon).	107,174	95,643
xiii)	The Company had furnished a guarantee for the redemption of preference shares issued by Kirlskar Investment and Finance Ltd to an extent of ` 20,000 (Previous year ` 20,000) and had obtained counter guarantee from the said Company. The preference shareholder has claimed a sum of ` 20,000 along with dividends in arrears of ` 20,560 and interest from the Company. This claim has been upheld by the Debt Recovery Tribunal (DRT). The Company has preferred an appeal before the Debt Recovery Appellate Tribunal to set aside the orders passed by the DRT. The Company does not acknowledge this liability.	40,560	40,560
xiv)	Income tax demands under appeal	9,307	Nil
xv)	Show cause notices raised by the department for short and non remittances for tax deducted at source - Matter under examination.	4,599	Nil

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.	104,787	44,943
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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

(` in 000's)			
		As at 31.03.2011	As at 31.03.2010
4.	SECURED LOANS OF THE COMPANY & SUBSIDIARIES:		
	A) Loans and Advances from banks & financial institutions :		
	i) 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.	99	39,776
	ii) 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.	896,988	841,784
	iii) Against pledge of fixed deposits	58,378	74,828
	iv) Against security of Motor Cars	364	561
	v) 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	140,006	410,011
	vi) Term loan at LDW is secured by fixed assets	205,628	111,870
	vii) 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 KEC.	761,677	927,019
	B) Against assets purchased on finance lease	48,168	67,702
	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.	Nil	16,466

5.
 - a. The order of the Honorable High court of Karnataka according approval for the scheme of arrangement and amalgamation under sections 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. The Company has provisionally accounted for stamp duty liability estimated at ` 58,922 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.
 - c. 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 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.
7. Current assets, loans and advances include ` 28,412 (Previous year ` 33,015) due from private limited companies in which directors are interested.
8.
 - 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, collector of customs and creditors, are under review and reconciliation. Against aggregate debts outstanding in India as at March 31, 2011 for more than 2 years of ` 180,346, the Company holds a provision of ` 116,533. Adjustments, if any will be made on completion of review/reconciliation/ identification of further doubtful debts/advances. 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 ` 52,879 has been included in Current assets, 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.

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...)**

9. a. The Company has implemented SAP ECC 6 systems at certain units. Various mistakes and omissions noticed during the year have been corrected based on physical inventory taken from time to time. Continuing steps are being taken to cleanse data and stabilize systems. The effect of unrectified mistakes and omissions is not expected to be material.
- b. The Company has initiated steps to bring the valuation of inventories in line with Accounting Standard – 2. However, the processes followed for determination of cost and net realizable value needs to be uniform across units and refined/improved to bring it in line with the requirements of the said standard. Continuing steps are being taken by the management in this respect.
10. a. During the year, the Company has implemented SAP ECC 6 systems software in certain units. Inventory at these units as at March 31, 2011 have been based on moving weighted average and labor/ overheads absorption methods configured in the said system as against other cost basis used in the previous year. Effect of such change on the revenue for the year is not ascertained.
- b. Depreciation on additions has been calculated on monthly prorata basis instead of quarterly basis, in certain units where SAP ECC 6 system has been implemented. Effect of such change on the revenue for the year is not ascertained.
- c. The additions to fixed assets at LDW whose acquisition cost upto Euro 410 has been fully depreciated in the year of acquisition from January 01, 2010. Due to the such change in the method of accounting the depreciation has been overstated and profits have been understated by ` 3,326.
11. Assets held for sale has been recognized at realizable value estimated by the management. No external valuation or quotations from prospective buyers have been obtained.
12. a) Current Assets, Loans & Advances include ` 23,692 (as at March 31, 2010 ` 22,718) 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.
13. Salaries, wages & bonus includes ` Nil (previous year ` 22,193) amount paid towards voluntary retirement scheme at certain units during the year.
14. Remuneration to Managing Director & other whole time directors: (` In 000's)

Particulars		Current Year	Previous year*
a)	Managing Director Salary & Perquisites Contribution to Provident & Other Funds	10,800 2,916	16,463 4,445
	TOTAL	13,716	20,908
b)	Joint Managing Director Salary & Perquisites Contribution to Provident & Other Funds Gratuity paid	3,704 772 1,697	5,912 1,591
	TOTAL	6,173	7,503
c)	Deputy Managing Director Salary & Perquisites Contribution to Provident & Other Funds	3,216 660	- -
	TOTAL	3,876	-
	GRAND TOTAL	23,765	28,411

Liability in respect of accrued gratuity & compensated absence to Managing Director and Deputy Managing Director are not ascertainable separately. Remuneration to Joint Managing Director includes gratuity and leave encashment paid during the year. In addition, all the directors referred to above are entitled to free use of Company car and communication facilities.

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 whole time directors of the Company.

The appointment of Mr. Anuj Patnaik as Deputy Managing Director from September 23, 2010 and the remuneration paid/provided amounting to ` 3,876 is subject to the approval of the members of the Company.

The members of the Company have approved payment of higher remuneration to the Chairman and Managing Director amounting to ` 2,000 per month plus benefits and perquisites with effect from August 17, 2010. Pending reconsideration of the approval granted, no provision has been made in the financial statements for differential remuneration payable estimated at ` 10,455. The above data doesn't include remuneration to managing director of step down subsidiary amounting to ` 12,254 (Previous year ` 11,811).

The above data doesn't include remuneration to managing director of step down subsidiary amounting to ` 12,254 (Previous year ` 11,811).

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

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:

(` 000's)

	Current Year	Previous year*
Employer's Contribution to Provident Fund & Pension Scheme	35,329	35,070
Employer's Contribution to Superannuation Fund	11,395	12,696
Employer's contribution to Social security (in case of LDW)	144,593	139,135

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.

(` In 000's)

	Current Year		Previous year	
	Gratuity (Funded)	Leave (Funded)	Gratuity (Funded)	Leave (Unfunded)
1. Reconciliation of opening and closing balances of defined benefit obligation:				
Defined Benefit obligation at beginning of the year	225,643	42,469	210,190	38,747
Current Service Cost	11,913	7,650	9,971	7,431
Interest Cost	16,502	3,009	14,672	2,603
Additional provision for increase in limit of gratuity/ in excess of limit	18,138	-	14,139	-
Actuarial (gain)/ loss	(1,812)	(3,709)	5,071	99
Benefits Paid	(22,681)	(6,211)	(28,400)	(6,411)
Defined Benefit obligation at end of the year	247,703	43,208	225,643*	42,469
2. Reconciliation of opening and closing balance of fair value of plan assets:				
Fair value of plan assets at beginning of the year	118,963	-	99,706	
Expected return on plan assets	12,236	206	9,725	
Employer Contribution	45,433	4,387	38,258	
Benefits paid	(22,681)	-	(28,400)	
Actuarial gain/(loss)	(156)	(183)	(326)	
Fair value of plan assets at year end	153,795	4,410	118,963	
3. Reconciliation of fair value of assets and obligations:				
Fair value of plan assets	153,795	4,410	118,963	-
Present value of obligation	247,703	43,208	225,643*	42,469
Amount recognized in Balance Sheet under liabilities:	93,908	38,798	106,680	42,469
4. Expense recognized during the year: (under "Schedule-M"				
Operating & Other expenses of the Profit and Loss account)				
Current Service Cost	11,913	7,650	9,971	7,431
Interest Cost	16,502	3,009	14,672	2,603
Expected return on plan assets	(12,236)	(206)	(9,725)	-
Additional provision for increase in limit of gratuity/ in excess of limit	18,138	-	14,139	
Actuarial (gain)/ loss	(1,656)	(3,526)	4,745	99
Net Cost	32,661	6,927	33,802*	10,133

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...)**

(₹ In 000's)

	Current Year		Previous year	
	Gratuity (Funded)	Leave (Funded)	Gratuity (Funded)	Leave (Unfunded)
5 Actuarial assumptions:				
Mortality Table (LIC)	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)
Discount rate (per annum)	7.70%	7.70%	7.70%	7.70%
Expected rate of return on plan assets (per annum)	9.25% to 9.40%	9.40%	9.25% to 9.40%	Nil
Rate of escalation in salary (per annum)	7%	7%	7%	7%

*Based on the notification dated May 18, 2010 issued by the Government of India, enhancing the maximum limit of gratuity payable to employees, the Company has provided an additional liability amounting to ₹ 14,139.

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 as certified by the actuary. The above data relates only to the parent Company. The group holds the provision of ₹ 22,607 towards vacation pay payable by LDW. Data for disclosures in terms of AS – 15 has not been received from LDW.

16. Segment Reporting:

- (i) The Company has identified the reportable segments as Power Generation & 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 group.

(₹ in 000s)

	Particulars	Primary Segment		Others	Total
		Power Generation & Distribution	Rotating Machines Group		
1	Segment Revenues				
	External Revenues	4,646,760 (4,496,139)	6,401,652 (7,536,264)	535,905 (444,497)	11,584,317 (12,476,900)
	Intersegment revenues	45,157 (130,783)	166,143 (18,209)	3,702 (44,729)	215,002 (193,721)
	Total Revenues	4,691,917 (4,626,922)	6,567,795 (7,554,473)	539,607 (489,226)	11,799,319 (12,670,621)
2	Segment Results: Profit				
	Before Taxation and Interest	371,169 (673,228)	487,816 (585,633)	117,432 (196,458)	976,417 (1,455,319)
	Less: Interest				316,086 (301,582)
	Less: Depreciation & Amortizations				208,922 (213,530)
3	Unallocable Expenditure				437,344 (385,187)
4	Unallocable & Other Income (including Extraordinary items)				95,829 (78,046)
5.	Share of Profits/ (losses) in the Associates (Net)				(429) (-2,584)
6.	Minority interest – Share of Profits				4,574 (6,331)
	Less: Tax (including FBT)				35,744 (114,543)
	Total Profit				69,147 (509,608)

KIRLOSKAR ELECTRIC COMPANY LTD.

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

(` In 000's)					
	Particulars	Primary Segment		Others	Total
		Power Generation & Distribution	Rotating Machines Group		
7	Segment Assets	2,028,159 (1,826,223)	3,033,508 (4,592,844)	251,896 (303,558)	5,313,563 (6,722,625)
8	Unallocable Assets				3,594,548 (1,873,712)
9	Segment Liabilities	1,682,328 (1,146,871)	1,786,473 (1,959,530)	153,401 (162,329)	3,622,203 (3,268,730)
10	Unallocable Liabilities				3,023,180 (3,288,612)
11	Capital Expenditure	11,667 (13,938)	130,480 (116,022)	13 (3,702)	142,160 (133,662)

(ii) Geographical Segment:

(` 000's)

Particulars	Segment revenue by geographical Market	
	Current year	Previous year
Sales of India	8,952,198	8,840,453
Sales of overseas	2,632,119	3,636,447
Total	11,584,317	12,476,900

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

(` 000's)

	Carrying amounts of segment assets		Additions to fixed assets & Intangible assets	
	Current year	Previous year	Current year	Previous year
Located in India	5,798,287	5,365,323	93,652	239,304
Located outside India	3,109,824	3,231,014	57,016	104,118
Total	8,908,111	8,596,337	150,668	343,422

17. Related Parties Disclosure:

Sl. No	Name of the related party	Relationship
1	Mr. Vijay R Kirloskar Mr. P S Malik (upto 11.10.2010) Mr. Anuj Pattanaik (from 23.09.2010) Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar Mr. Berthold Groeneveld	Key management personnel and their Relatives.
2	Kirloskar (Malaysia) Sdn. Bhd Electrical Machines Industries (Baharain) W.L.L	Associates
3	Kirloskar Computer Services Limited Kirloskar Batteries Private Limited Kirloskar Power Equipments Limited Ravindu Motors Private Limited Vijay Farms Private Limited Sri Vijaydurga Investments and Agencies Private Limited Vijayjyothi Investments and Agencies Private Limited Abhiman Trading Company Private Limited Vimraj Investments Private Limited Vijaykirti Investments and Agencies Private Limited Kirloskar Software Services	Enterprises over which key management personnel and their relatives are able to exercise significant influence

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...)****DETAILS OF TRANSACTIONS:****(` In 000's)**

Nature of transactions	Key management personnel and their Relatives	Associates	Enterprises over which key management personnel and their relatives are able to exercise significant influence
Purchases of goods /services	Nil (Nil)	Nil (Nil)	23,613 * (47,749)
Sale of goods/fixed assets/ services	Nil (Nil)	25,986# (17,134)	5,486 ^ (10,536)
Purchase of Motor Cars from Ravindu Motors Private Limited	Nil	Nil	4,514 (1,999)
Purchase of leasehold interest in Land & Building from Kirloskar Batteries Pvt Limited subject to registration of sale deed pending	Nil	Nil	Nil (150,000)
Purchase of Plant & Machinery from Kirloskar Batteries Pvt Ltd.	Nil	Nil	5,233 (Nil)
Rent received from Ravindu Motors Private Limited	Nil	Nil	2,400 (2,647)
Dividend received	Nil	Nil # (137)	Nil (Nil)
Rent paid	1,595! (1,600)	Nil	39,687 ## (41,622)
Investments as at March 31, 2011	Nil	11,555 + (10,797)	5,909++ (5,909)
Investments written off during the year	Nil	Nil @@ (5,000)	Nil @@ (2,380)
Irrecoverable advances written off during the year	Nil	Nil	32,246 \$ (Nil)
Provision for doubtful advances as at March 31, 2011	Nil	Nil	Nil\$ (32,246)
Amount due to Company as at March 31, 2011	Nil ! (2,700)	10,769# (9,712)	59,456!! (92,695)
Amount due from Company as at March 31, 2011	Nil (Nil)	Nil	6,746 \$\$ (21,231)
Remuneration paid	36,892 ^^^ (29,979)	Nil	Nil
Fixed deposit accepted during the year from Rukmini Kirloskar	1,000 (-)	Nil	Nil
Fixed deposit outstanding as at March 31, 2011	3,500 ** (2,500)	Nil	Nil
Interest on fixed deposits	433 *** (65)	Nil	Nil
Redemption of Preference Shares to Abhiman Trading Company	Nil	Nil	467 (467)
Guarantees given on behalf of the Company and outstanding at the end of the year by Vijay R Kirloskar	897,087 (881,560)	Nil	Nil

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.

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

- * Includes Purchases of goods / services from Kirloskar Batteries Private Limited ` 4,771 (previous year ` 26,641), Vijay Farms Private Limited ` 6,371 (Previous year ` 5,918), Sri Vijaydurga Investments and Agencies Private Limited ` 8,646 (Previous year ` 9,595), Vijayjyothi Investments and Agencies Private Limited ` 284 (Previous year ` 68) and Abhiman Trading Company Private Limited ` 3,541 (Previous year ` 5,527).
- # Represents transaction with Kirloskar (Malaysia) Sdn Bhd.
- ^ Includes sales to Kirloskar Batteries Private Limited ` Nil (Previous year ` 9,449) and Ravindu Motors Private Limited ` 5,486 (Previous year ` 1,087)
- ## Includes rent paid to Kirloskar Power Equipments Limited ` 22,200 (Previous year ` 21,600), Vijayjyothi Investments and Agencies Pvt Ltd ` 15,600 (Previous year ` 15,600), Sri Vijaydurga Investments and Agencies Private Limited ` Nil (Previous year ` 1,800) and Kirloskar Batteries Pvt Ltd ` 1,887 (Previous year ` 2,622).
- + Investments in Kirloskar (Malaysia) Sdn Bhd. ` 6,441 (as at March 31, 2010 ` 4,967) and Electrical Machine Industries ` 5,114 (as at March 31, 2010 ` 5,830).
- ++ Investments in Kirloskar Power Equipments Limited ` 5,909 (as at March 31, 2010 ` 5,909)
- \$\$ Represents due to Kirloskar Batteries Private Limited.
- @ @Represents KEASI Robican Industrial Systems Limited ` Nil (Previous year ` 5,000) and Kirloskar Computer Services Limited ` Nil (Previous year ` 2,380).
- \$ Represents Kirloskar Computer Services Limited
- !! Includes due from Kirloskar Power Equipments Limited ` 31,246 (as at March 31, 2010 ` 27,630), Kirloskar Computer Services Limited ` Nil (as at March 31, 2010 ` 32,246), Vijay Farms Pvt. Limited ` 17,848 (as at March 31, 2010 ` 17,707), Vijayjyothi Investments and Agencies Private Limited ` 4,410 (as at March 31, 2010 ` 10,480), Abhiman Trading Company Pvt. Limited ` 3,405 (as at March 31, 2010 ` 3,607), Vijaykirti Investments and Agencies Private Limited ` Nil (as at March 31, 2010 ` 60), Vijaydurga Investments and Agencies Pvt Ltd ` 2,439 (as at March 31, 2010 ` 865) and Ravindu Motors Private Limited ` 108 (as at March 31, 2010 ` 100).
- ! Represents due from Meena Kirloskar
- ** Represents deposits accepted from Meena Kirloskar ` 2,500 (Previous year ` 2,500) and Rukmini Kirloskar ` 1,000 (Previous Year ` Nil)
- *** Represents interest paid to Meena Kirloskar ` 379 (Previous year ` 65) and Rukmini Kirloskar ` 54 (Previous year ` Nil)
- ^^^ Includes paid to Vijay R Kirloskar ` 13,716 (Previous year ` 20,908), P S Malik ` 6,173 (Previous year ` 7,503), Anuj Pattanaik ` 3,876 (Previous year Nil) Meena Kirloskar ` 73 (Previous year ` 25), Janaki Kirloskar ` 240 (Previous year ` 1,007), Rukmini Kirloskar ` 560 (Previous year ` 536) and Bethold Groenveld ` 12,254 (Previous year ` 11,811).

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.

(` In 000's)

Particulars	Total minimum lease payments outstanding as at 31.03.2011	Future interest on outstanding Lease Payments	Present value of minimum lease payments as at 31.03.2011
Within One year	26,255 (26,255)	4,801 (7,347)	21,454 (18,908)
Later than one year but not later than five years	28,885 (56,998)	2,171 (8,204)	26,714 (48,794)
Total	55,140 (83,253)	6,972 (15,551)	48,168 (67,702)

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 ` 81,892 (` 81,766).

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...)

20. Earnings per share:

(000's)

PARTICULARS	Current Year	Previous Year
BASIC & DILUTED :		
After extraordinary items		
Profit for the year after tax expense	69,147	509,608
Less:		
Preference Dividend including dividend tax	12,055	17,733
	57,092	491,875
Weighted No. of Equity Shares for Basic EPS	50,521,367	50,521,367
Basic EPS (₹)	1.13	9.73
Before extraordinary items		
Profit for the year after tax expense	69,147	509,608
Less: extraordinary item (net of tax)	15,619	6,957
	53,528	502,651
Less:		
Preference Dividend including dividend tax	12,055	17,733
	41,473	484,918
Weighted No. of Equity Shares for Basic EPS	50,521,367	50,521,367
Basic EPS (₹)	0.82	9.59

21. DETAILS OF DEFERRED TAX (LIABILITY) / Asset:

In 000's

	As at 31.03.2011	As at 31.03.2010
a) Of the Company:		
Liability relating to value of fixed assets	203,698	222,359
Asset relating to Disallowance and Unabsorbed loss & depreciation under the Income Tax Act, 1961	203,698	222,359
Net amount	Nil	Nil
b) Of LDW:		
First time Capitalization supplementary tax balance sheet	165,586	Nil
Differences provision for storage of business records between commercial and tax balance sheet	(42)	Nil
Capitalisation trade tax loss carried forward	2,364	Nil
Dissolution from supplementary tax balance sheet	(19,812)	Nil
Net amount	148,096	Nil
Total Amount	148,096	Nil

- 22.** 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:

` in 000's

Particulars	Earned leave encashment	Wage arrears	Stamp duty	Warranty Claims *
Balance outstanding at the beginning of the year	64,162 (61,051)	7,000 (-)	72,036 (65,000)	68,751 (61,507)
Provision for the year (net)	-2,757 (3,111)	-7,000 (7,000)	-6,078 (7,036)	11,281 (10,441)
Exchange fluctuation difference	-	-	-	(8,588) (3,197)
Balance outstanding at the end of the year	61,405 (64,162)	- (7,000)	65,958 (72,036)	71,444 (68,751)

* includes provision held at LDW ` 22,608 (As at March 31, 2010 ` 25,751)

- 23.** The Company has entered into forward contracts outstanding as on March 31, 2011 for Euro 250,000 to hedge future contractual obligation.

The foreign currency exposures that have not been hedged by any derivative instrument or otherwise as on March 31, 2011 are as under:

Particulars	As at 31.03.2011 ` in 000's	As at 31.03.2010 ` in 000's
Assets (Receivables)	30,521	25,228
Liabilities (Payables)	32,980	11,650

- 24.** Figures have been rounded off to the nearest "000's" as permitted by Government of India Notification No.GSR: 14(E) dated December 23, 1978. Figures in Schedule 'O' are in ` 000's unless otherwise stated.

- 25.** 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 B.K. RAMADHYANI & CO.
Chartered Accountants

CA SHYAM RAMADHYANI
Partner

Place : Bangalore

Date : May 28, 2011

For and on behalf of Board of Directors

VIJAY R KIRLOSKAR
Chairman & Managing Director

P Y MAHAJAN
Vice President (Legal) &
Company Secretary

ANUJ PATTANAIK
Deputy Managing Director

CA VINAYAK N BAPAT
Vice President &
Chief Financial Officer

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							
		Not dealt with in the Holding Company's accounts				Dealt with in the Holding Company's accounts			
SI 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	For the financial year ended 31 st March, 2011	For the previous financial years of the subsidiary companies since they became the Holding Company's subsidiary		
1	Kirsons B.V.	31.3.2011	11.8.2008	1353 shares of € 100 each	100 %	€ (118877)	€ (846876)	-	-
2	Lloyd Dynamowerke GmbH & Co. KG, Germany LLP *	31.3.2011	1.9.2008	€ 3160000 Capital	94.9%	€ 1269892	€ 3014450	-	-
3	Lloyd Beteiligungs-GmbH, Germany *	31.3.2011	1.9.2008	€ 25000 Capital	100%	€ 1523	€ 1125	-	-

* subsidiary of Kirsons B.V.

For and on behalf of Board of Directors

VJAY R KIRLOSKAR
Chairman & Managing Director

ANUJ PATTANAİK
Deputy Managing Director

P Y MAHAJAN
Vice President (Legal) &
Company Secretary

CA VINAYAK N BAPAT
Vice President &
Chief Financial Officer

Bangalore

Date : May 28, 2011

KIRLOSKAR ELECTRIC COMPANY LIMITED

Industrial Suburb, Rajajinagar, Bangalore - 560 010.

ATTENDANCE SLIP

I certify that I am a registered member/proxy for the registered member of the Company.

I hereby accord my presence at the 64th Annual General Meeting of the Company at Chowdiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore at 10.00 A.M. on Wednesday, the 3rd August, 2011.

Member/Proxy's Name in Block Letter

Member/Proxy's Signature

L.F. No. :

Client ID : NSDL

Client ID : CDSL

Please bring this attendance slip and hand it over at the entrance of hall.

KIRLOSKAR ELECTRIC COMPANY LIMITED

Industrial Suburb, Rajajinagar, Bangalore - 560 010.

PROXY FORM

I /We _____ of _____ being a Member / Members of KIRLOSKAR ELECTRIC COMPANY LIMITED hereby appoint _____ of _____ or failing him _____ in the District of _____ of _____ or failing him _____ of _____ as my / our proxy to attend and vote for me / us on my / our behalf at the 64th Annual General Meeting of the Company to be held at Chowdiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore, on Wednesday, the 3rd August, 2011 and at any adjournment thereof.

As witness my hand /our hand this _____ day of _____ 2011

Signed by the _____

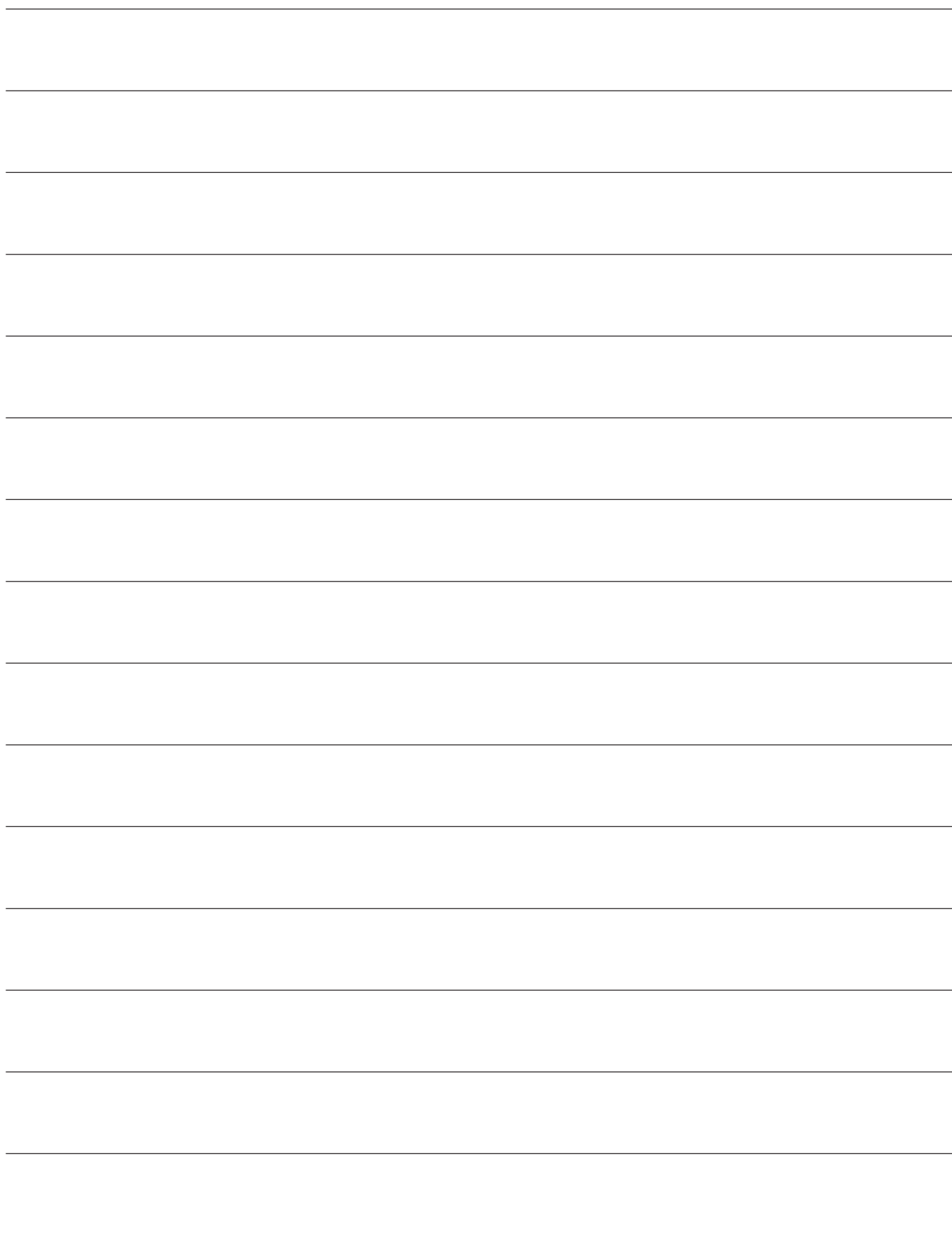
Affix
Re. 1
Revenue
Stamp

L.F. No. :

Client ID : NSDL

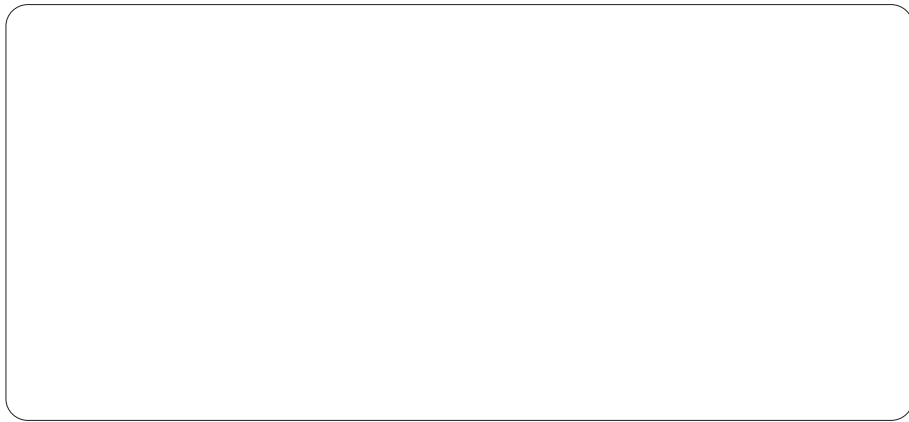
Client ID : CDSL

Note : The proxy must be deposited at the Registered Office of the Company at Industrial Suburb, Rajainagar, Bangalore 560 010, not later than 48 hours before the time of holding the meeting.





BOOK-POST



If undelivered please return to:
KIRLOSKAR ELECTRIC COMPANY LTD.
P. B. NO. 5555, Malleswaram West, Bangalore - 560 055.